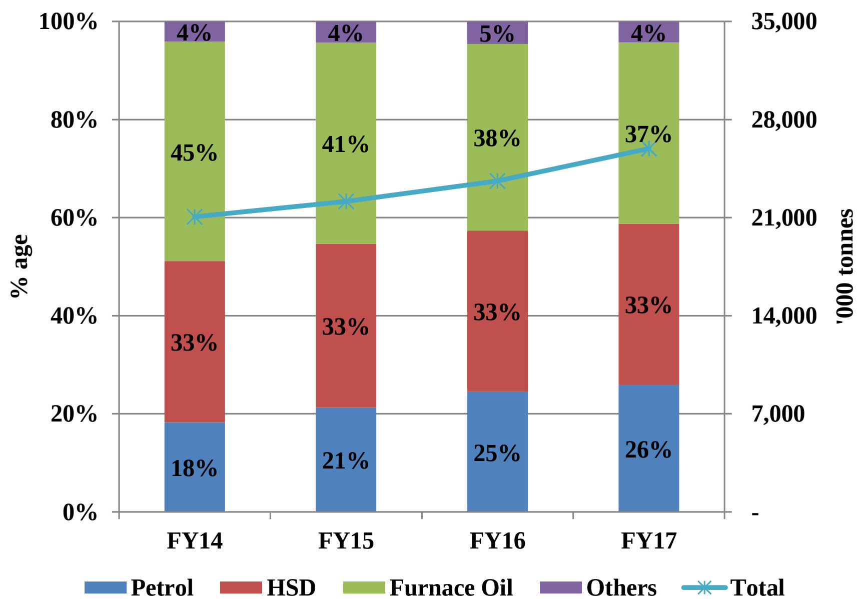
Oil Marketing Companies

December 2017

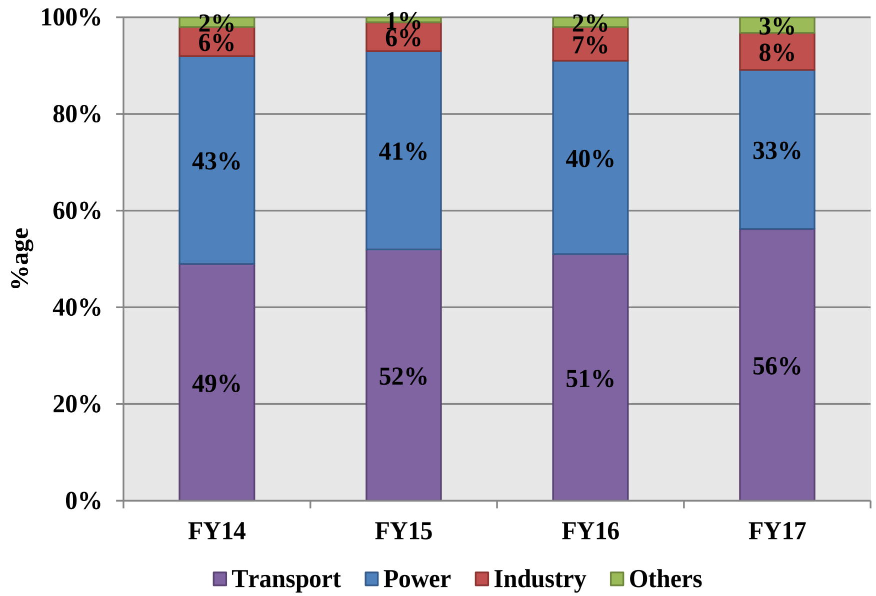
National Fuel Consumption – *Product Wise*



- The country's petroleum products consumption have shown a rising trend over the past few years.
- ~98% POL consumption is distributed among three major products.

