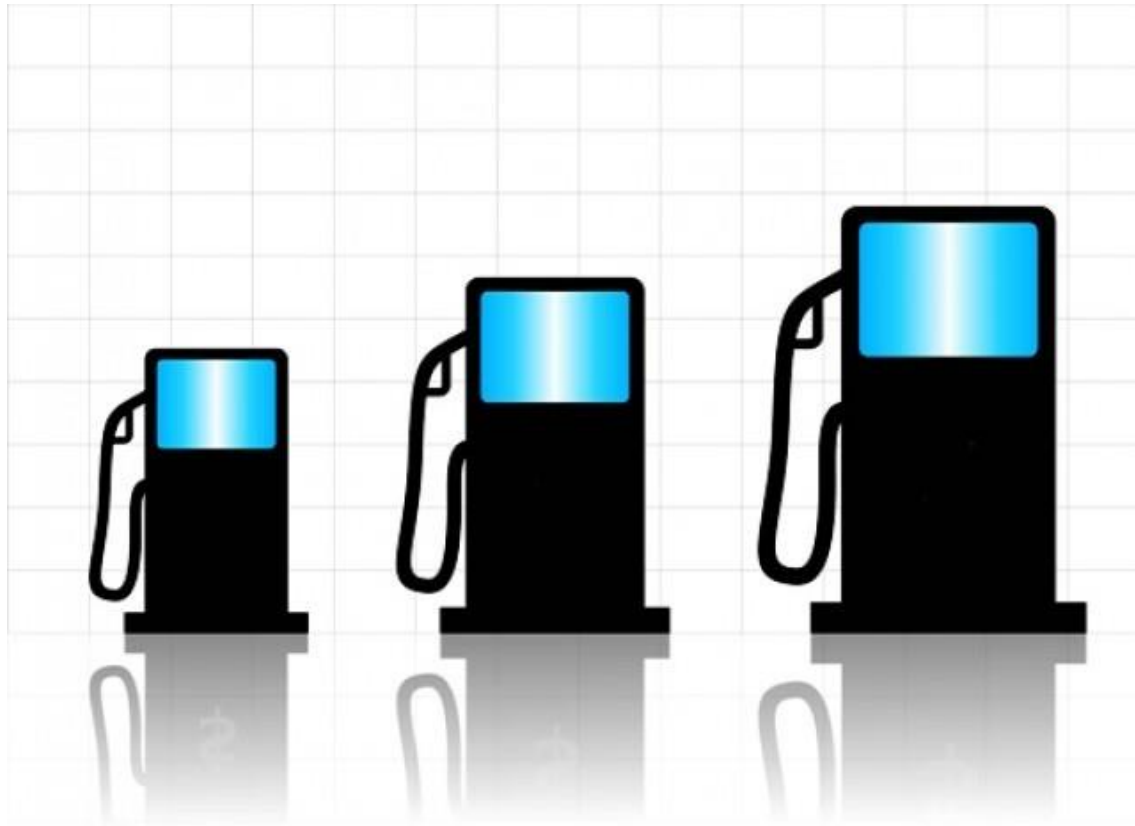


Oil Marketing Companies



November 2019

Consumption

Production
Mix

Market Share

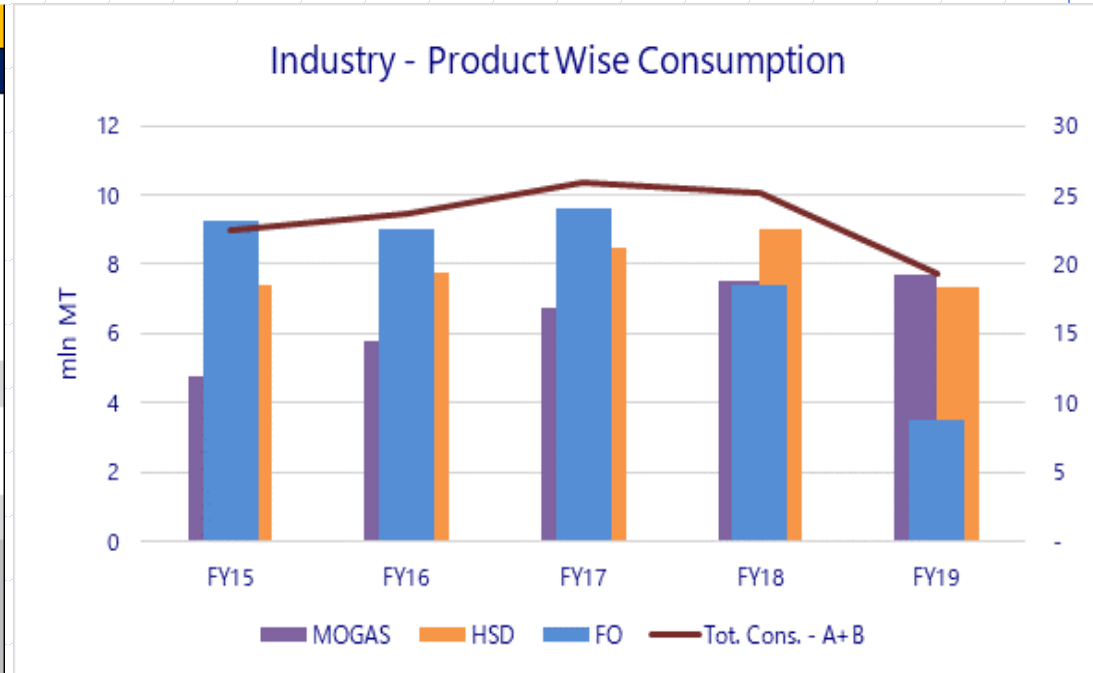
Peer
Comparison

OMC Margin

Key
Challenges

National Fuel Consumption – Product Wise

Industry - Product Wise Consumption mln MT					
	FY15	FY16	FY17	FY18	FY19
MOGAS	4.75	5.80	6.74	7.50	7.69
HSD	7.42	7.75	8.49	9.04	7.35
JP1	0.63	0.69	0.74	0.75	0.37
JP8	0.06	0.08	0.09	0.17	0.19
SKO	0.17	0.14	0.12	0.11	0.10
LDO	0.04	0.02	0.02	0.02	0.03
Total - A	13.07	14.49	16.21	17.61	15.72
FO	9.26	9.00	9.61	7.39	3.49
Lubes	0.12	0.09	0.14	0.15	0.14
Total - B	9.38	9.09	9.75	7.54	3.63
Tot. Cons. - A+B	22.46	23.59	25.96	25.15	19.35
YoY Change	6.6%	5.0%	10.1%	(3.1)%	(23.1)%



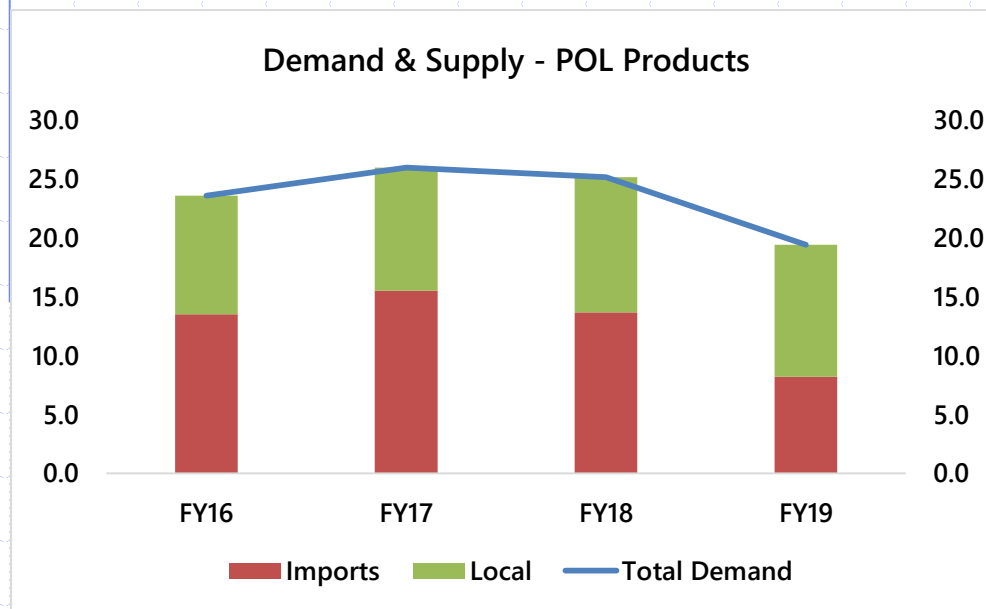
➤ Pakistan consumed a total of ~19.35mln metric tons (MT) of petroleum products (POL) in FY19 (FY18: 25.15mln MT), ~23.1% lower than the same period last year. This decline is mainly seen owing to decrease in the sales of Furnace oil by ~ 18.68% to ~3.49mln MT (FY18: ~7.39mln MT) and decrease in the sales of HSD by ~52.76% to ~7.35mln MT (FY18: ~9.04mln MT), as the government of Pakistan plans to gradually reduce reliance on oil-based power plants to other power sources i.e. LNG & coal. Sales of HSD have been impacted due to reduced industrial activity and increased illegal traffic.



Demand and Supply | POL Products

Demand & Supply - POL Products mln MTs					
	FY16	FY17	FY18	FY19	Trendline
Total Demand	23.6	26.0	25.2	19.4	
Imports	13.5	15.5	13.7	8.2	
Local	10.1	10.5	11.5	11.2	

Demand & Supply - POL Products BPD					
	FY16	FY17	FY18	FY19	Trendline
Total Demand	542,237	596,787	578,301	449,728	
Imports	310,196	356,477	313,928	188,145	
Local	232,042	240,310	264,373	261,583	



