SECTOR STUDY . DECEMBER 2024

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Oil Marketing Companies & Dealers

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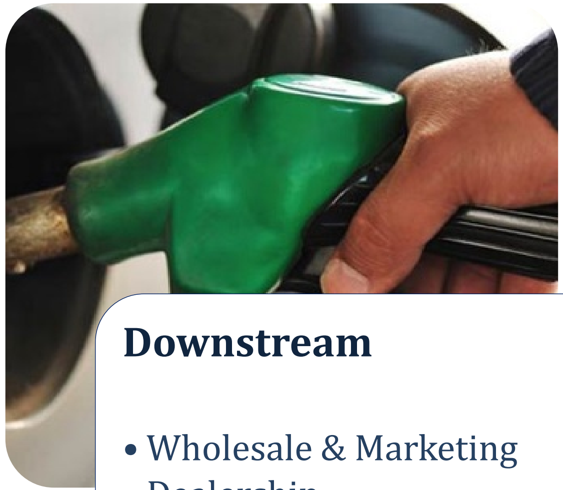

Downstream

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This report focuses on the oil industry's downstream segment, including key market players such as oil marketing companies and dealerships that manage fuel stations. These entities play a crucial role in distributing and selling POL products, bridging the gap between oil production and end consumers.

Source: OPEC

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Oil Value Chain

Crude oil is a mixture of hydrocarbons in the liquid phase in natural underground reservoirs and remains liquid at atmospheric pressure after passing through surface separating facilities.

Crude oil is extracted and transported across the globe to be converted into oil derivatives. Exploration, extraction and production of crude oil takes in the upstream.

Refineries break crude oil down into its various components, which are then selectively reconfigured into new products. All refineries have three basic steps: Separation, Conversion, and Treatment. This is the midstream where crude oil is converted into refined POL products.

POL products include gasoline, distillates such as HSD fuel and heating oil, jet fuel, petrochemical feed stocks, waxes, lubricating oils, and asphalt. They are marketed, distributed and retailed at downstream sector through oil marketing companies and dealers.

Source: EIA

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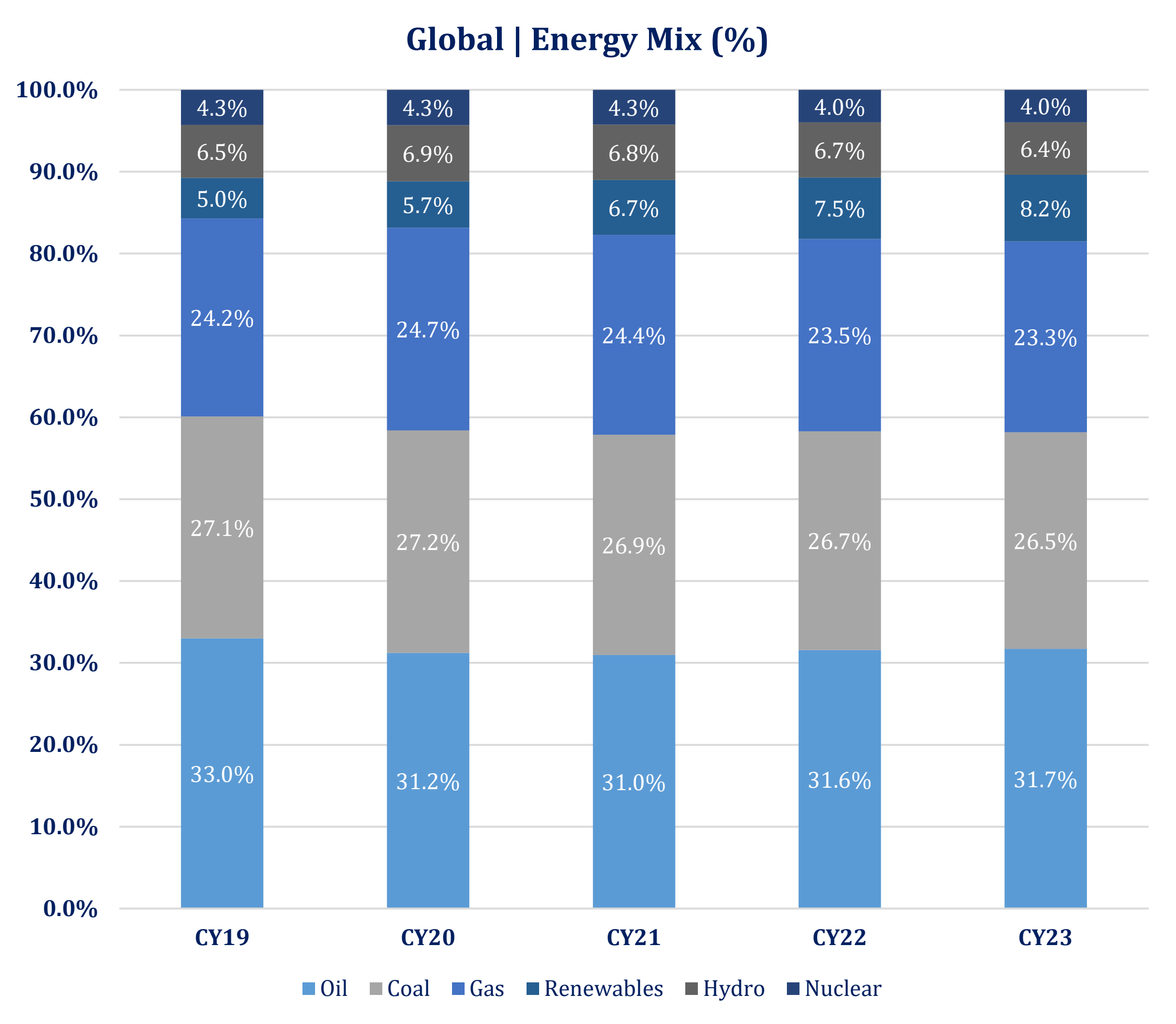
Global | Energy Mix

- The global energy mix, over the last 5 years (CY19-23), has been dominated by fossil fuels, with oil being the major contributor. It is followed by coal and gas. These comprised the lion's share in the global energy mix at ~81.5% of the total in CY23 (CY22: ~82.0%).

- Oil demand is expected to peak by CY30 with natural gas and oil forecasted to remain a core part of the global energy mix till then. Post CY30, a gradual but continuous decline in oil demand is envisaged driven by factors such as improved engine efficiency, continued electrification of road transportation, and international efforts for environmental sustainability.

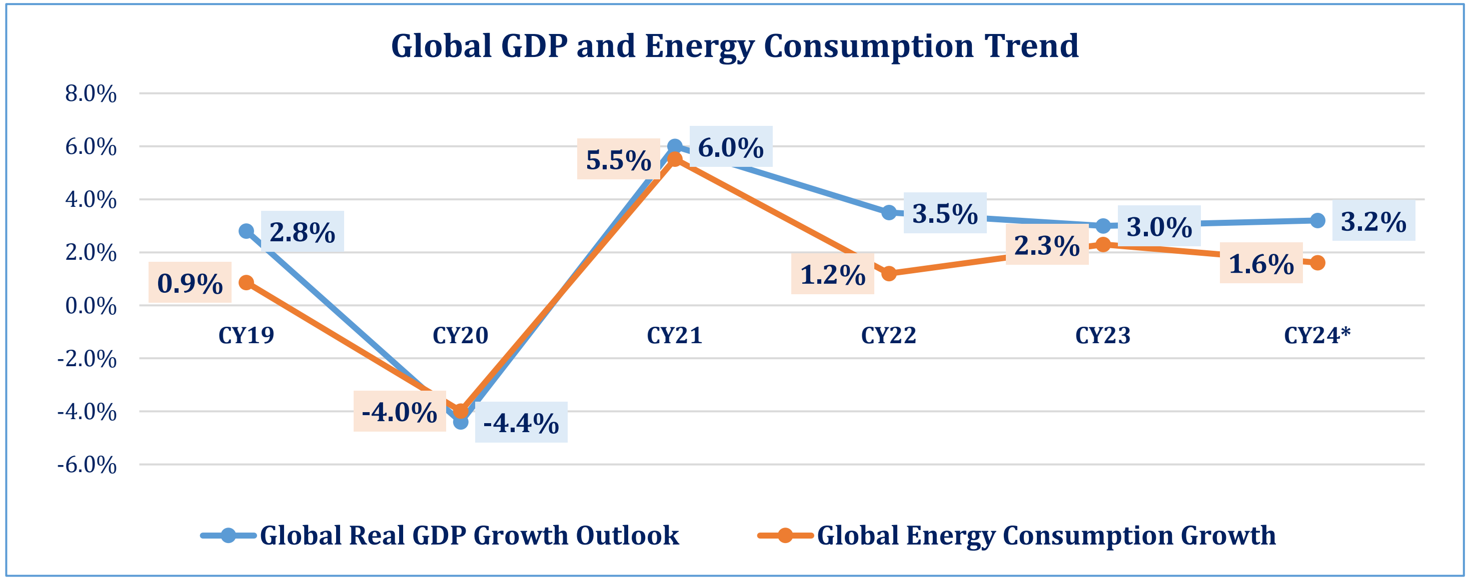
- LNG imports are expected to contribute to the growing use of natural gas in developing economies, accounting for ~65-75% of the increase in Asia by CY30. It is expected to have increasing usage in power and industrial sectors in this region.

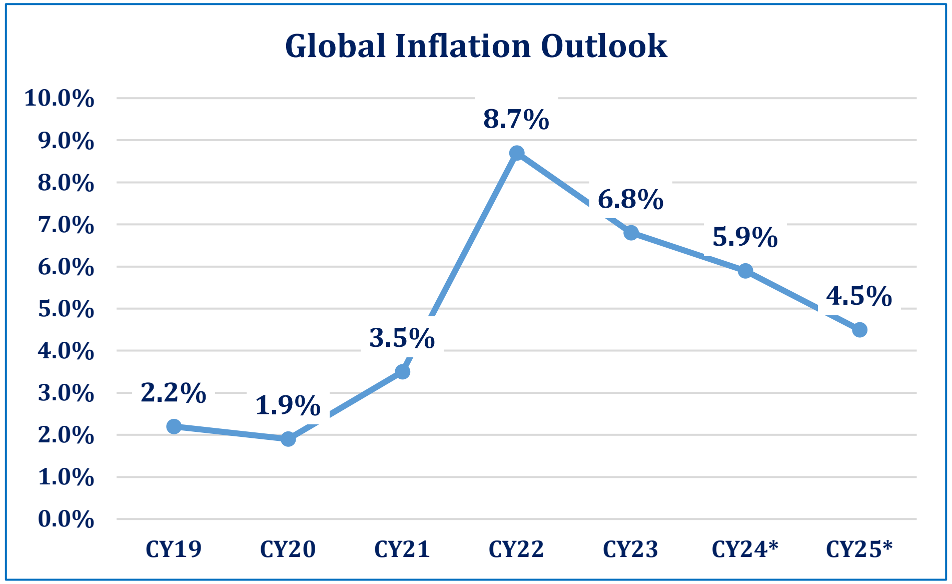
- Global energy demand is forecasted to see a continuous rise till CY50, driven by India, ASEAN nations, and the Middle East. However, this growth would be fueled by Renewable energy sources as they are forecasted to increase their share in the global energy mix to ~60% by CY50. The growth in installed wind and solar capacity by CY30 is forecasted to be dominated by China and the developed world, each accounting for ~30-40% of the overall increase in capacity. However, the renewable build-out faces challenges such as supply chain issues and slow implementation.



Global | Economic Outlook

- **Global GDP i**s expected to grow at ~3.2% in CY24 and ~3.3% in CY25. For the USA, projected GDP growth is revised downward to ~2.6% during CY24, slowing further to ~1.9% in CY25. This is mainly because of the cooling of the labor market. In China, GDP is forecasted to grow at ~5.0% in CY24 because of a rebound in private consumption and strong exports in 1QCY24, before slowing down to ~4.5% in CY25. For India, it is likely to clock in at ~7.0% in FY25, while already clocking in at ~8.2% for FY24, owing to improved private consumption, especially in rural areas. Pakistan's GDP growth in FY24 was ~2.5%. It is forecasted to be ~3.2% for FY25 by the IMF.
- **Global Energy consumption** is strongly linked with GDP growth. Energy consumption increases as economies grow. Energy consumption is expected to increase by ~1.6% in CY24 as compared to an increase of ~2.3% in CY23. Slow growth in various economies, such as the USA, could also mean the energy consumption growth rates could be lower.
- **Global Headline Inflation** is expected to fall to ~5.9% in CY24 and to ~4.5% in CY25 globally. New commodity price spikes from geopolitical shocks, including but not limited to continued attacks in the Red Sea, conflicts, and supply disruptions, could result in higher inflation. This could delay monetary easing in advanced economies. At the same time, most economies have fared well through tight monetary policy during the year, with interest rates starting to be revised downwards. For example, the USA has reduced its rate by 25 basis points to ~4.5%. Making this the second successive 25 basis points cut, taking the cumulative cut to 50 basis points for 2HCY24.





*Projected. **Note:** Energy consumption forecast for CY24 is latest available.