Industry - Product wise consumption (MMT)				
Products	**FY14**	**FY15**	**FY16**	**FY17**
White Oils				
Motor Spirit (MS)	3.8	4.8	5.8	6.6
JP	0.6	0.8	0.9	1.0
High Speed Diesel (HSD)	6.8	7.4	7.8	8.5
Black Oils				
Furnace Oil (FO)	9.4	9.3	9.0	9.6
Others	0.9	0.7	0.3	0.8
Total	**21.1**	**22.2**	**23.0**	**25.6**
Increase (%)	9%	5%	4%	11%

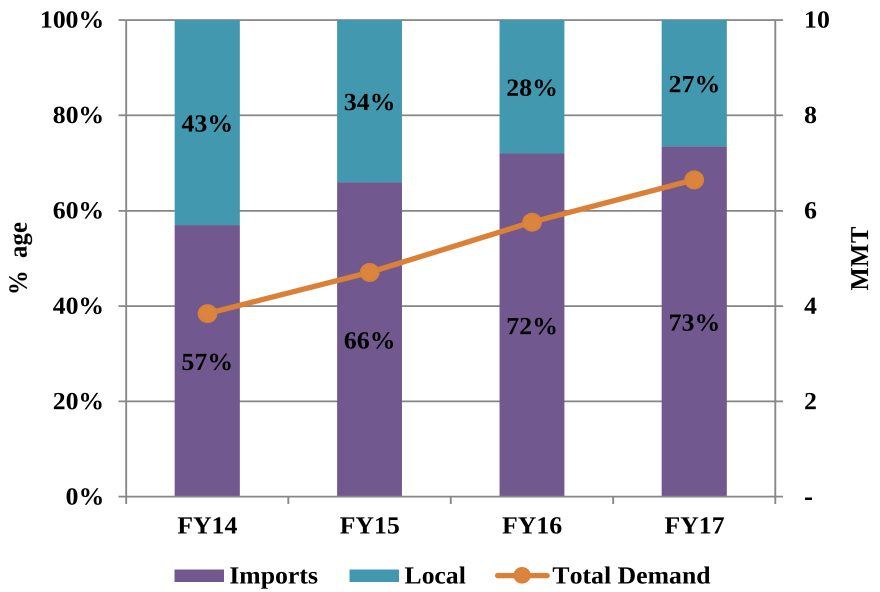
National Fuel Consumption – *Sector Wise*



	FY14	FY15	FY16	FY17
Transport	49%	52%	51%	56%
Power	43%	41%	40%	33%
Industry	6%	6%	7%	8%
Others	2%	1%	2%	3%
Total	100%	100%	100%	100%

- The country's consumption is mainly driven by two sectors constituting ~90% of the demand.
- Transport sector demand is met by Diesel followed by Petrol.
- Furnace Oil dominates power sector demand.

MS (*Production v/s Import*)

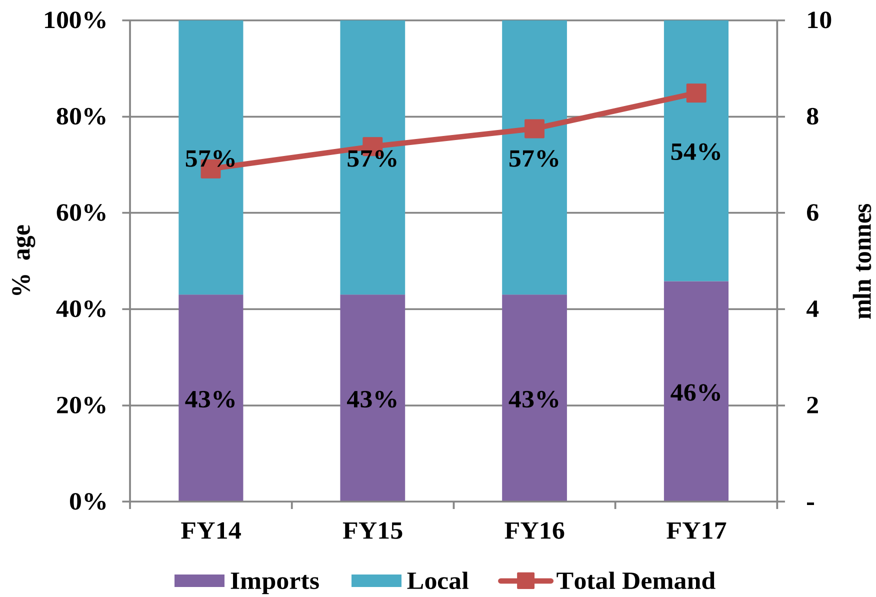


- The country's petrol consumption observed continuous rising trend due to higher automobile demand and low availability of CNG.
- The increased consumption levels in recent years led to a heavy reliance on imports to meet the domestic demand