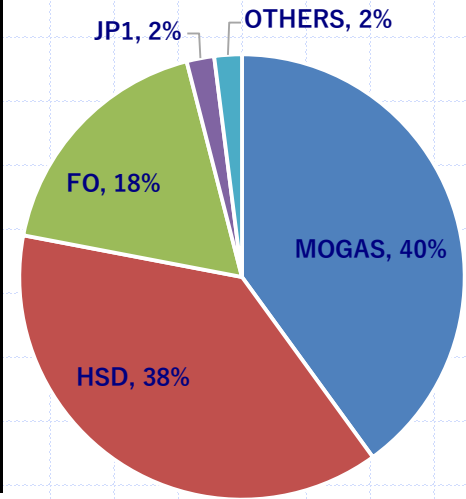
Total Imports	
POL Imports	8.2
Crude Imports	8.5
Total imports	16.7

- ~42% of the country's demand is met through imported products while remaining ~58% is being refined locally.
- Over the years, imports have been reduced while local share in total consumption has increased.



National Fuel Consumption – Product Wise

Industry - Product Wise Consumption - Percentage					
	FY15	FY16	FY17	FY18	FY19
MOGAS	21.2%	24.6%	26.0%	29.8%	39.7%
HSD	33.0%	32.9%	32.7%	36.0%	38.0%
FO	41.2%	38.2%	37.0%	29.4%	18.0%
JP1	2.8%	2.9%	2.9%	3.0%	1.9%
Others	1.8%	1.5%	1.4%	1.8%	2.3%

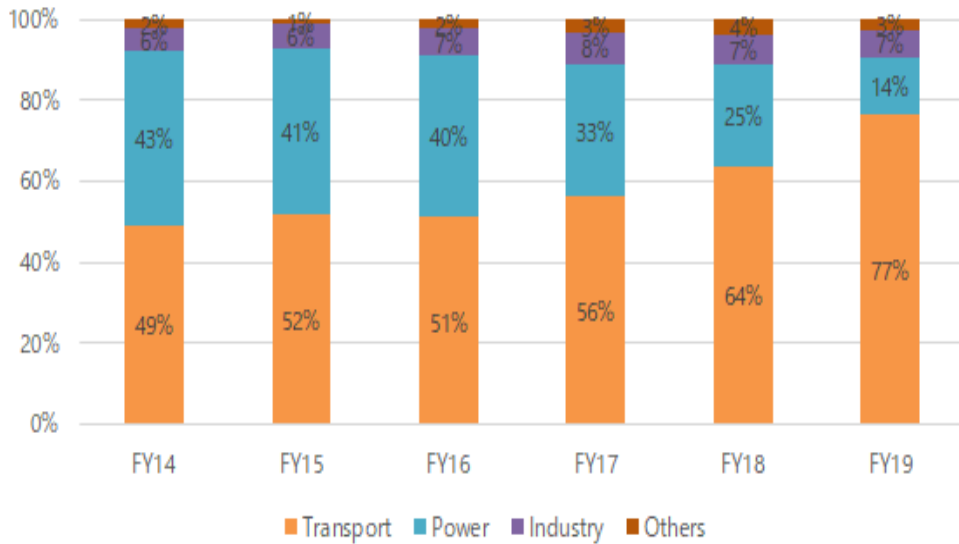


- ~95.8% of POL consumption in FY19 is distributed among three major products i.e. MOGAS (~39.7%), HSD (~38%), and FO (~18%).
- Over the years Product wise consumption percentage of MOGAS and HSD have increased. With HSD witnessing a 5% growth over the 5 years, MOGAS has seen substantial increase of 18.5% as the demand soars due to increased automobiles and it's use in electric generators.