Source: IMF WEO, BP

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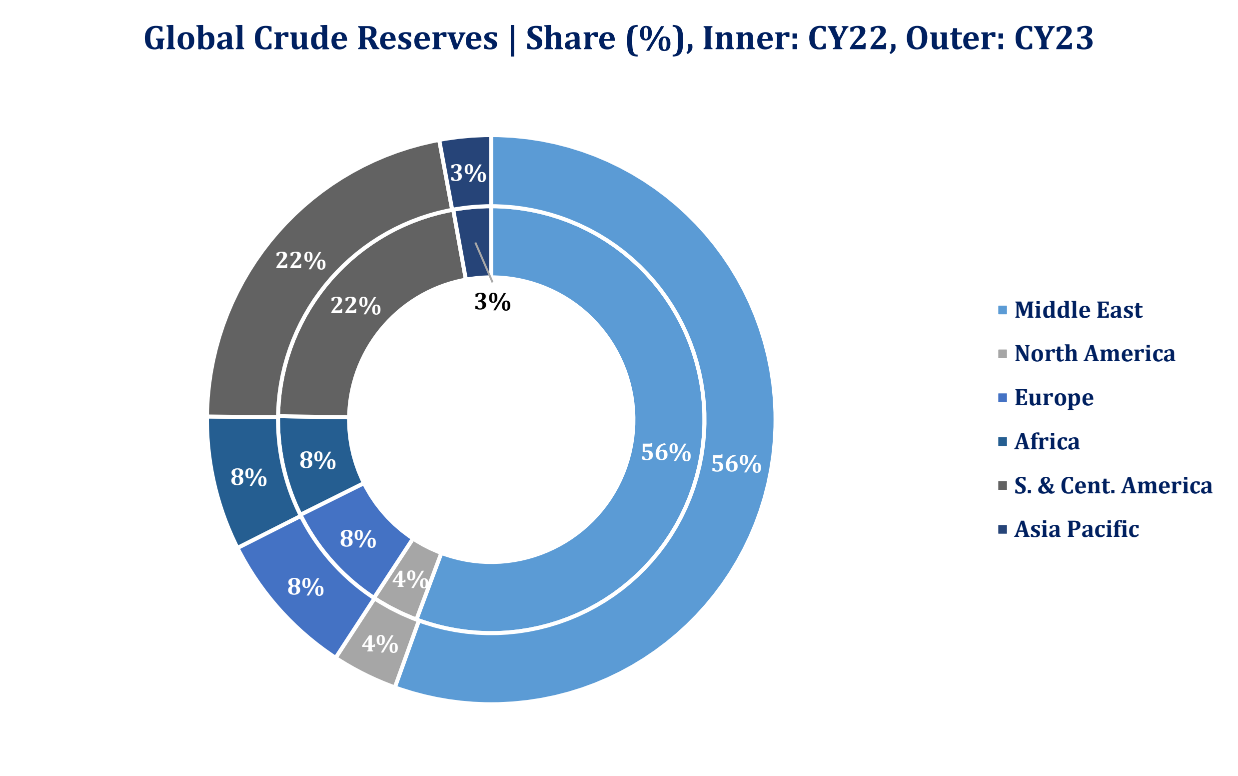
Global | Crude Oil Reserves

- During CY23, global crude oil reserves stood at ~1,570bln barrels or ~214,148mln MT (CY22: ~1,564bln barrels or 213,330mln MT), up ~0.4% YoY. The largest reserves were registered in the Middle East (~55.5% in CY23; CY22: ~55.7%).
- A further breakdown concerning the Middle Eastern countries reveals that Saudi Arabia has ~17.0% of the global reserves in CY23 (CY22: ~17.1%), while Iran comprised ~13.3% of the share (CY22: ~13.3%).
- South & Central American countries together accounted for ~21.9% (CY22: ~21.9%) of the total crude reserves in CY23. Meanwhile, Venezuela alone had ~19.3% (CY22: ~19.4%) of the global crude reserves.
- Asia Pacific region accounted for ~2.9% of the global crude reserves in CY23 (CY22: ~2.9%).
- Europe accounted for ~8.3% of the global crude reserves, while Russia's crude oil reserves formed ~5.1% (CY22: ~5.1%) of the world total in CY23. Africa accounted for ~7.6% (CY22: ~7.6%) of the world's total crude oil reserves during the year.

Global Crude Oil Reserves (mln MT)

Time Period	CY19	CY20	CY21	CY22	CY23
World Total	211,966	210,738	210,738	213,330	214,148



***Note**: Oil Sands are not considered in Crude Reserves*

Source: OPEC, EIA

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Global | Crude Oil Supply and Demand

- In CY23, global crude oil production as a share of total available reserves stood at ~2.1% (CY22: ~2.0%). Saudi Arabia accounted for ~11.8% of the world crude produced (CY22: ~13.0%), clocking in at ~531.7mln MT (or ~11.4mbpd) (CY22: ~574.2mln MT or ~12.2mbpd).
- Meanwhile, the USA made up ~18.3% of the global crude oil produced (CY22: ~17.2%), with an ~8.5% YoY increase to ~827.1mln MT or ~17.8mbpd (CY22: ~16.7mbpd or ~761.5mln MT). Overall, the Middle East and North America comprised ~31.3% and ~26.7% of the global crude oil production in CY23 (CY22: ~32.5%, and ~25.6%, respectively). The 'Other CIS' region contributed ~15.0% (CY22: ~15.4%), with Russia's share in global output recording at ~12.0% (CY22: ~12.4%).
- The global crude consumption was up ~2.5% YoY in CY23, clocking in at ~4,530.5mln MT (CY22: ~4,420.5mln MT). Asia Pacific formed ~38.5% of the global crude consumption, recording ~1,744.3mln MT.
- China was the highest consumer in Asia Pacific, making up ~17.0% of the global crude consumption at ~768.6mln MT. Meanwhile, the USA was the biggest consumer globally, forming ~18.0% of the global crude oil consumption, recording ~815.6mln MT.

Crude Oil Production (mln MT)					
Period	**CY19**	**CY20**	**CY21**	**CY22**	**CY23**
Crude Extraction	**4,487.4**	**4,188.2**	**4,237.9**	**4,424.1**	**4,514.1**
Middle East	1,411.4	1,300.3	1,314.7	1,442.1	1,413.9
North America	1,109.4	1,060.4	1,079.0	1,133.6	1,207.5
CIS	718.5	659.1	673.2	679.2	675.2
Asia Pacific	361.5	353.1	348.2	344.5	345.7
S. & Cent. America	329.5	313.0	313.5	339.7	378.1
Africa	397.2	333.9	348.4	333.6	341.5
Europe	160.0	168.4	160.9	151.4	152.1

Crude Oil Consumption (mln MT)					
Period	**CY19**	**CY20**	**CY21**	**CY22**	**CY23**
Crude Consumption	**4,451.5**	**4,051.2**	**4,277.6**	**4,422.1**	**4,530.5**
Asia Pacific	1,661.7	1,574.2	1,613.0	1,656.6	1,744.3
North America	1,031.5	900.8	983.4	1,000.3	1,005.1
Europe	700.3	609.3	639.1	660.5	653.6
Middle East	390.9	362.5	382.9	411.6	421.4
S. & Cent. America	279.2	242.8	271.1	291.1	301.2
CIS	198.3	191.9	202.8	207.0	210.1
Africa	189.6	169.7	185.1	195.0	194.8

***Note**: mbpd stands for mln barrels per day.*

Source: BP, Enerdata, EIA

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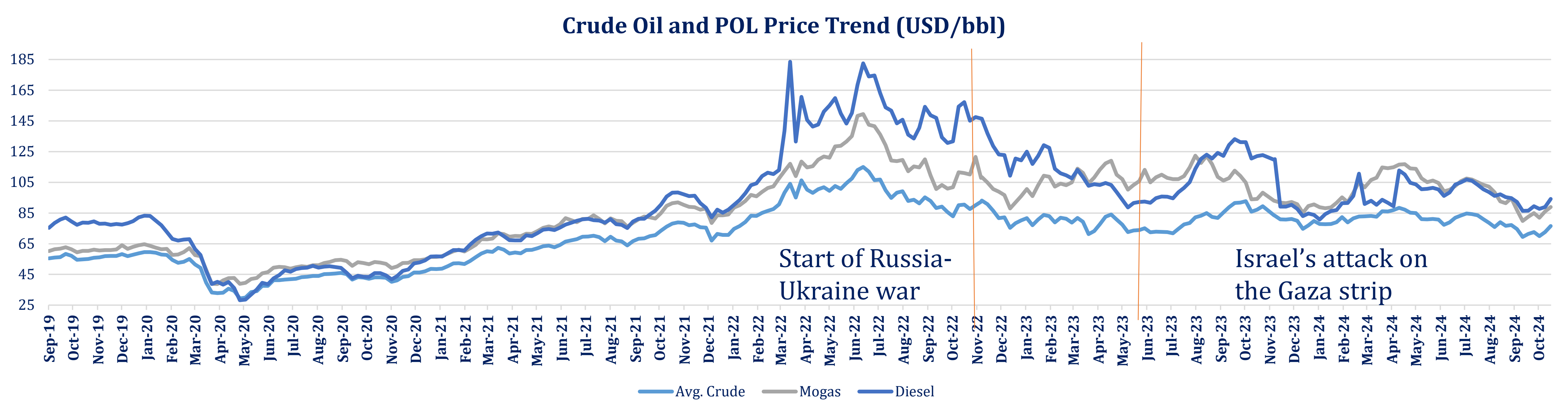
Global | Prices



- Global POL product prices (MOGAS and HSD) move in tandem with the global crude oil prices. During Sep'19-Oct'24, average global crude prices remained at USD~71.45/bbl, registering a high of USD~114.99/bbl in June'22 and a low of USD~29.89/bbl in May'20.
- Following the Russia-Ukraine conflict (which started in February 22), Brent prices averaged USD98.4/bbl in CY22 due to global supply chain disruptions (Russia was the second-largest exporter of crude oil in CY21).
- In CY23, crude oil prices averaged at USD~71.3/bbl, down ~31.0% YoY, on account of slower growth in China (top crude oil importer in CY22, with ~23.8% share in global imports). However, in 1HCY24, prices averaged at USD~81.1/bbl, on the back of continued supply cuts by OPEC+, offsetting demand from China and steady Federal Funds Rate during Aug'23-Jun'24 (~5.38%).
- The fluctuation is forecasted to continue, especially if the conflict in the Middle East spreads to a wider scale. Oil prices were projected to see an increase to USD~80/bbl in the 4QCY24, However, these projections have been revised as oil prices have dipped post US elections.

Source: Investing, BP, Fitch, IFS

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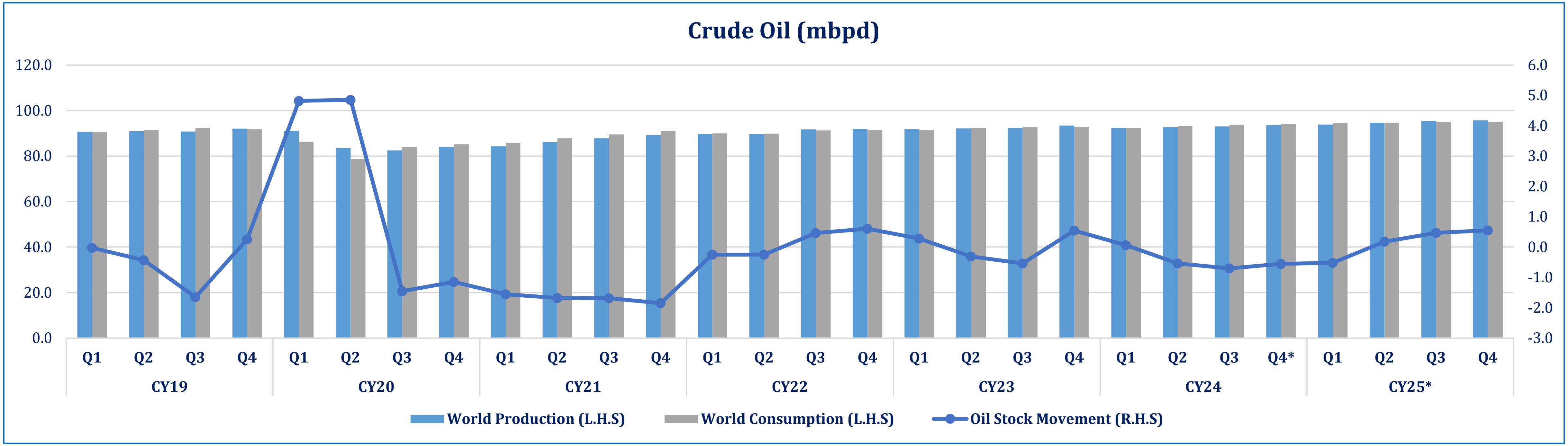
Global | Crude Stock Analysis

- Global crude oil inventories are a function of crude oil production and consumption levels for a given period. A positive inventory drawdown indicates greater production than consumption, whereas a negative drawdown indicates the opposite.
- In CY23, average global crude production rose ~2.0% to ~90.7mbpd, while average crude consumption was recorded at ~91.0mbpd, up ~2.5% YoY. leading to an average drawdown of ~0.3mbpd. During 9MCY24, average global crude production was recorded at ~92.7mbpd, while average global crude consumption clocked in at ~93.1mbpd, leading to a drawdown of ~0.4mbpd, average. A decrease in prices is often followed by an increase in crude oil stocks as can be seen from Q1CY20. stock levels generally rise due to lack of demand or oversupply, and thus is followed by a price reduction.
- For CY24, average crude oil consumption and production is forecast at ~92.9mbpd and ~93.4mbpd, respectively, while average drawdown is expected to record at ~0.5mbpd.



*Forecast. **Note**: mbpd stands for mln barrels per day.

Source: EIA, OPEC

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Global | Crude Oil Trade

- **Crude Oil Exports**: In CY23, major crude oil exporters included Saudi Arabia, Russia, and Canada, with these forming ~37.4% of the total crude oil exported. International crude oil traded stood at ~2.1bln MT (or ~68.1mbpd) in CY23. For Saudi Arabia, the largest export destinations were other Asia Pacific countries in CY23 (~26.7%, CY22: ~25.2%), China (~24.6%, CY22: ~24.0%), and Japan (~14.7%, CY22: ~14.4%). Of Russia's total crude oil exports, ~13.5% went to Europe (CY22: ~44.2%), while ~44.4% was imported by China (CY22: ~32.5%). Meanwhile, the USA exported ~43.5% of its total crude exported to Europe (CY22: ~44.9%).

- **Crude Oil Imports**: The top three global importers of crude oil formed ~62.2% of the total crude oil imported globally in CY23 (CY22: ~75.5%). China remained the largest crude oil importer, with ~11.0% YoY higher imports signaling economic recovery. Meanwhile, Europe imported ~10.7% YoY lower crude (CY22: ~11.3% YoY growth), with Russia forming ~4.3% of its total crude oil imports (CY22: ~10.0%) and the USA accounting for ~15.2% during the year (CY22: ~20.3%), reflecting the region's lower dependency on Russia's crude oil.