Amounts in '000 MT

	FY14	FY15	FY16	FY17
Imports	2,191	3,106	4,147	4,885
Local	1,653	1,600	1,613	1,762
Total Demand	**3,844**	**4,706**	**5,760**	**6,647**
Increase (%)	15%	22%	22%	15%

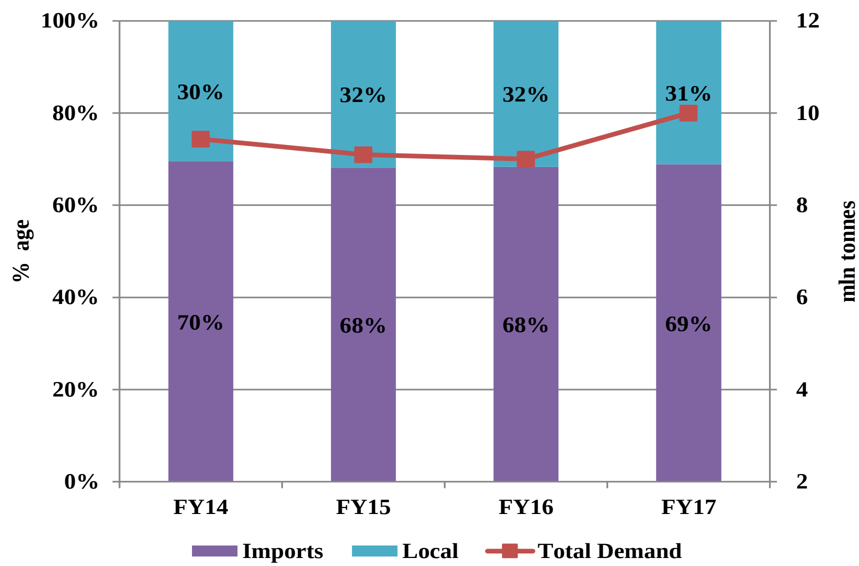
HSD (*Production v/s Import)*



- The country's diesel consumption increased on the back of energy demand
- Increased quantum of circular debt resulted in stagnant local production levels resulting more reliance on imports

				Amounts in MMT	
	FY13	**FY14**	**FY15**	**FY16**	**FY17**
Imports	2,957	2,973	3,173	3,082	3,890
Local	3,863	3,941	4,206	4,669	4,603
Total Demand	**6,820**	**6,914**	**7,379**	**7,751**	**8,493**
Increase (%)	0.3%	1%	7%	5%	10%