National Fuel Consumption – Sector Wise

Sector Wise Consumption

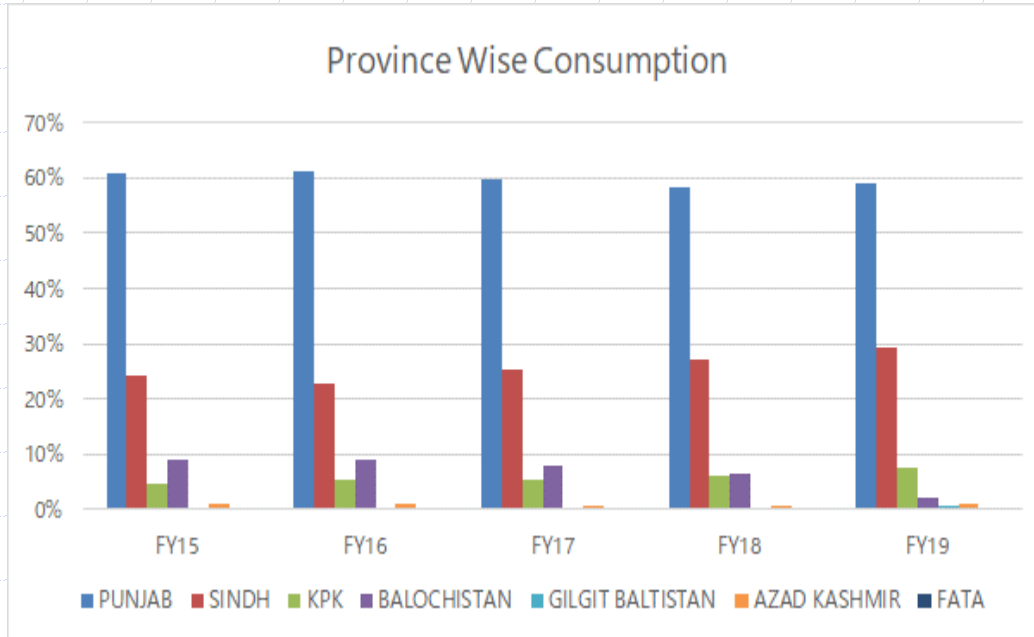


- The country's consumption is mainly driven by two sectors constituting ~91% of the demand.
- Transport sector demand is met by Diesel followed by Petrol.
- Furnace Oil dominates power sector demand.
- Over the years consumption in the power sector has reduced due to diversion of power generation to imported liquefied natural gas and coal.

Sector Wise Consumption

	FY14	FY15	FY16	FY17	FY18	FY19
Transport	49%	52%	51%	56%	64%	77%
Power	43%	41%	40%	33%	25%	14%
Industry	6%	6%	7%	8%	7%	7%
Others	2%	1%	2%	3%	4%	3%
Total	100%	100%	100%	100%	100%	100%

National Fuel Consumption – Province Wise

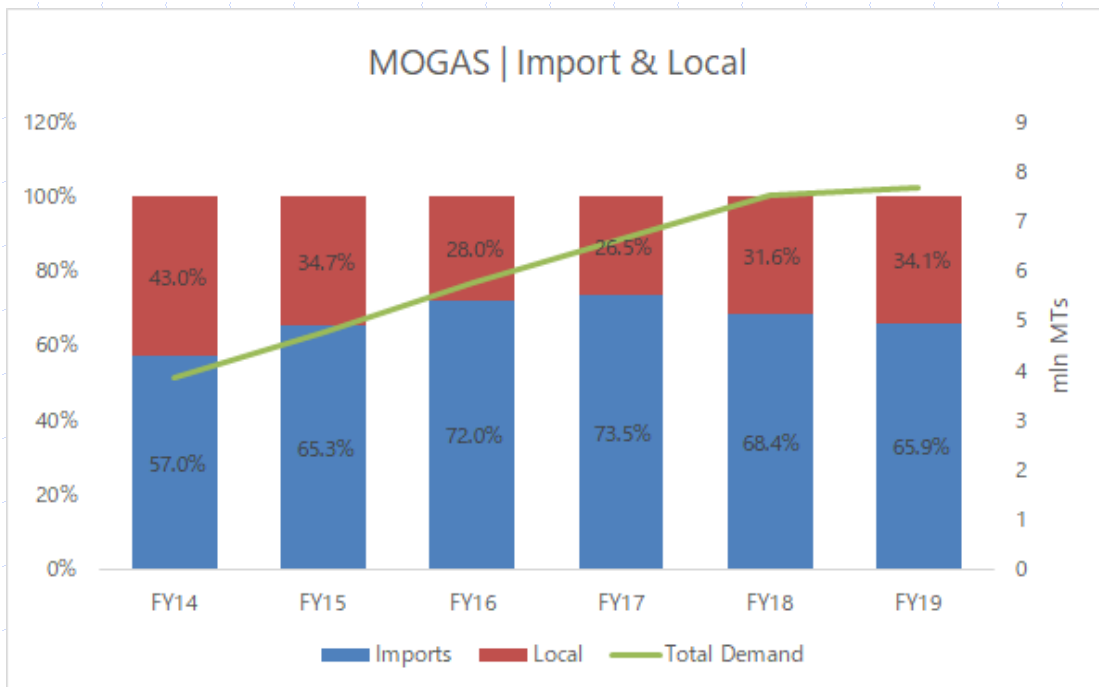


- Two provinces constitutes ~88.4% consumption in the country i.e. Punjab (~59.1%), and Sindh (~29.3%).
- Over the years Punjab's share in total consumption has declined from 60.7% to 59.1%, whereas share of Sindh has seen surge from 24.2% to 29.3%.
- KPK's increased consumption shows signs of revival in it's industry whereas also benefiting from surge in tourism.

Province Wise Consumption						
	FY15	FY16	FY17	FY18	FY19	Trendline
PUNJAB	60.7%	61.3%	59.8%	58.4%	59.1%	
SINDH	24.2%	22.7%	25.4%	27.3%	29.3%	
KPK	4.6%	5.3%	5.5%	6.3%	7.5%	
BALUCHISTAN	8.9%	9.1%	7.8%	6.4%	2.0%	
GILGIT BALTISTAN	0.3%	0.3%	0.3%	0.4%	0.6%	
AZAD KASHMIR	0.9%	0.9%	0.8%	0.8%	1.1%	
FATA	0.4%	0.4%	0.4%	0.3%	0.4%	