Country	Exports | mln MT		Share, Global Exports (%)	YoY Δ
	CY22	CY23		
Saudi Arabia	367.9	349.1	16.4%	-5.1%
Russia	262.6	240.8	11.3%	-8.3%
Canada	198.8	207.2	9.7%	+4.2%
US	161.3	185.0	8.7%	+14.7%
Iraq	191.1	184.2	8.7%	-3.6%
UAE	178.4	170.7	8.0%	-4.3%
ROW	775.3	790.0	37.1%	+1.9%
World	**2,135.3**	**2,127.1**	**100%**	**-0.4%**

Country	Imports | mln MT		Share, Global Imports (%)	YoY Δ
	CY22	CY23		
China	508.0	563.9	26.5%	+11.0%
Europe	488.9	436.6	20.5%	-10.7%
US	312.9	323.8	15.2%	+3.5%
Other Asia Pacific*	297.7	288.5	13.6%	-3.1%
India	231.2	231.0	10.9%	-0.1%
Japan	132.5	125.5	5.9%	-5.3%
ROW	164.1	157.7	7.4%	-3.9%
World	**2,135.3**	**2,127.1**	**100%**	**-0.4%**

* *Includes Asia pacific regions except China*

Source: BP, EIA

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Global | POL Products Trade

- **POL Product Exports**: In CY23, major exporters of POL products included the USA, Asia Pacific, and Europe, with combined export share clocking in at ~39.9% (CY22: ~39.7%). Meanwhile, Russia's export market share declined from ~10.0% in CY22 to ~7.3% in CY23, with the country's exports to Europe down ~50.9% YoY. For Asia Pacific, Australasia and China remained the top export destinations, forming ~52.9% during the year (CY22: ~52.0%). For India, exports of POL products rose 6.8% YoY, with exports to Europe up ~47.0% YoY and those in Europe, the Middle East, and Africa forming ~71.4% of the country's total POL product exports (CY22: ~62.9%).

- **POL Product Imports**: The top three importers (as depicted) comprised ~40.6% of the total POL products imported (CY22: ~41.7%), with Asia Pacific recording a net trade deficit of ~58.6mln MT in CY23 (~65.6mln MT). During the year, China's imports rose ~23.5% YoY, with imports from Russia up ~68.7% YoY and Russia, Asia Pacific, and the USA cumulatively forming ~64.2% of the country's total POL product imports (CY22: ~59.4%).

Country	Exports | mln MT		Share, Global Exports (%)	YoY Δ
	CY22	CY23		
US	253.9	258.0	21.2%	+1.6%
Other Asia Pacific	123.0	126.6	10.4%	+2.9%
Europe	107.3	100.3	8.3%	-6.5%
India	87.4	93.3	7.7%	+6.8%
UAE	90.2	92.5	7.6%	+2.6%
Russia	121.8	90.9	7.5%	-25.4%
ROW	437.3	453.9	37.3%	+3.8%
World	**1,220.9**	**1,215.5**	**100%**	**-0.4%**

Country	Imports | mln MT		Share, Global Exports (%)	YoY Δ
	CY22	CY23		
Europe	206.2	193.4	15.9%	-6.2%
Other Asia Pacific	188.6	185.2	15.2%	-1.8%
China	92.6	114.4	9.4%	+23.5%
S. & Cent. America	113.7	105.9	8.7%	-6.9%
US	98.6	97.5	8.0%	-1.1%
Singapore	72.4	72.2	5.9%	-0.3%
ROW	448.7	446.9	36.8%	-0.4%
World	**1,220.9**	**1,215.5**	**100%**	**-0.4%**

Source: BP, EIA

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Global | POL Consumption Mix

- Among POL products, MOGAS remained the highest-consumed product in CY23, with a share of ~31%, followed by HSD with a share of ~28%.

- The global POL consumption mix of White Oils has stayed relatively the same in the last five years (CY19 – CY23). Demand for Jet Fuel in CY22 exhibited an increase, reflecting a boost in international travel post-COVID restrictions.

- White Oils, comprising MOGAS, HSD, Jet Fuel, and Kerosene made up for ~68% of consumption in CY23, Black Oils formed ~24% of the global consumption mix, and Gases stood at ~8%. These shares remain in line with the consumption pattern in CY22.

- High-speed Diesel (HSD or simply Diesel) is mainly used as a fuel in engines operating above ~750rpm in commercial vehicles, stationary Diesel engines (e.g. pumps, generators, factory machinery), and locomotives.

POL Consumption Mix					
Period	**CY19**	**CY20**	**CY21**	**CY22**	**CY23**
White Oils	**69%**	**66%**	**67%**	**68%**	**68%**
MOGAS	31%	30%	30%	31%	31%
HSD	29%	30%	29%	29%	28%
Jet Fuel	9%	5%	6%	8%	8%
Kerosene	1%	1%	1%	1%	1%
Black Oils	**23%**	**26%**	**25%**	**24%**	**24%**
Other Petroleum Liquids	20%	22%	21%	20%	20%
Residual Fuel Oil	4%	4%	4%	4%	3%
Gases	**8%**	**8%**	**8%**	**8%**	**8%**
Liquefied Petroleum Gases	8%	8%	8%	8%	8%
Total	**100%**	**100%**	**100%**	**100%**	**100%**

**Data covers 26 countries which account for ~90% of the global POL consumption*

Source: EIA

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Global | Top Ten Companies

Top 10 Oil Integrated Companies | CY23				
Sr.	**Companies**	**Country/ Region**	**Revenue (USD bln)**	**Net income (USD bln)**
1	Saudi Aramco.	Saudi Arabia, EMEA	494.8	121.2
2	Chinese Petroleum and Chemicals Corp.	China, Asia Pacific	453.7	8.2
3	PetroChina Co Ltd.	China, Asia Pacific	425.5	22.8
4	ExxonMobil	Texas, USA	338.3	36.0
5	Royal Dutch Shell	Netherland, EMEA	316.6	19.4
6	Total Energies	France, EMEA	218.9	21.4
7	British Petroleum	UK, EMEA	208.4	15.2
8	Chevron	California, USA	194.8	21.4
9	Marathon Petroleum	Ohio ,USA	149.4	9.7
10	Valero Energy Corporation	Texas, USA	139.0	8.8
Total			**2,939.3**	**284.1**

- The global oil industry size is estimated at USD~4.2trn in CY24, up from USD~4.1trn in CY23.The top 10 companies in the Oil sector alone recorded revenues of USD~2.94trn, which accounted for ~ 70% of the global revenue share.
- This indicates that the global oil industry is highly consolidated, with a few prominent companies and countries controlling a major portion of sales. However, the Distributing and retailing segment is somewhat fragmented, as many smaller, local players worldwide contribute to distribution and retail operations.
- Oil marketing companies have generally high volumes and lower net incomes, as most of the revenue goes into costs of sales. Net incomes and net margins of the top 10 companies differ as these companies operate in different sectors of the oil industry. For example, Aramco has a very high net income of USD~121.2 bln due to its exploration and production operations.

Source: S&P, BP, IMF

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Global | Outlook

- The global oil industry size is estimated at USD~4.2trn in CY24, up from USD~4.1trn in CY23. The top 10 companies in the Oil sector alone recorded revenues of USD~2.94trn, which accounts for ~ 70% of the global revenue share. This indicates that the global oil industry is highly consolidated, with a few prominent companies and countries controlling a major portion of sales.
- Energy consumption is expected to increase by ~1.6% in CY24 as compared to an increase of ~2.3% in CY23. Oil demand is expected to peak by CY30 with natural gas and oil forecasted to remain a core part of the global energy mix.
- During CY23, global crude oil reserves stood at ~1,570bln barrels or ~214,148mln MT (CY22: ~1,564bln barrels or 213,330mln MT), up ~0.4% YoY. The largest reserves were registered in the Middle East (~55.5% in CY23; CY22: ~55.7%).
- For CY23, average global inventory levels recorded at ~0.05mbpd (CY22: ~0.6mbpd), while for 3QCY24, the EIA estimates show global oil inventories fell by ~0.8mbpd and it is expected to decline further by ~0.6mbpd 1QCY25, reflecting ongoing production constraints, which could lead to price hikes in the future if the trend continues.
- Global oil prices are forecasted to experience a "geopolitical premium" for the next 12-18 months due to ongoing volatility from the conflict in the Middle East. Moreover, prices could spike further if Iran's oil sites are targeted.
- Global oil inventories are at approximately ~600mln MT, the lowest since 2017, which creates additional room for oil prices to increase.
- Oil prices were expected to rise to USD~80/bbl in 4QCY24 due to the momentum carried after the conflicts erupted in the Middle East. However, since the elections in the U.S., oil prices have settled at early USD~70/bbl.
- Following the recent U.S. elections, oil prices have dropped significantly. The geopolitical premium, which had been driven by instability in the Middle East and Ukraine, may begin to ease as expectations grow that the new U.S. government will work toward resolving these conflicts.
- If geopolitical tensions in the Middle East stabilize, oil prices could decline to USD 60/bbl by CY25, as the geopolitical premium on oil prices would likely subside, influenced by efforts from major oil producers to avoid conflict and maintain economic stability. Although chances are lower, the situation could turn the other way around as well, since uncertainty remains high as to the future of the ongoing hostility in the Middle East. This could lead to an increase in oil prices, contrary to the current estimates.

Source: JP Morgan

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Local | Snapshot

- Pakistan's Oil Marketing Companies (OMC) sector's gross revenue was recorded at PKR~7,737bln during FY24, up ~45.9% YoY. The growth in revenues is attributable to higher average POL prices during the year. During FY23, the sector's revenue was up ~24.4% YoY, clocking in at PKR~5,303bln.

- POL products' consumption (domestic production and imports) increased by ~0.5% YoY during FY24 (FY23: down ~28.3% YoY), clocking in at ~21.6mln MT. This came on the back of local refineries' output increase of ~7.1% YoY (FY23: ~12.6% YoY decline).

- During FY24, imports comprised ~57.0% of the total POL supply, volumetrically (FY23: ~57.9%), while the local production made up for the rest. POL products made up ~22.2% of the country's total import bill (in USD terms) (FY23: ~22.8%).

- Moreover, demand for POL products remained muted on the back of higher prices and overall inflationary pressure in the economy during the year.

- The lower imports of POL products and relatively low crude oil prices internationally, helped the country's import bill as the total crude oil and POL products accounted for USD~12.2bln in FY24 (FY23:USD~12.6bln). The average crude oil prices were recorded at USD ~82.6/bbl in FY24 (FY23: USD ~ 84/bbl).

Overview	FY22	FY23	FY24
Gross Revenue (PKR bln)	**4,262**	**5,303**	**7,737**
Gross Revenue Growth (YoY%)	85.6%	24.4%	45.9%
Sector Players	**35**	**39**	
POL Consumption (mln MT)	**30.0**	**21.5**	**21.6**
POL Local Production (mln MT)	11.9	10.4	11.2
POL Imports (mln MT)	18.1	11.1	10.4
POL Exports (mln MT)	**0.1**	**0.1**	**0.7**
Crude Consumption (mln MT)	12.6	11.1	12.6
Crude Local Offtake (mln MT)**	3.3	3.3	3.5
Crude Imports (mln MT)	9.3	7.8	9.1
Crude Condensate Exports (mln MT)	0.4	0.2	0.1
POL products & Crude (% Share in Imports)	**22.0%**	**22.8%**	**22.2%**
Structure	Oligopoly		
Regulator	OGRA		
Association	OCAC		

. ***Estimate. Note**: Petroleum Group includes POL Products and Crude;. All data pertains to Energy POL products.*

Source: OCAC, OGDCL,PSO, PBS, PACRA Database

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Demand | Product-wise POL Consumption

- Overall consumption of POL comprised ~86.8% white oils and ~13.2% black oils. The three major products, i.e., HSD, MOGAS, and RFO cumulatively accounted for ~92.8% of the total POL products consumption in the country during FY24 (FY23: ~94.4%), with RFO consumption down ~9.4% YoY (FY23: down ~42.9% YoY).
- MOGAS consumption remained stable at ~9.2mln MT, same as FY23, while HSD consumption saw a marginal increase to ~8mln MT (FY23: ~7.9mln MT), indicating another year of sluggish economic activity and elevated fuel prices.
- Sales of Passenger Cars experienced a drop of ~15.7% YoY in FY24 (FY23: down ~59.0% YoY), while those for Trucks and Buses dropped by ~30.6% (FY23: down ~41.0% YoY).
- In FY25 so far, these trends have reversed to an extent. The sales of the automotive sector have picked up and relatively low POL product prices are expected to improve volumetric sales.
- The latest month of Oct'24 saw sales increase to ~15,192 cars (SPLY: 11,588 cars), a ~30% rise in YoY sales.
- Average prices of HSD and MOGAS have also decreased in 1QFY25 by PKR~9.2 and PKR~18.1 respectively, in comparison to the average prices of FY24.