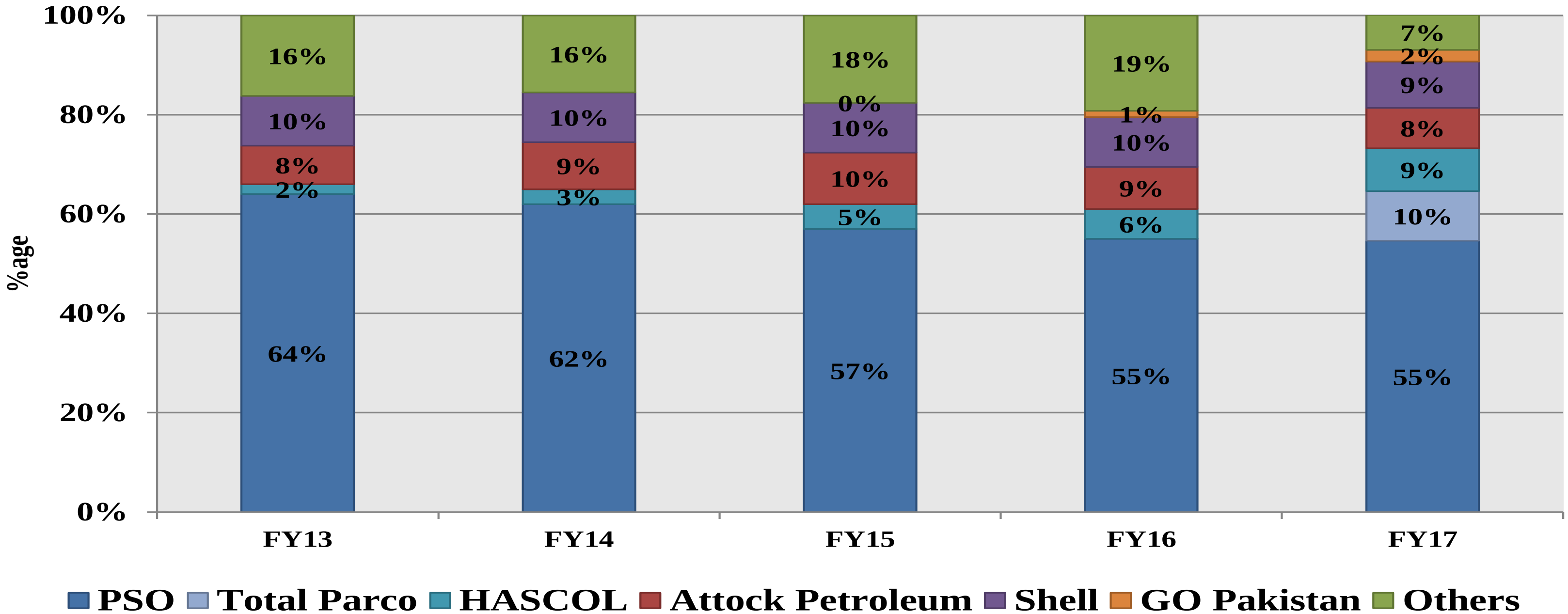
FO (*Production v/s Import)*



- The imported LNG impacted the demand pattern of furnace oil in the power generation mix during the last two years

			Amounts in MMT	
	FY14	**FY15**	**FY16**	**FY17**
Imports	6,561	6,198	6,151	6,612
Local	2,873	2,899	2,848	2,987
Total Demand	**9,434**	**9,097**	**8,999**	**9,599**
Increase/Decrease (%)	12%	-4%	-1%	7%

OMCs Market Share



- *The major portion of others is represented by Total Parco (Previously Chevron)*
- *Five major players represent over ~90% market share*
- *PSO captures the largest market share, though declining over the years*
- *HASCOL emerges as the key player with constant increase in its share*

Peer comparison

- OMC sector in Pakistan is dominated by players listed on the country's stock exchange.
- Listed companies of the sector represent ~80% of total volume sold
- Almost all major companies in the sector have observed an increase in revenues mainly due to an uptick in POL volumes

PSO				
(PKR mln)	**FY17**	**FY16**	**FY15**	**FY14**
Revenue	878,147	677,967	1,114,411	1,409,574
Gross Margin	4%	3%	2%	3%
PBT	29,347	16,289	12,033	32,969

Shell Pakistan				
(PKR mln)	**end-Sept17**	**CY16**	**CY15**	**CY14**
Revenue	158,970	214,853	249,394	292,141
Gross Margin	7%	7%	4%	3%
PBT	4,473	5,706	2,345	546

Attock Petroleum				
(PKR mln)	**FY17**	**FY16**	**FY15**	**FY14**
Revenue	172,081	109,234	171,730	205,163
Gross Margin	4%	5%	3%	3%
PBT	7,699	5,633	4,927	5,942

Hascol Petroleum				
(PKR mln)	**end-Sept17**	**CY16**	**CY15**	**CY14**
Revenue	152,321	99,508	94,065	99,061
Gross Margin	3%	5%	4%	2%
PBT	1,858	2,154	1,197	865

OMC Margin

Fuel	Dealer Margin	OMC Margin
Petrol	3.35	2.55
High Speed Diesel	3.16	2.41
Light Diesel Oil	-	1.61
SKO	1.58	-

Furnace Oil market is deregulated; Margin remains at ~3% of the imported price

- The OMC margins are fixed in terms of PKR for MS and HSD.
- The ECC approved to increase these margins by PKR 0.6 for both the products beginning 1st July, 2016 (previously Rs 2.35/litre).
  - It was also decided to link the increase in margins with CPI (Consumer Price Index), going forward
- The margin related to furnace oil remains linked with the imported price

Key Challenges

- Any unfavorable change in OMC and dealer margins may impact the profitability

- Increase in circular debt will impact working capital cycles
  - Net receivables position of some major players is depicted as follows:

Net Receivables *(PKR mln)*		
	end-Sept17	end-Jun17
PSO	219,120	212,619
Shell Pakistan	2,989	2,497
Attock Petroleum	11,377	10,881
Hascol Petroleum	11,342	11,674

- Exchange rate depreciation

Bibliography

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