MOGAS | Import Vs Local

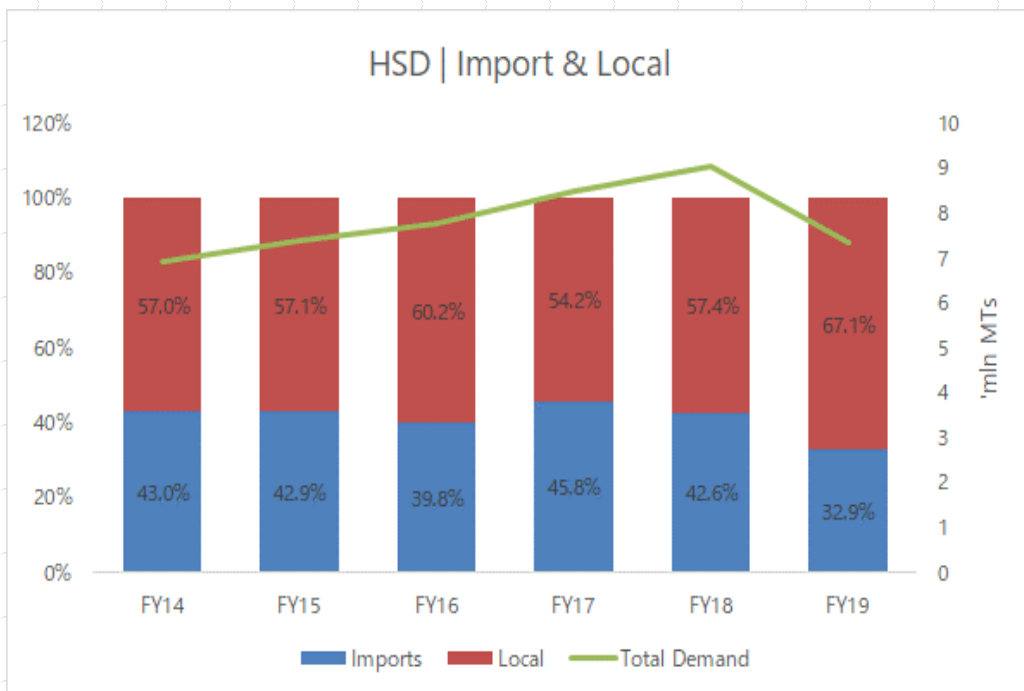


- The country's petrol consumption observed continuous rising trend due to higher automobile demand and low availability of CNG.
- The increased consumption level in recent years is met though a mix of imports (~65.9%) and domestic production (~34.1%).
- Additionally, over the recent years domestic production has increased with the five year CAGR of ~9.66%.

Consumption - MOGAS						
Amounts in 'mln MT						
	FY14	FY15	FY16	FY17	FY18	FY19
Imports	2.19	3.11	4.15	4.89	5.14	5.06
Local	1.65	1.60	1.61	1.76	2.37	2.62
Demand	3.84	4.75	5.76	6.65	7.50	7.69
Inc/Dec in Demand (%)	14.7%	23.7%	21.2%	15.4%	12.9%	2.4%



HSD | Import Vs Local

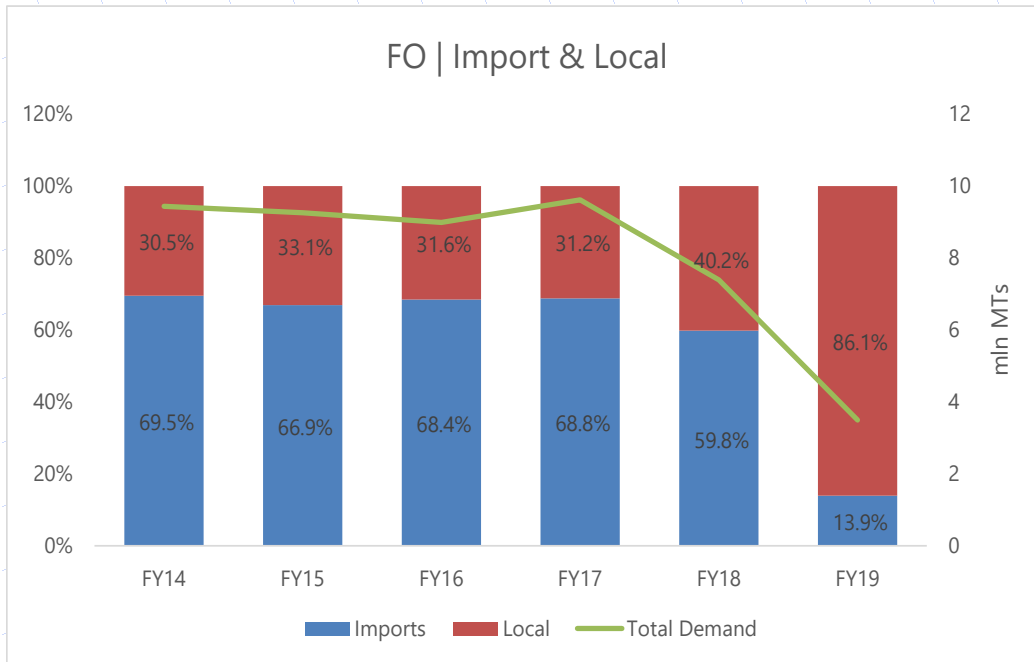


- The country's diesel consumption decreased on the back of reduced demand.
- The demand has also been affected by stagnant industrial activity leading to reduced industrial and transportation consumption.
- The illegal fuel traffic is considered a challenge as its demands soars due to its cheaper price.