POL Consumption (mln MT)					
Period	**FY20**	**FY21**	**FY22**	**FY23**	**FY24**
White Oils	**18.0**	**21.7**	**24.4**	**18.3**	**18.8**
MOGAS	9.1	10.8	11.7	9.2	9.2
HSD**	8.0	10.0	11.6	7.9	8.0
JP-1/ JP-8	0.7	0.5	0.7	0.7	1.0
Others*	0.3	0.4	0.5	0.4	0.3
Black Oils	**2.9**	**4.1**	**5.6**	**3.2**	**2.9**
RFO	2.9	4.1	5.6	3.2	2.9
Total	**20.9**	**25.8**	**30.0**	**21.5**	**21.6**

POL Consumption Mix (%)					
Period	**FY20**	**FY21**	**FY22**	**FY23**	**FY24**
White Oils	**86.1%**	**84.1%**	**81.4%**	**85.1%**	**86.8%**
MOGAS	43.4%	41.8%	39.0%	42.9%	42.5%
HSD**	38.2%	38.8%	38.5%	36.6%	37.1%
JP-1/ JP-8	3.5%	2.0%	2.2%	3.4%	4.8%
Others*	1.2%	1.5%	1.7%	1.7%	1.2%
Black Oils	**13.9%**	**15.9%**	**18.6%**	**14.9%**	**13.2%**
RFO	13.9%	15.9%	18.6%	14.9%	13.2%
Total	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**

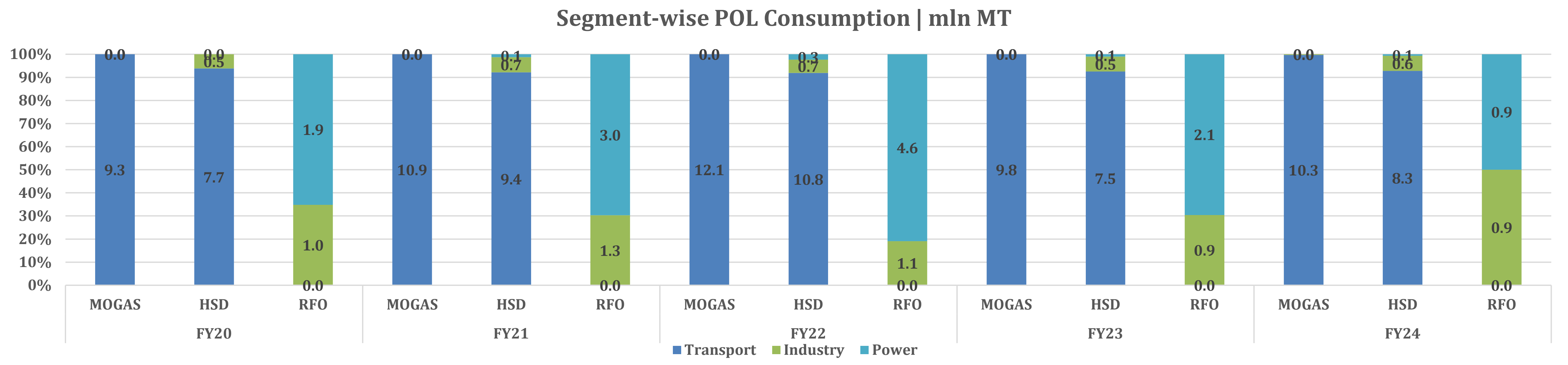
**' Includes Kerosene, LDO, 100 LL, NAPHTHA and HOBC*
*** HSD is a refined grade of Diesel*

Source: OCAC, PAMA

Oil Marketing Companies & Dealers

Demand | Segment-wise POL Consumption

- Major demand drivers for POL products include the transport, industry, and power sectors of the country.
- Transport is the biggest fuel-consuming sector in Pakistan, using approximately 55.5% of MOGAS, with the remaining usage accounted for by HSD.
- The industrial sector's total consumption was dominated by RFO at approximately 58.8% (FY23: ~63.6%) and HSD at around 39.2% (FY23: ~36.4%). About 2% of MOGAS was also used, marking a significant increase in industrial usage compared to only ~0.1% in FY23.
- On the other hand, the power sector's POL consumption (comprising HSD and RFO) declined by approximately 64.7% YoY (FY23: down by ~54.1% YoY) to ~0.8mlnMT, due to a shift from FO to cheaper and more environmentally friendly alternatives.
- The power sector consumed approximately 93.8% (FY23: ~96.4%) of RFO and around 6.2% (FY23: ~3.6%) of HSD in FY24. This marks a change in trend, as the power sector exclusively used RFO until FY20.
- Agriculture is another important sector in the country. It primarily uses different varieties of diesel, mainly HSD and LDO (Light Diesel Oil).



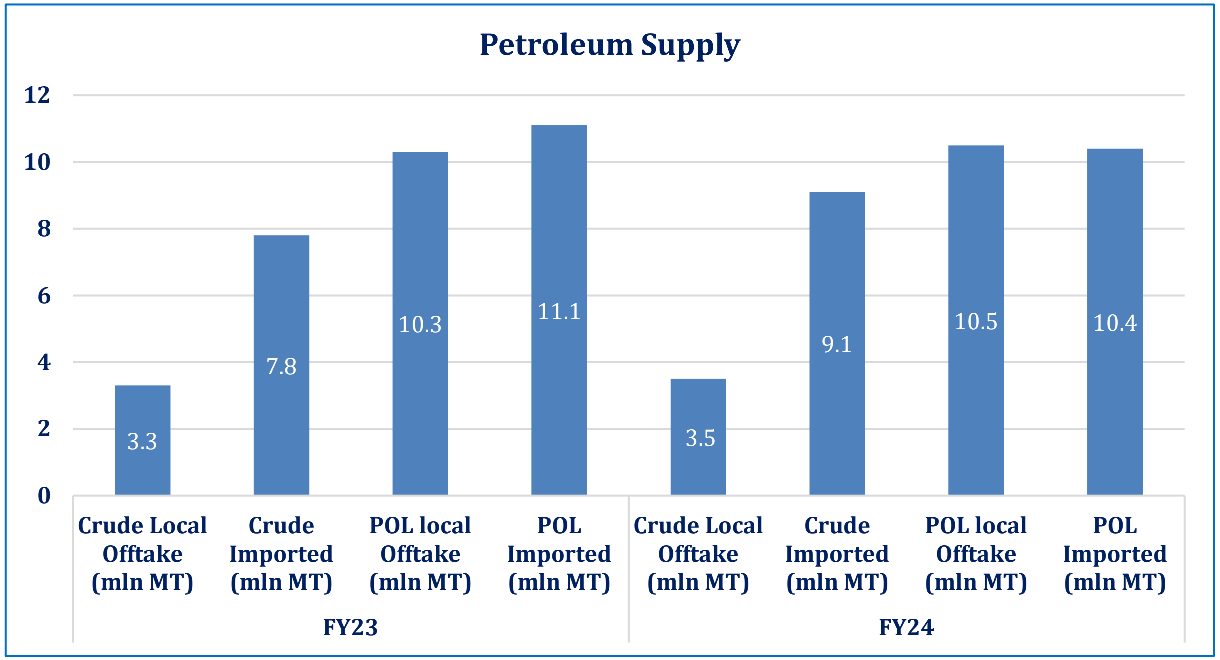
Note: Data is reflective of Energy POL Products. Consumption reflects domestic consumption only and excludes exports.

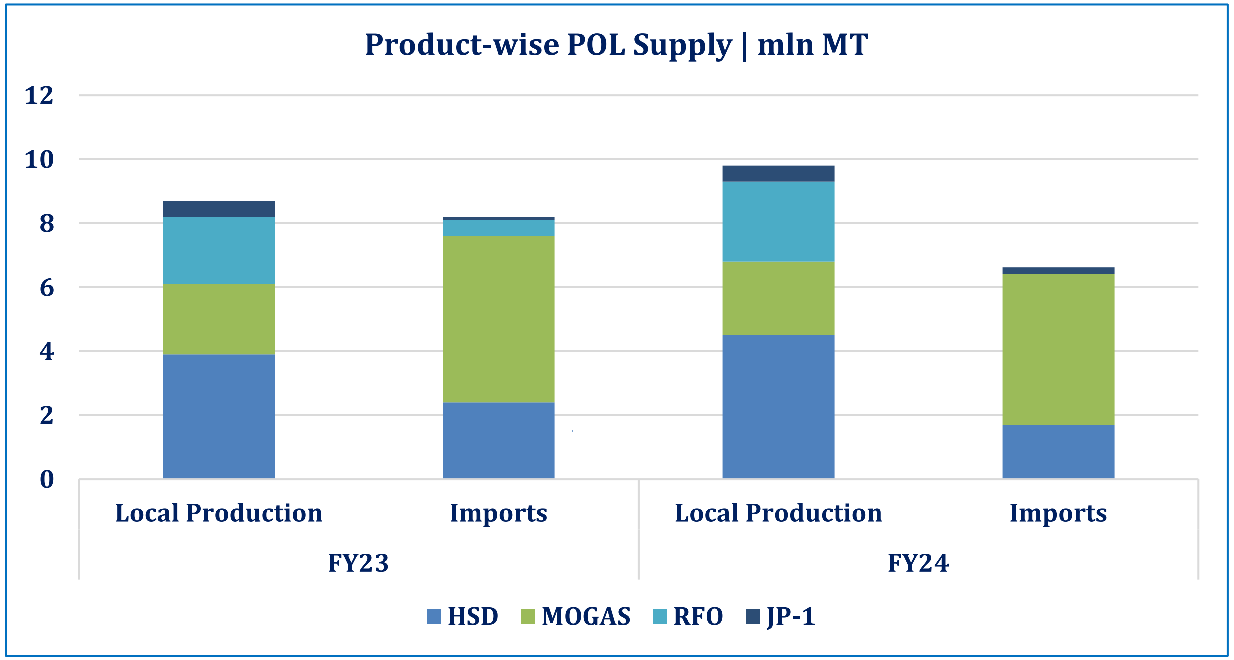
Source: OCAC, PBS

Oil Marketing Companies & Dealers

Local | Supply

- In FY24, local crude oil offtake was recorded at ~3.5mln MT, a YoY increase of ~6.1%. Meanwhile, ~9.1mln MT of crude oil was imported, marking an increase of ~16.7% YoY. Imported crude oil comprised ~72.2% during FY24 (FY23: ~70.3%) of total crude consumption in the country.
- In FY24, local POL production stood at ~10.5mln MT (FY23: ~10.3mln MT). Of the total oil imports, crude oil imports accounted for ~46.7% in FY24 (FY23: ~41.3%), indicating a reduction in Pakistan's dependence on imported refined POL products, as higher crude was imported in comparison to refined products. This shift reflects the increased production of POL products by local refineries, which ramped up their output. As a result, POL exports surged to ~0.7 million MT in FY24, up from 0.1 million MT in FY23.
- Similarly, total POL product imports stood at ~10.4mln MT (FY23: ~11.1mln MT), declining by ~6.3% YoY. MOGAS imports comprised ~64% of the total POL products imported, whereas HSD imports made up ~29% (FY23: ~51% and ~31%, respectively). Meanwhile, RFO imports declined ~78% YoY and formed only ~ 6% of the total POL product imports (FY23: ~17%).



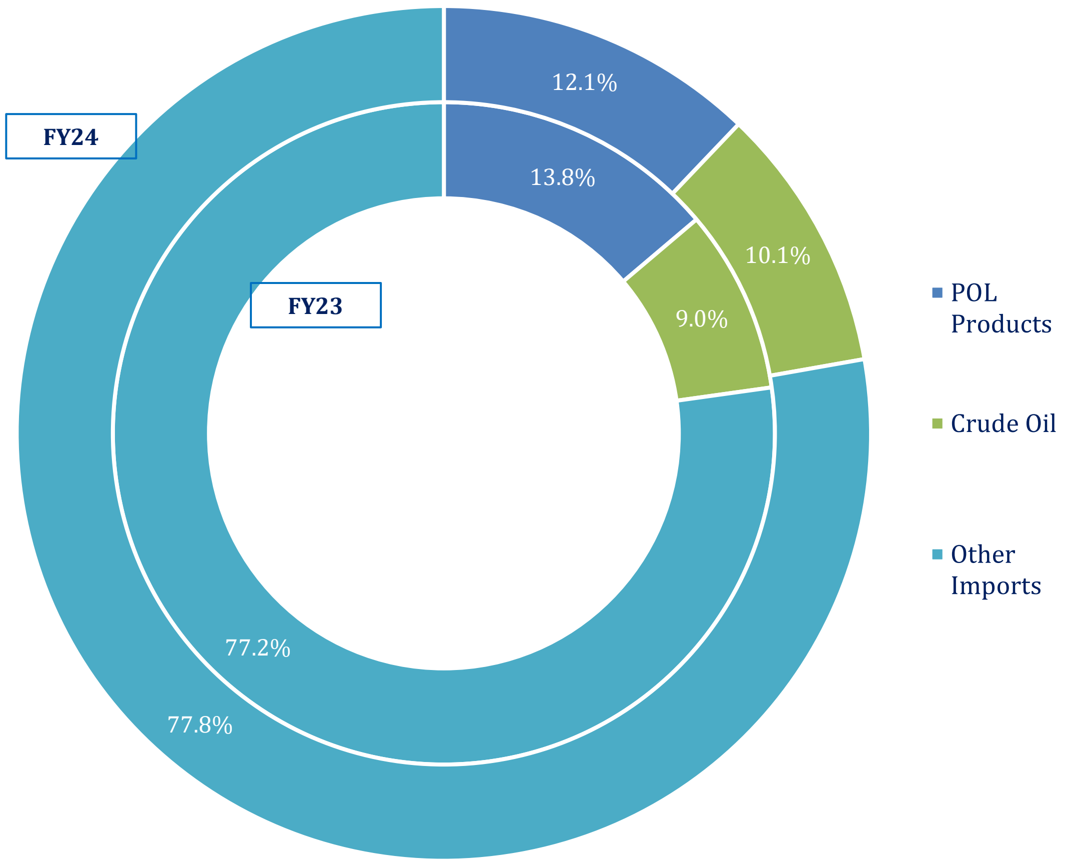


Oil Marketing Companies & Dealers

Local | Imports

- Pakistan significantly relies on imports to meet the demand for its crude oil and POL products. On average (FY22-FY24), ~8.7mln MT of crude oil and ~13.2mln MT of POL products were imported into the country, cumulatively forming ~22.3% of the country's total import bill during the period.
- Total imports for the country marginally declined to USD~54.8bln in FY24, (FY23: USD~55.2bln)
- Total crude oil imports for FY24 amounted to USD~5.6bln, up from USD~5.0bln in FY23.
- Total POL product imports FY24 amounted to USD~6.6bln, down ~12.9% YoY.
- Collectively, crude oil and POL products import bill reduced to USD~12.2bln (FY23:USD~12.6bln). This was mainly due to more crude oil and less refined POL products being imported during the year.
- Other major imports included machinery at USD~7.2bln (FY23: USD~4.3bln) and products of chemical and allied industries which amounted to USD~6.6bln in FY24 (FY23:USD~6.0bln).

POL Products & Crude Imports (%)

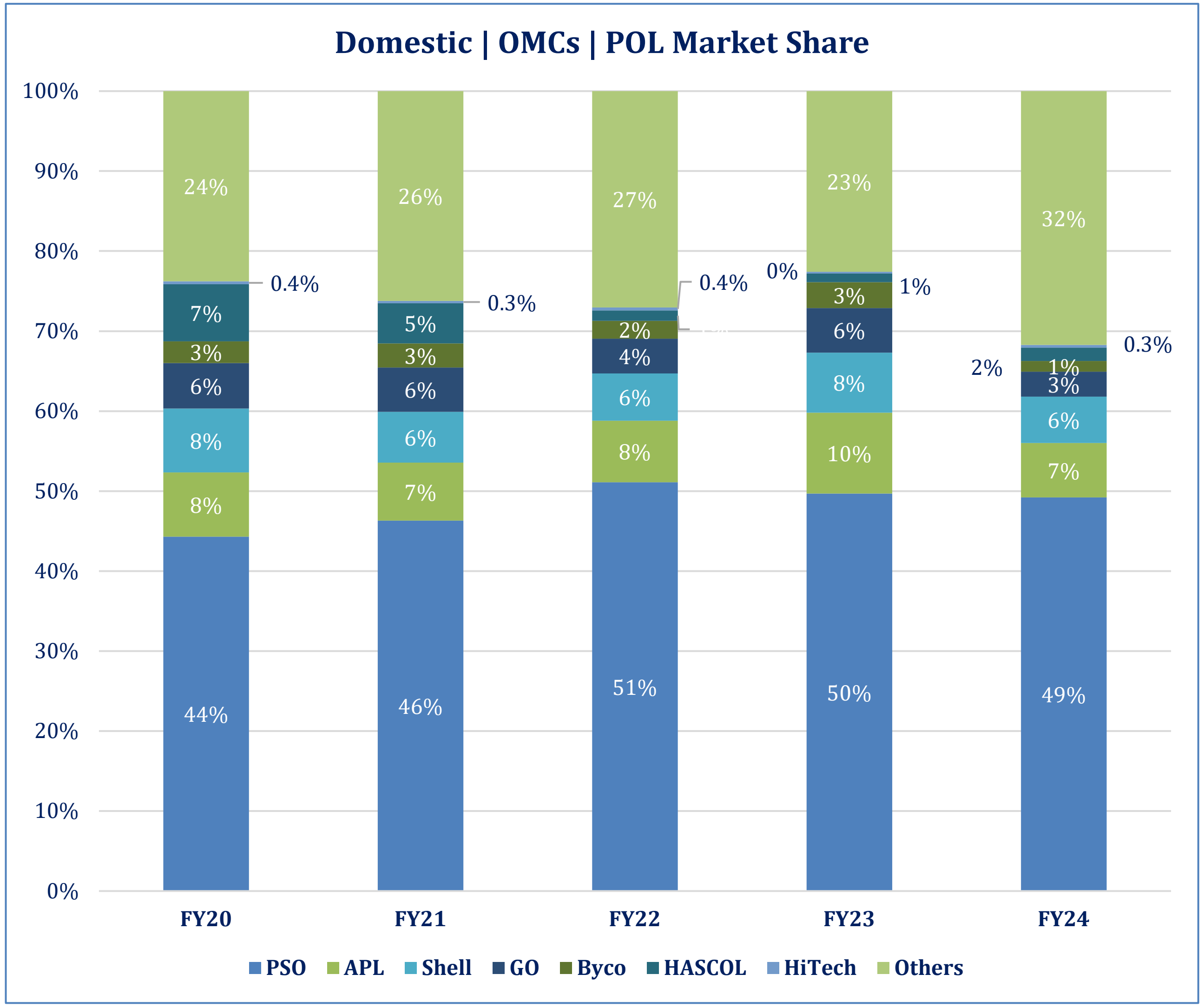


Note: *Other Imports represent country's imports excluding POL products and crude.*

Source: PBS

Oil Marketing Companies & Dealers

Local | Player-wise Market Shares



Top 10 Players | FY24			
OMC	No. of Stations	Share, Sales (MOGAS)	Share, Sales (HSD)
PSO	3,580	46%	54%
GO	1,200	3%	4%
Total PARCO	826	13%	10%
Attock	765	9%	9%
Shell	740	10%	6%
Hascol	655	4%	2%
Puma	545	1%	1%
Cnergyico	468	1%	1%
BE Energy	437	3%	2%
EOPL	129	1%	0%
Others*	1,067	10%	10%
Total	**10,412**	**100%**	**100%**

* Latest Available

Source: PACRA Database, OCAC

Oil Marketing Companies & Dealers

Local | Pricing Mechanism

- In Pakistan, the pricing structure of POL products (MOGAS & HSD) is based on five different price components (discussed in the next slide) embedded in a price formula.

- While OMC Margin and Dealer Commission are fixed, the Petroleum Levy, Sales Tax, and IFEM are variable components. The former two depend on the GoP's discretion and the latter is computed through a freight pool mechanism. Currently, the Sales Tax has been declared exempt on the POL products in Finance Bill 2024 (previously, it was categorized as 'zero-rated').

- The starting point for the pricing mechanism is the **'Ex-Refinery Price'.** This price is determined by OGRA and was earlier based on PSO's weighted average costs of POL products in the preceding month and ~30 days International prices published in Platt's Oilgram.

- Since September 01, 2020, the pricing mechanism has been shifted from a monthly basis to a fortnightly basis. The price benchmark based on PSO's oil imports has been shifted to Platt's Index. This development is expected to shield the Industry from Inventory losses.

- As per OGRA Rules, OMCs are required to build storage/depots in different areas of the country to maintain a stock of at least 20 days. Ex-refinery price, PL, IFEM, and OMC margin add up to Ex-Depot Price, while Dealer Commission is added in the next step.

Source: OCAC, OGRA

Oil Marketing Companies & Dealers

Local | Price per liter Breakdown

Ex-Refinery Price: The refinery output price for finished inventories of HSD and MOGAS. It is variable based on global prices, refinery costs, and margins.

Petroleum Levy (PL) & Sales Tax (ST): PL is a **variable** development tax imposed by the GoP subject to variations on the GoP's disposal. Sales Tax was collected by the OMCs at a monthly fixed percentage charged to the Ex-Depot price and dealer commission. The government charges PL at PKR~60, and a maximum PL has been set at PKR~80 in FY25 on both MOGAS and HSD. Sales tax is no longer collected.

In-Land Freight Equalization Margin (IFEM): The element of pricing structure that allows pricing of POL products to remain at par across the country. A freight pool managed by OGRA is developed to keep the prices equalized countrywide. It is variable and revised on a fortnightly basis by OGRA.

Distribution Margin (OMCs): Fixed Commission per liter earned by the OMCs upon sales of HSD and MOGAS to Industrial and retail clients. At present, this is fixed at PKR~7.9 for both MOGAS and HSD by OGRA.

Dealer's Commission: Fixed Commission per liter earned by the dealer or owner of the petrol pump. At present, this is fixed at PKR~8.6/liter for MOGAS and HSD.

Source: OGRA

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Local | Fuel Retail Prices

- For FY24, OMC margins averaged PKR~7.2/liter (FY23: PKR~4.9/liter) for MOGAS, whereas for HSD, these clocked in at PKR~7.4/liter (FY23: PKR~4.8/liter). For MOGAS, OMC margins formed ~2.5% of average retail prices (FY23: ~2.0%), while for HSD, this was recorded at ~2.1% during FY24 (FY23: ~1.9%).
- The average ex-refinery price for MOGAS and HSD increased ~10.5% and ~4.8% YoY in FY24, despite international Brent crude prices falling ~3.0% YoY during the year. During FY24, the PKR lost ~14.4% YoY against the USD (FY23: ~39.0%).
- The petroleum levy as of Jul'24 stands at PKR~60/liter for MOGAS and HSD and remains contingent upon IMF's conditions as per the Extended Fund Facility program (subject to IMF Board's approval).
- IFEM differs for different products due to differences in transportation methods, transportation costs, and usage. MOGAS is primarily used in transportation (cars, motorbikes, light commercial vehicles), while HSD is used in transportation (commercial vehicles), industries, and agricultural activities.
- OGRA has proposed an increase in OMC and Dealer Margins to support the digitization and automation of fuel pumps over the next three years. OMC margin would increase by PKR~1.35 to PKR~ 9.22 per liter. Dealer margins would increase by PKR~1.40/liter to PKR~10.04/liter, as proposed.

MOGAS – Average Retail Price/ Liter (Composition)

Price Components	FY20	FY21	FY22	FY23	FY24	1QFY25	1-Nov24
Cost of Supply	61.5	60.5	131.3	185.5	204.9	182.9	164.0
IFEM Margin	3.4	3.6	4.0	3.1	5.7	7.5	7.9
OMC Margin	**2.8**	**2.9**	**3.3**	**4.9**	**7.2**	**7.9**	**7.9**
Dealer Commission	3.6	3.7	4.4	6.9	8.1	8.6	8.6
Petroleum Levy	19.8	20.3	5.4	43.5	59.2	60.0	60.0
Sales Tax	15.5	15.5	4.6	0.0	0.0	0.0	0.0
Max Ex-Depot Sales Price	106.6	106.6	145.1	243.9	285.1	267.0	248.4

HSD – Average Retail Price/ Liter (Composition)

Price Components	FY20	FY21	FY22	FY23	FY24	1QFY25	1-Nov24
Cost of Supply	66.3	65.0	135	218.0	214.9	200.1	177.6
IFEM Margin	1.2	1.0	-1.3	-3.5	1.7	3.9	1.0
OMC Margin	**2.8**	**2.9**	**3.4**	**4.8**	**7.4**	**7.9**	**7.9**
Dealer Commission	3.1	3.2	3.8	6.6	8.2	8.6	8.6
Petroleum Levy	21.1	21.1	5.2	28.6	57.5	60.0	60.0
Sales Tax	16	15.8	6.9	0.0	0.0	0.0	0.0
Max Ex-Depot Sales Price	110.4	108.9	153	254.5	289.7	280.5	255.1

Source: OGRA, PSO

Oil Marketing Companies & Dealers

OMCs | Business Risk

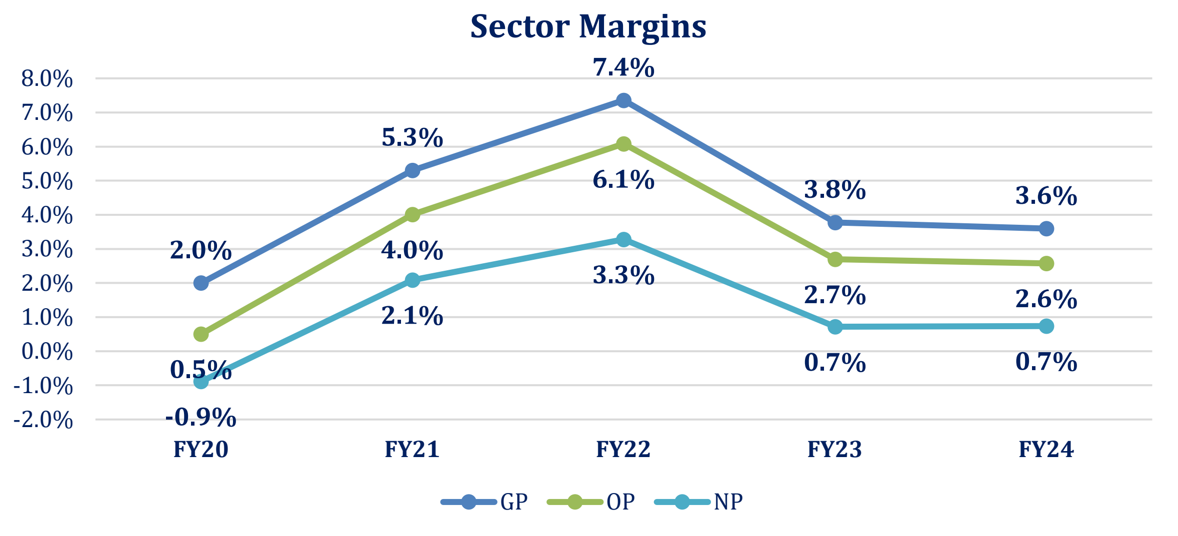
- Average gross profit margins for the sector declined slightly to ~3.6% during FY24, on the back of ~7.0% higher revenue and ~5.0% higher cost of goods sold. Sector Revenue was recorded at PKR~5,704bln in FY24 (FY23: PKR~5,304bln), while the Sector's gross profit was recorded at PKR~204.5bln in FY24 (FY23: PKR~200.3bln).

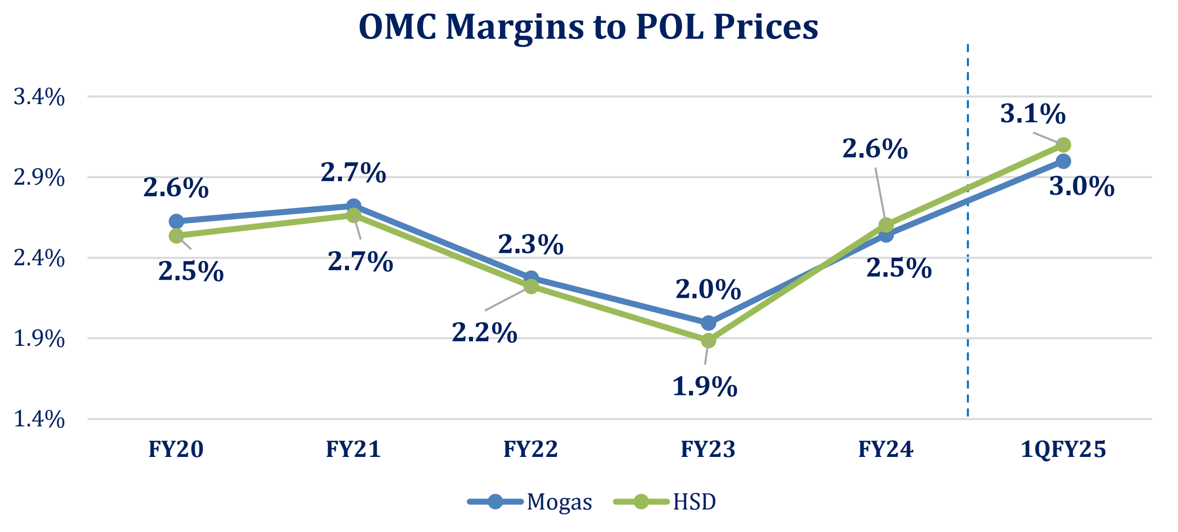
- In terms of gross margin retention, OMCs can only retain their fixed government-determined margins. Owing to recent increases in overall prices as well as OGRA-determined margins, the share of these margins in overall prices of MOGAS and HSD increased to ~2.5% and ~2.1% from ~2.0% and ~1.9% in the previous year, respectively.