Consumption - HSD						
Amounts in mln MT						
	FY14	FY15	FY16	FY17	FY18	FY19
Imports	2.97	3.17	3.08	3.89	3.85	2.42
Local	3.94	4.23	4.67	4.60	5.19	4.93
Demand	6.91	7.40	7.75	8.49	9.04	7.35
Inc/Dec in Demand (%)	1.0%	7.0%	4.7%	9.6%	6.4%	(18.6)%



FO | Import Vs Local

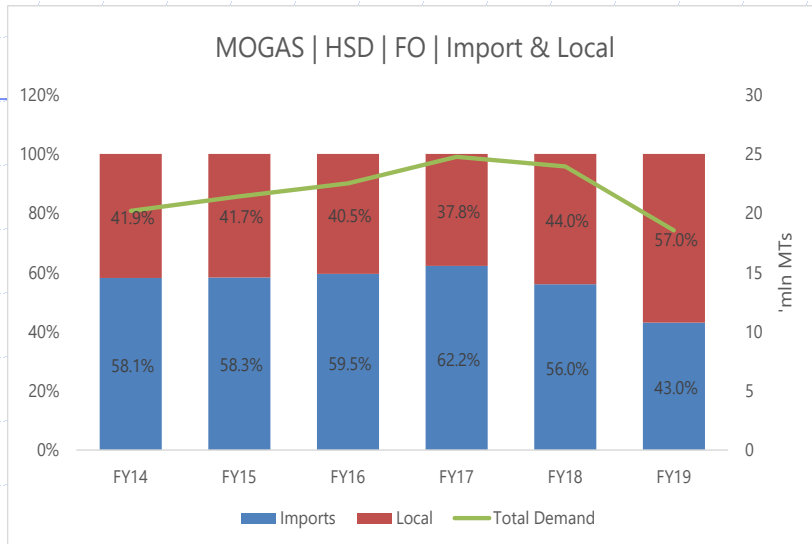


- During Dec17, government decided to restrict the import of fuel oil to save foreign currency reserves and encourage import of comparatively inexpensive liquefied natural gas (LNG).
- The demand contraction continued to emanate from the power sector as FO is being replaced by cheaper fuels like LNG and coal.
- FO will continue to witness downward trend as new power capacities on coal and LNG are expected to come online.

Consumption - FO						
Amounts in mln MT						
	FY14	FY15	FY16	FY17	FY18	FY19
Imports	6.56	6.20	6.15	6.61	4.42	0.49
Local	2.87	3.06	2.84	3.00	2.97	3.01
Demand	9.43	9.26	8.99	9.61	7.39	3.49
Inc/Dec in Demand (%)	12.0%	(1.8)%	(2.9)%	6.9%	(23.1)%	(52.8)%



MOGAS | HSD | FO | Import Vs Local



Consumption - MOGAS HSD FO						
Amounts in mln MT						
	FY14	FY15	FY16	FY17	FY18	FY19
Imports	11.73	12.48	13.38	15.39	13.41	7.97
Local	8.47	8.94	9.12	9.36	10.53	10.56
Demand	20.19	21.41	22.50	24.75	23.94	18.53
Inc/Dec in Demand (%)	12.0%	6.1%	5.1%	10.0%	(3.3)%	(22.6)%

- The demand has been witnessed a 22% drop in FY19, leading to reduced imports.
- The share of local production has increased over the years (FY15: 8.47mln MT , FY19: 10.56mln MT) as the local refineries amp up their production.
- Increased expansions such as new Isomerization plants have helped augment local production.



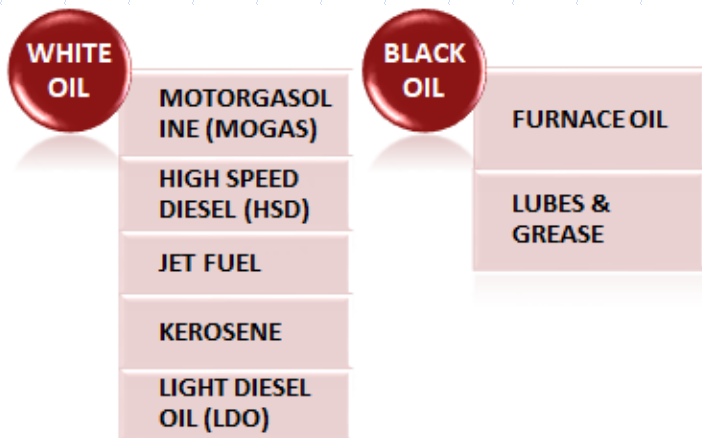
OMCs Market Share

Market Share (OMC-wise)					
Entity	FY15	FY16	FY17	FY18	FY19
PSO	57.0%	55.0%	54.0%	50.0%	41.0%
Total Parco Pakistan Ltd	5.0%	6.0%	10.0%	11.0%	10.0%
HASCOL Pet.	5.0%	6.0%	8.6%	10.0%	10.0%
Attock Petroleum	10.4%	8.5%	8.2%	10.0%	11.0%
Shell	10.0%	10.0%	9.3%	6.0%	8.0%
BE Energy			3.0%	2.4%	3.0%
GO		1.0%	2.0%	3.4%	6.0%
Others	12.6%	13.5%	4.9%	7.2%	11.0%