- Another important factor impacting OMCs' profitability is the inventory gains/losses, which arise due to the difference between international prices and domestic prices determined by the government on a fortnightly basis.

- The Sector's average operating margins fell slightly to ~2.6% in FY24 (FY23: ~2.7%), driven by lower gross margins and general CPI clocking at ~23%.

- Furthermore, the Sector's average net margins stayed constant at ~0.7% in FY24 (FY23: ~0.7%), despite ~16.0% higher finance costs.





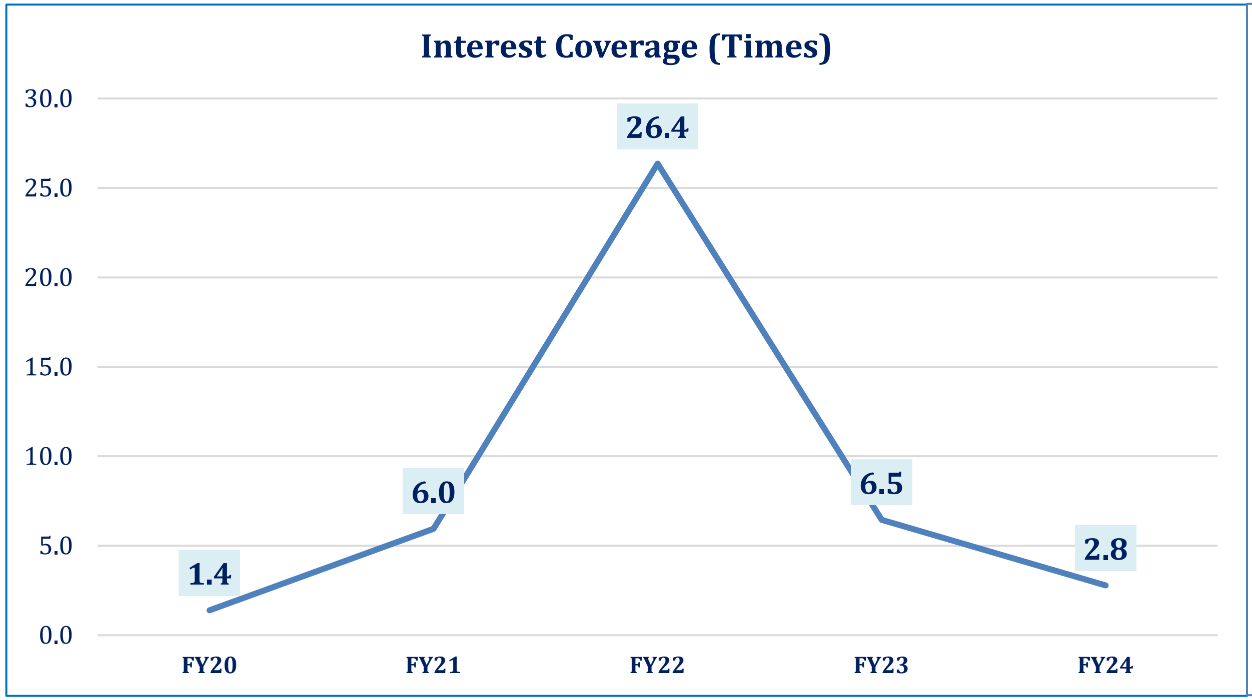
***Note**: *Data is based on~11 PACRA-rated/listed Sector players. Margins are revenue-weighted.*

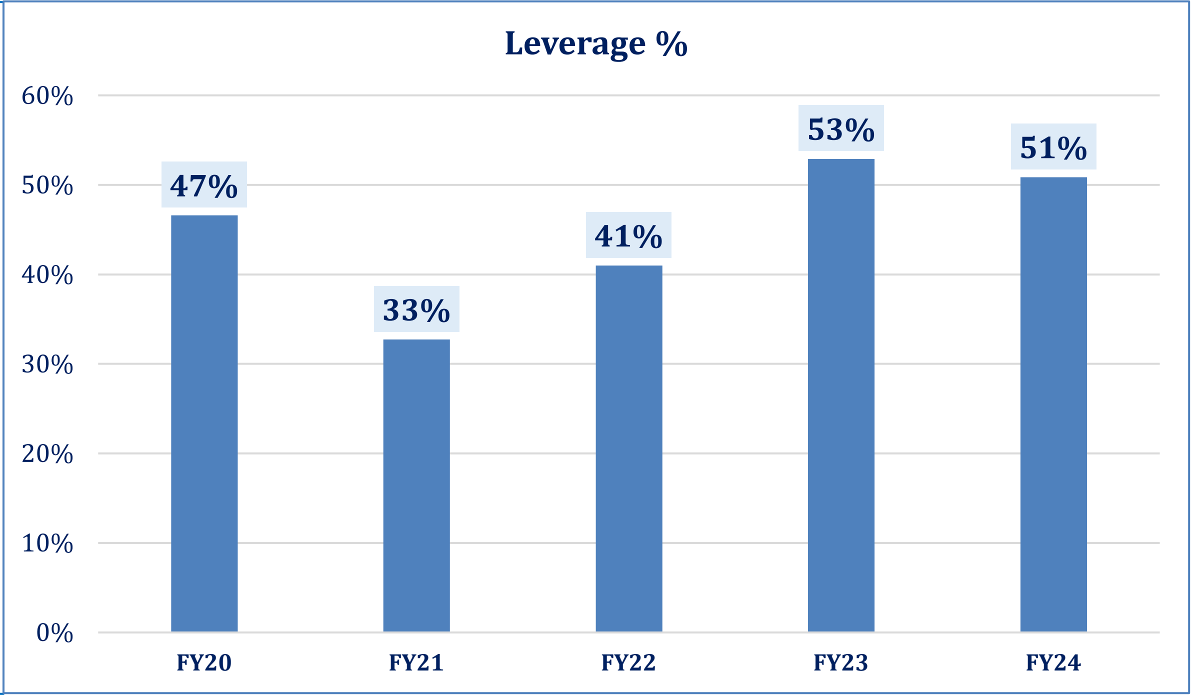
Source: PBS,OGRA, PACRA Database

Oil Marketing Companies & Dealers

OMCs | Financial Risk

- Average interest coverage of the Sector declined to ~2.8x in FY24 (FY23: ~6.5x). The decline likely resulted from a ~3.0% YoY increase in borrowings and a high interest rate of ~22.0% during the period.
- The sector remained moderately-leveraged with an average leverage ratio of ~51.0% in FY24 (FY23: ~53.0%). The borrowing needs of the sector arise from working capital financing (inventory), for which the Sector players avail short-term borrowings (STBs).
- Leveraging has increased in FY23 and FY24 to finance working capital needs as average POL product prices increased. Margins remained thin and companies had to incur higher finance costs due to the high-interest rate environment. This has resulted in lower interest coverage across sectors.
- Finance cost for the Sector was up to PKR~61.4bln (FY23: PKR~54.1bln), due to high interest rates. However, the recent consecutive decreases in interest rates could mean financing costs could fall by PKR~19.5bln, for the sector, at the same debt levels, resulting in better interest coverages.





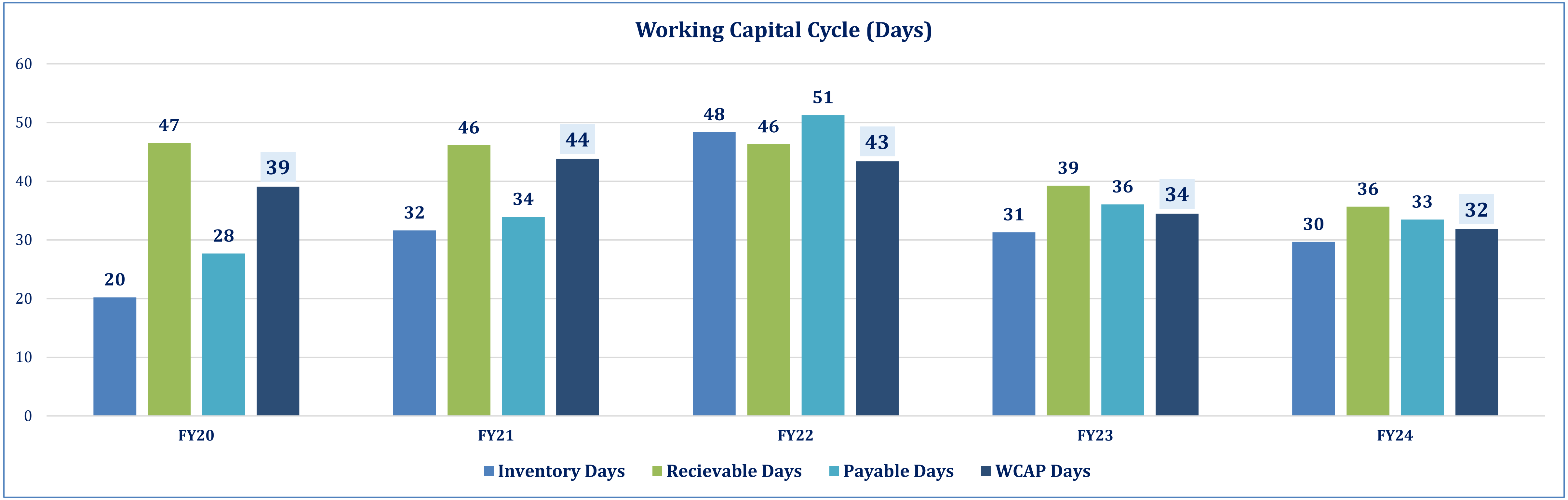
***Note**: Data is based on~11 PACRA-rated/listed Sector players, coverage is revenue-weighted.*

Source: PACRA Database

Oil Marketing Companies & Dealers

Oil Marketing Companies | Working Capital Management

- In FY24, the Sector's average inventory days stood at ~30 days (~31 days in FY23). Average receivable days were recorded at ~36 days, slightly down from ~39 days in FY23. Average payable days in FY24 stood at ~33 days (~36 days in FY23).
- Overall, the average working capital cycle of the sector clocked in at ~32 days, a decline of ~2 days when compared with FY23. The working capital cycle further improved in FY24, which saw a significant improvement in FY23, when average working capital days came down to ~34 days from ~43 days in FY22. This has resulted from lower inventories held by OMCs in FY23 and FY24.



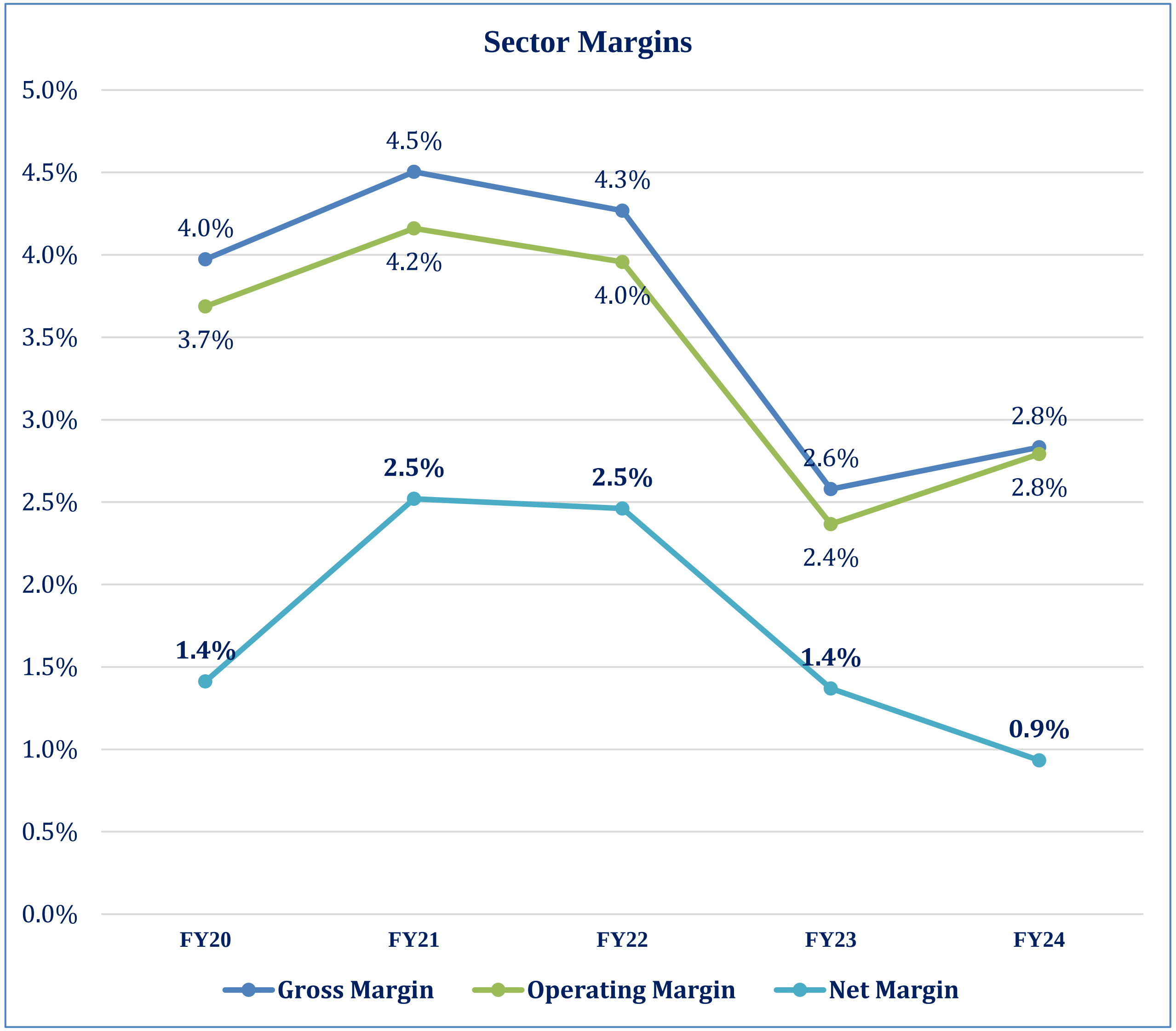
***Note**: Data is based on ~11 PACRA-rated/listed Sector players.*

Source: PACRA Database

Oil Marketing Companies & Dealers

Dealers | Business Risk

- In FY24, average gross profit margins and operating profit margins displayed a slight upward trend for the dealers' segment while net margins fell on the back of inflationary pressure and resource management issues.
- Average gross profit margins for the dealers increased to ~2.8% during the year (FY24) as the segment saw a ~3% YoY decrease in its cost of sales. The segment's revenue is largely dominated by the trading of POL products, with transportation services contributing additional income for support.
- The segment's average operating margins increased to ~2.8% in FY24 (FY23: ~2.4%), due to higher 'other' incomes.
- However, due to ~209% YoY higher finance costs in FY24, the segment's average net margin declined to ~0.9% from ~1.4% in FY23.
- In order to improve their margins, the segment players intend to grow their carriage income (transportation services), which will likely increase the revenue base ultimately impacting positively on the profitability of the segment.