- There are total of ~28 Oil marketing companies operating currently in Pakistan. 59 companies have been granted licenses.
- Five major players represent ~80% market share.
- PSO captures the largest market share, though declining over the years.
- GO and Shell boosted their share significantly while Attock also pushed it up slightly



OMCs Market Share | White vs. Black Oil



White Oil Market Share		
	FY18	FY19
PSO	43%	41%
Total Parco	12%	12%
Shell	10%	10%
Attock	9%	10%
HASCOL	13%	10%
GO	5%	8%
Others	9%	11%

Black Oil Market Share		
	FY18	FY19
PSO	67%	52%
Attock	9%	13%
HASCOL	9%	12%
Total Parco	6%	8%
Others	10%	16%

- PSO leads the way in White Oil Followed by Total Parco. HASCOL has witnessed deteriorating market share in FY19.
- For Black Oil, PSO has reduced it's market share. Entities in other section is dominated by BYCO (10%).



Product wise OMCs Share

PSO				
	FY17	FY18	FY19	Trendline
MOGAS	40.0%	39.2%	36.4%	
HSD	46.0%	43.0%	39.0%	
FO	73.0%	67.0%	52.8%	

Shell				
	FY17	FY18	FY19	Trendline
MOGAS	17.5%	12.0%	12.5%	
HSD	11.5%	7.0%	7.5%	
FO	1.0%	-	0.1%	

➤ PSO is the market leader.

➤ Shell leads in MOGAS after PSO

➤ HASCOL has lost its venerated position.

➤ Attock is fast catching up HASCOL in HSD ; already taken over in MOGAS

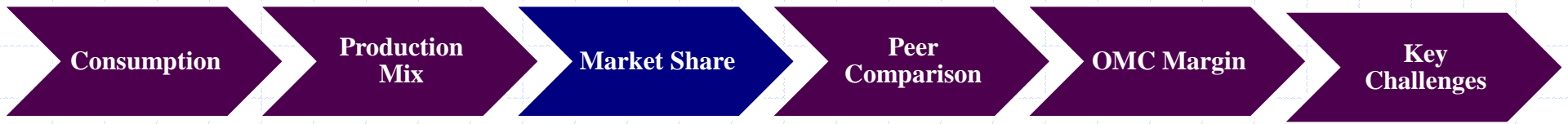
➤ GO is also catching up.

Attock Petroleum				
	FY17	FY18	FY19	Trendline
MOGAS	7.0%	9.0%	9.5%	
HSD	10.0%	9.0%	10.5%	
FO	8.0%	9.0%	12.8%	

HASCOL				
	FY17	FY18	FY19	Trendline
MOGAS	7.0%	13.0%	8.9%	
HSD	8.0%	15.0%	11.4%	
FO	6.0%	8.0%	11.4%	

Gas & Oil				
	FY17	FY18	FY19	Trendline
MOGAS	3.6%	4.9%	7.9%	
HSD	4.3%	5.0%	8.0%	
FO	-	0.4%	1.6%	

BE Energy				
	FY17	FY18	FY19	Trendline
MOGAS	2.1%	2.3%	2.9%	
HSD	2.4%	2.5%	3.3%	
FO	3.7%	2.8%	3.7%	



OMCs Revenue Mix - Volume based

PSO				
	FY17	FY18	FY19	Trendline
MOGAS	19.2%	24.1%	35.1%	
HSD	27.1%	31.6%	36.0%	
FO	50.3%	40.2%	23.1%	
Total	96.6%	95.9%	94.2%	

Shell				
	FY17	FY18	FY19	Trendline
MOGAS	48.3%	55.8%	61.2%	
HSD	43.6%	35.3%	34.9%	
FO	3.1%	0.1%	0.2%	
Total	95.0%	91.1%	96.2%	
Lubes:		3.7%		

Attock Petroleum				
	FY17	FY18	FY19	Trendline
MOGAS	27.2%	26.1%	34.0%	
HSD	39.6%	33.3%	36.0%	
FO	31.1%	26.8%	20.8%	
Total	97.9%	86.2%	90.8%	
ASPHALT		11.5%	6.4%	

HASCOL				
	FY17	FY18	FY19	Trendline
MOGAS	30.1%	32.8%	35.4%	
HSD	42.0%	45.5%	43.6%	
FO	27.9%	21.4%	20.7%	
Total	100.0%	99.7%	99.7%	