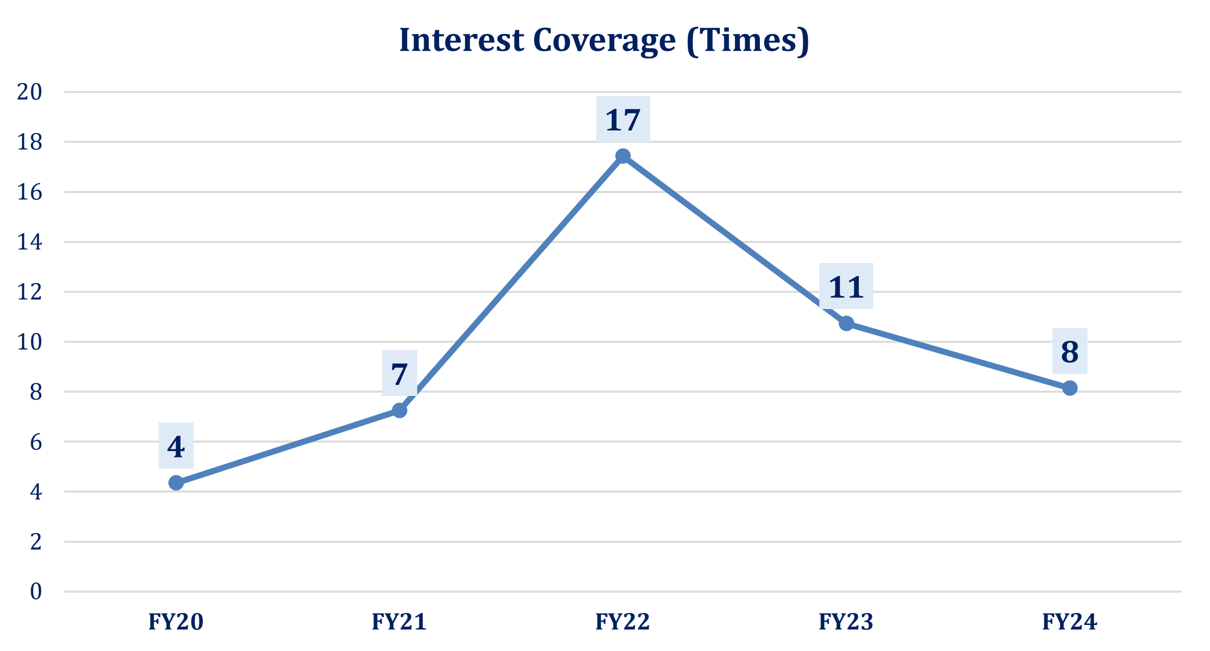
***Note**: Data is based on PACRA-rated Segment players.*

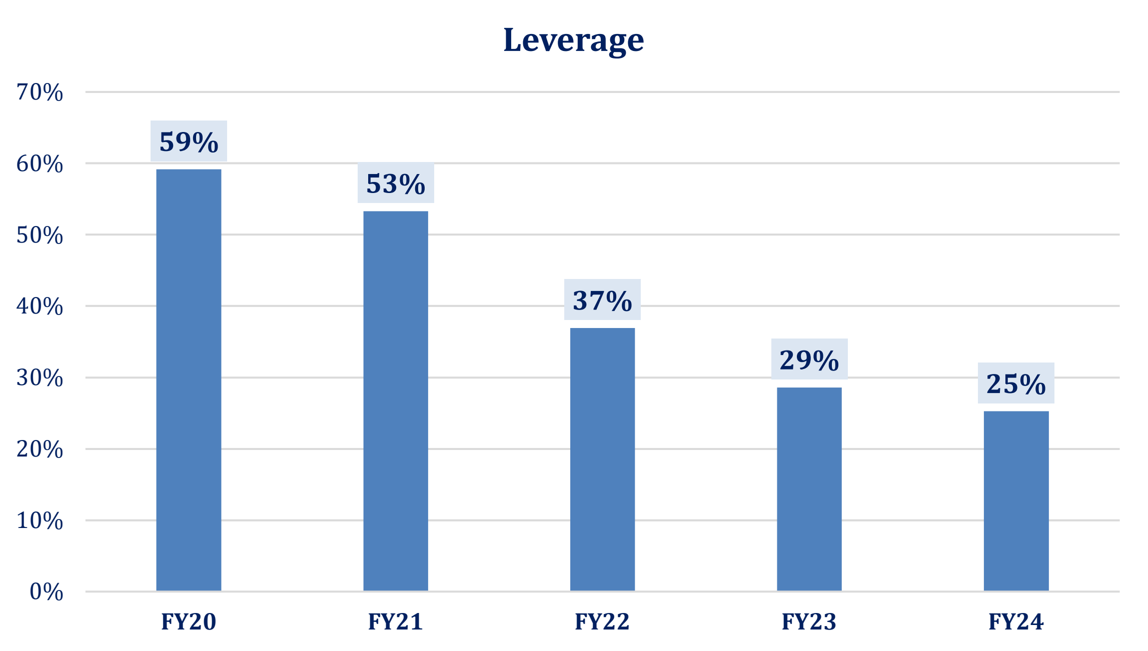
Source: PACRA Database

Oil Marketing Companies & Dealers

Dealers | Financial Risk

- Average interest coverage of the segment clocked in at ~8x in FY24. Although still strong, the continuous decline in coverage in the last 2 years can be attributed to a higher interest rate environment and the resultant increase in financing costs.
- The segment's leverage decreased to ~25.0% during FY24 from 29% in FY23. This is due to a decline in short-term borrowings of one of the rated players. The continuous rise in profits of this player has also enhanced its equity, positively impacting the overall leverage of the segment.
- The recent consecutive declines in the interest rates by SBP could mean that the financing costs could fall by PKR~0.4bln for the segment's players, at the same debt levels, leading to improvement in the interest coverages.





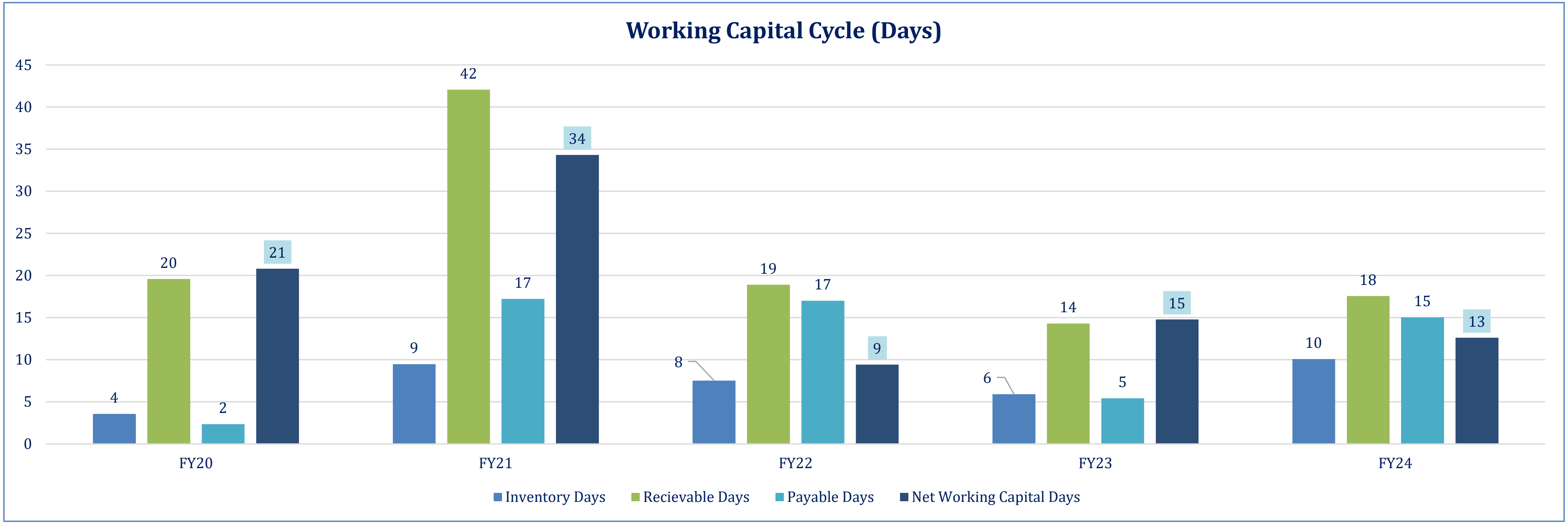
***Note**: Data is based on PACRA-rated Segment players.*

Source: PACRA Database

Oil Marketing Companies & Dealers

Dealers | Working Capital Management

- In FY24, the segment average inventory days rose to ~10 days, with a YoY increase of ~4 days, whereas the average receivable days were recorded at ~18 days, a rise from ~14 days in FY23.
- Average payable days in FY24 stood at ~15 days. The average working capital cycle improved to ~13 days during the period from ~15 days in FY23. This came largely on the back of an increase in payable days, which compensated for higher average receivables and inventory days.



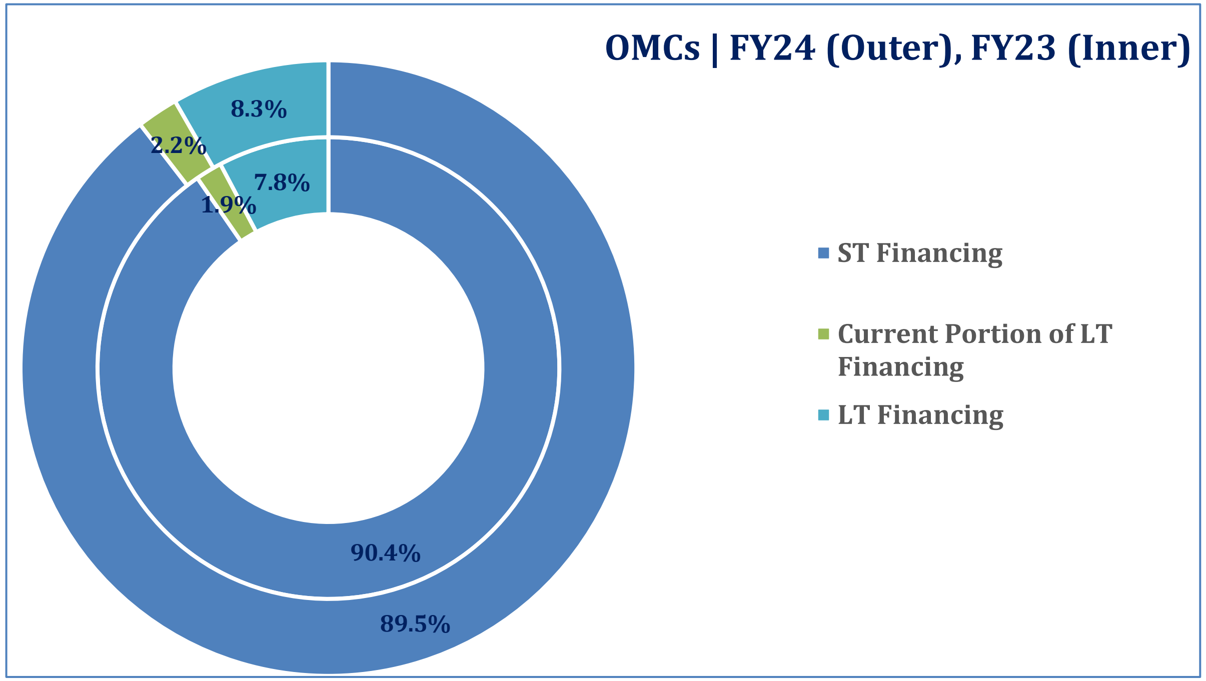
***Note**: Data is based on PACRA-rated Segment players.*

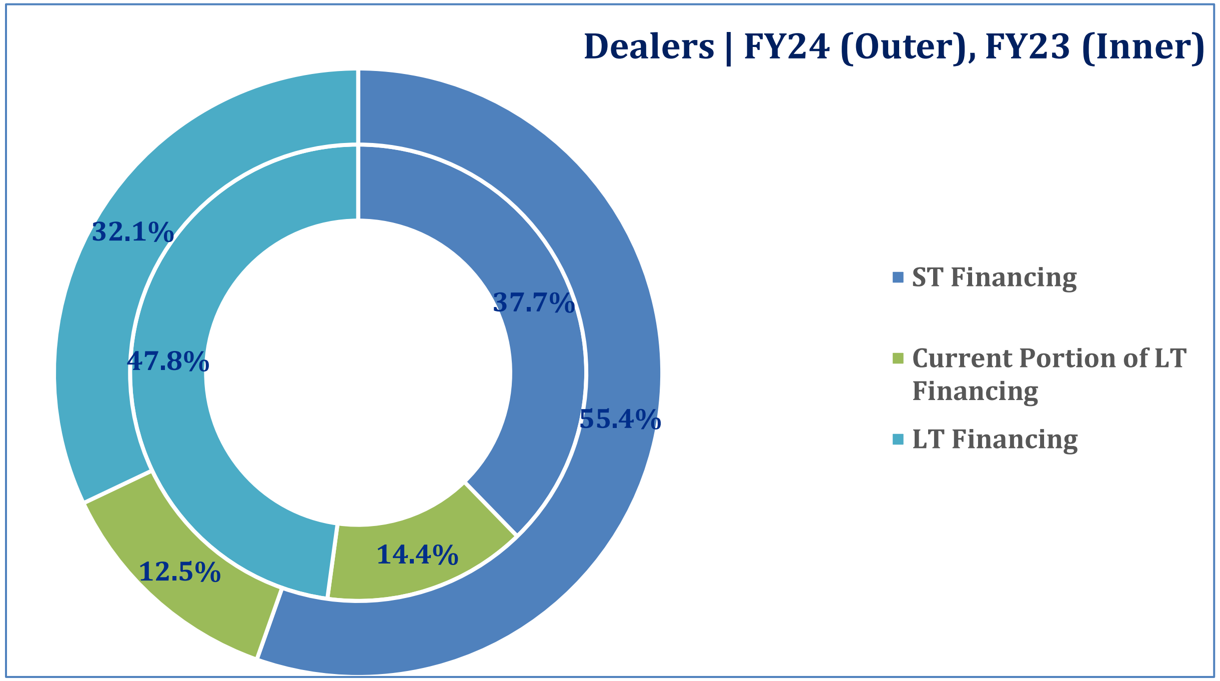
Source: PACRA Database

Oil Marketing Companies & Dealers

Local | Borrowing Mix

- OMCs' borrowing mix consists of short-term financing, which accounted for ~89.5% in FY24, down from 90.4% in FY23. Meanwhile, long-term financing and the current portion of long-term financing rose to 8.3% and 2.2%, respectively.
- Dealers' borrowing mix consists of short-term financing, which accounted for ~55.4% in FY24, up from 37.7% in FY23. Meanwhile, the current portion of long-term financing decreased to ~12.5% from ~14.4%, and long-term financing declined to ~32.1% from ~47.8% over the same period.
- Short-term financing for OMCs contains PSO's PKR~430bln short-term borrowing in FY24 (FY23: PKR~450bln). This is the reason for a high proportion of ST financing in the OMC sector's borrowing mix.
- Total borrowings for OMCs *(based on players with ~75% revenue share)* fell in FY24 to PKR~569.3bln, from PKR~593.3bln in FY23.





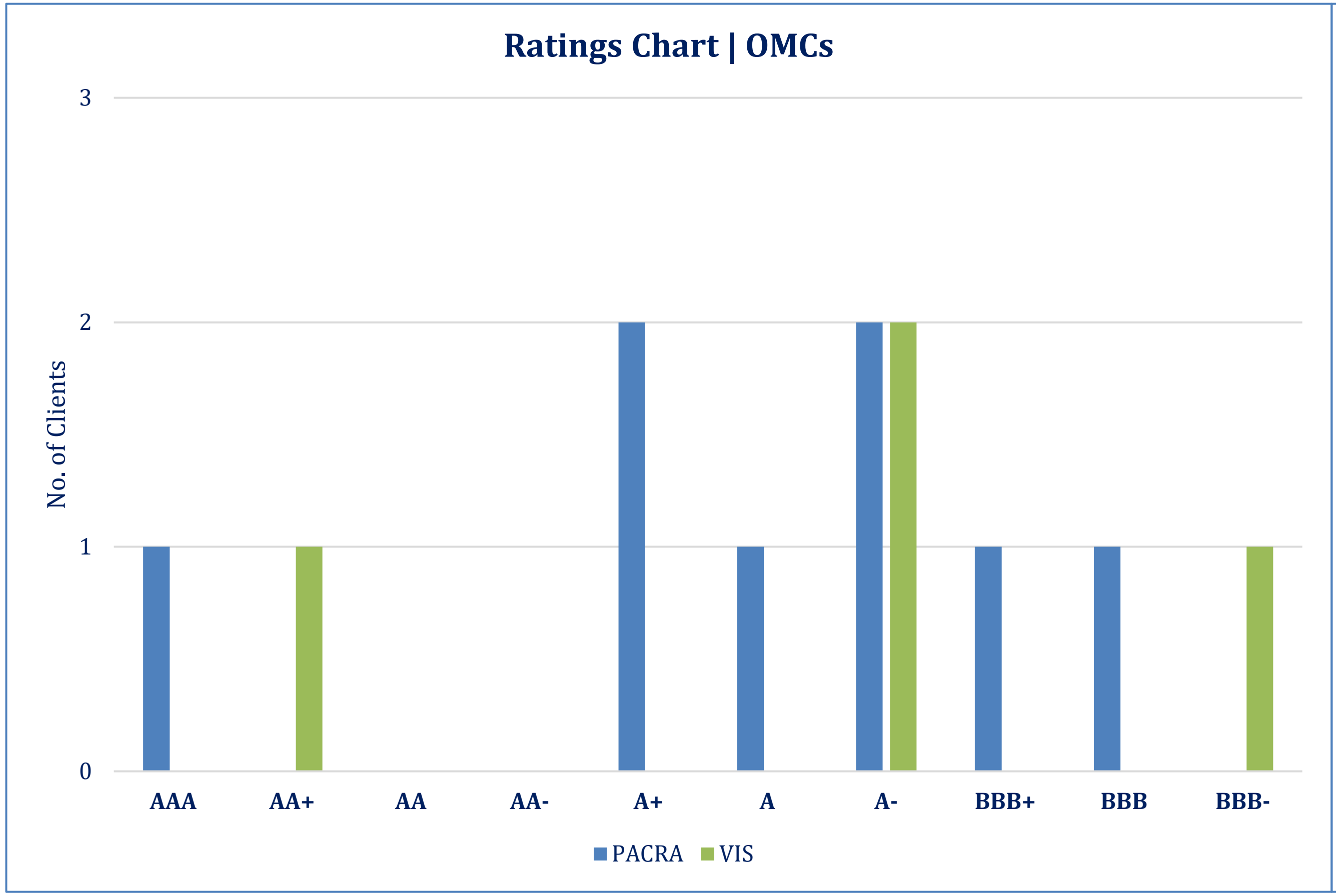
Note: *OMC data consists of 7 OMCs with a combined Market share of ~75%, Dealers data consists of 2 PACRA-rated clients.*

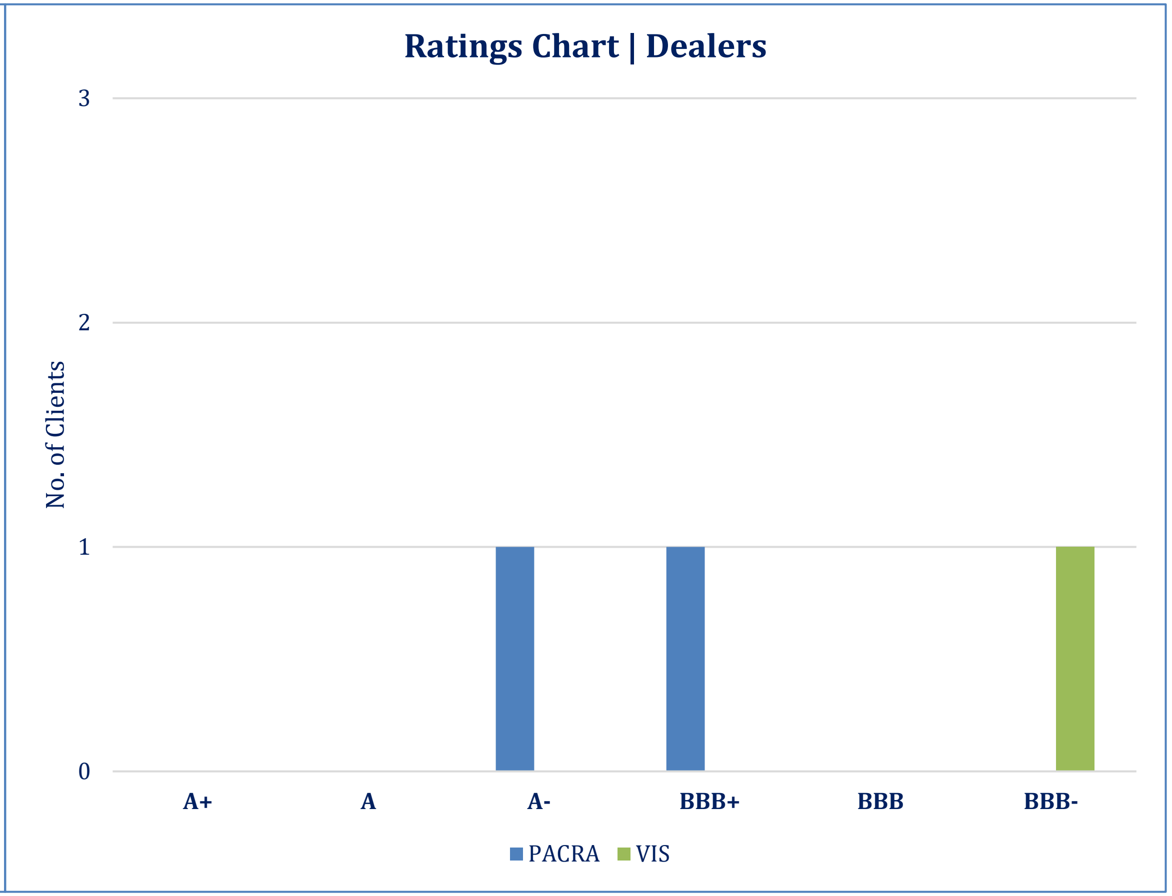
Source: PACRA Database

Oil Marketing Companies & Dealers

Rating Curve

- PACRA rates 9 entities in the sector, in the bandwidth of BBB- to AAA. These include 7 OMCs and 2 dealers. PACRA also rates 1 debt instrument (Rating: AA-) of an OMC.





Source: PACRA Database

Oil Marketing Companies & Dealers

SWOT Analysis

Strengths

- Major contributor to GDP
- Fixed margins
- Established supply chain
- Strategic importance of the sector
- Wider range of products
- Availability of low-paid unskilled and skilled labor-force

Weaknesses

- Significant reliance on imports
- Strict government regulations
- Circular debt build-up

Opportunity

- Basic commodity – low bargaining power of customers
- Exploration of new markets and development of retail branches
- Black oil export opportunity

Threats

- Shift of power sector to alternate sources of energy
- Oil price/ supply fluctuations
- Exchange rate fluctuations
- Outdated technology
- Low strategic storage capacities
- Geopolitical tensions

Source: PACRA Database

Oil Marketing Companies & Dealers

Outlook: Stable

- According to the IMF estimate, Pakistan's economy is expected to grow by ~3.2% in FY25 (FY24: ~2.5%). This is a positive sign for Oil Marketing Companies (OMCs), as economic activity directly catalyzes the demand in the oil sector.
- A decline in the interest rate to ~15% in the recent MPC meeting in November'24 reflects contained inflation figures. Inflation is estimated to drop to a single-digit figure for FY25 at ~9.5%, according to the IMF (FY24: 23.4%). Concurrently, a further decline in interest rates could boost economic activity, leading to increased POL consumption and revenue for OMCs and dealers.
- The country's transport segment accounted for a significant share of POL product consumption. The segment's stand-alone consumption stood at ~18.7mln MT (FY23: ~17.4mln MT), marking a ~7.5% YoY increase (FY23: down ~24.0% YoY). Furthermore, the Oct'24 automotive sales witnessed a rise to ~15,192 cars (SPLY: 11,588 cars), a ~30% YoY increase, which reflects an opportunity of higher consumption in the sector.
- However, in the last two years, Pakistan's consumers have begun to adopt the global trend of hybrid and electric cars, shifting away from old, inefficient, fuel-consuming transport vehicles to more fuel-efficient engines, and in the case of hybrids, to zero-fuel-consuming vehicles. This shift is happening rapidly, as hybrid sales have increased in proportion to total car sales. The arrival and acceptance of Chinese players in the market, such as Haval and BYD, could mean that the share of the transport sector in fuel consumption may decline in the long run. OMCs and dealers may have to adapt to this change by opening charging stations as well.
- POL consumption by industries is largely driven by the country's LSM (Large-Scale Manufacturing) growth. The industrial segment accounted for ~7.1% of the country's total petroleum consumption (FY23: ~6.7%). However, a negative LSM growth of ~0.76% YoY in 1QFY25 suggests that industrial consumption in FY25 will remain lower than anticipated.
- OGRA has proposed an increase in margins for OMCs and dealers, citing the digitization and automation of fuel pumps. This is positive news for the sector, as this measure would encourage companies to invest in their future and improve operational efficiency. Furthermore, it may attract investment from new players entering the market while providing relief to existing players who have suffered due to the country's recent economic challenges.
- Several international and local companies, including Shell, GO, and Total PARCO Pakistan, have recently divested and tried to exit the country due to the ongoing financial crisis, economic slowdown, and unfavorable exchange rates. Shell Pakistan, in particular, faced losses in 2022 and 2023 due to the devaluation of the rupee and overdue receivables.
- However, in contrast, the world's largest oil company, Aramco, has opened its first filling station in Pakistan, while simultaneously acquiring a ~40% equity stake in GO Petroleum. Additionally, Gunvor Group and Wafi Energy, two renowned names in the oil sector, have acquired Total Parco's and Shell's shares, respectively. Their investment in this sector demonstrates the returning interest of international players in Pakistan's oil marketing industry, signaling a better economic outlook in the near future.
- The recent terminations and settlement of contracts with various IPPs (Independent Power Producers) have also opened the door for the largest OMC player, PSO, to settle its circular debts. IPPs like Hubco owe PSO, and as they settle their debts with the government, they are expected to also pay off their liability to PSO, which stood at PKR~28.2bln in FY24 (SPLY: PKR ~27.5bln).

Oil Marketing Companies & Dealers

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