Gas & Oil				
	FY17	FY18	FY19	Trendline
MOGAS	39.1%	43.4%	50.5%	
HSD	60.1%	52.9%	49.5%	
FO	0.8%	3.7%	0.0%	
Total	100.0%	100.0%	100.0%	

BE Energy				
	FY17	FY18	FY19	Trendline
MOGAS	20.5%	28.9%	37.4%	
HSD	28.9%	37.4%	41.2%	
FO	50.6%	33.7%	21.4%	
Total	100.0%	100.0%	99.9%	

- Shell derives the largest revenue from MOGAS and HSD
- Gas & Oil (GO) has equal contribution from MOGAS and HSD
- PSO, Attock, HASCOL and BE Energy reflect similar composition
- Gas & Oil Limited and Shell are not venturing into FO.



Retail Outlets

Retail Outlets	2018	2019	% Share 2018	% Share 2019
Pakistan State Oil Co. Ltd.	3540	3468	42.3%	40.3%
Shell Pakistan Ltd.	796	784	9.5%	9.1%
Total-Parco Pakistan Ltd.	783	793	9.4%	9.2%
Hascol Petroleum Ltd	548	700	6.6%	8.1%
Attock Petroleum Ltd.	679	672	8.1%	7.8%
Gas & Oil Pakistan Pvt Limited	390	500	4.7%	5.8%
Puma Energy Pakistan (Pvt) Ltd	470	470	5.6%	5.5%
Askar Oil Services (Pvt) Ltd.	367	394	4.4%	4.6%
Byco Pakistan Ltd.	352	377	4.2%	4.4%
BE Energy	314	337	3.8%	3.9%
Zoom Petroleum (Pvt) Ltd.	58	43	0.7%	0.5%
Quality 1 Petroleum (Pvt.) Limited	30	33	0.4%	0.4%
Al-Noor Petroleum (Pvt) Ltd	12	17	0.1%	0.2%
Exceed Petroleum (Pvt.) Limited	13	13	0.2%	0.2%
Horizon Oil Company (Pvt) Ltd	11	11	0.1%	0.1%
Total	8,363	8,612	100%	100.0%

OMC Name	Revenue*	Revenue Per Pump
Pakistan State Oil Co. Ltd.	1,211,378	349
Attock Petroleum Ltd.	196,935	293
Shell Pakistan Ltd.	201,938	258
Gas & Oil Pakistan Pvt Limited	111,526	223
Hascol Petroleum Ltd	125,643	179
BE Energy	51,145	152
<i>* F.O Adjusted</i>		
<i>F.O Average Price(PKR58,458 MT)</i>		

**all amounts in m/n*

- Adjusting for FO, as they are not sold in the retail outlets, PSO leads the way for revenue earned per pump followed by Attock and Shell.

- Pakistan has ~8,600 retail fuel stations.
- PSO has the largest share of retail outlets (~40%), followed by Total Parco (9.2%) and Shell Pakistan (~9.1%).



Peer Comparison

➤ OMC sector in Pakistan is dominated by players listed on the country's stock exchange.

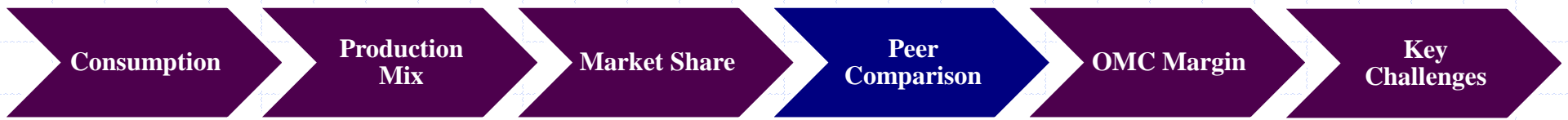
PSO - Amounts in mln							Shell Pakistan - Amounts in mln						
(PKR mln)	3M-FY20	FY19	FY18	FY17	FY16	Trendline	(PKR mln)	9M-CY19	6M-CY19	CY18	CY17	CY16	Trendline
Revenue	329,783	1,154,298	1,056,901	878,147	677,967		Revenue	146,637	101,145	215,153	168,848	167,641	
Gross Margin	3.25%	3.12%	3.8%	4.2%	3.3%		Gross Margin	8.14%	8.32%	7.2%	8.8%	8.3%	
PBT	6,216	17,477	27,160	29,347	16,289		PBT	127	(526)	(60)	4,322	5,705	
Net Income	3,528	10,587	15,461	18,226	10,273		Net Income	(877,514)	(1,447)	(1,102)	3,182	6,764	
Short-Term Borrowings	119,458	106,977	89,847	130,499	105,113		Short-Term Borrowings	6,514	9,288	8,053	395	-	
Long-Term Borrowings	2,604	-	-	-	-		Long-Term Borrowings	3,397	3,034	-	-	-	
Equity	123,926	119,181	110,452	102,850	91,581		Equity	5,030	4,460	6,353	10,198	11,110	

Attock Petroleum - Amounts in mln							Hascol Petroleum - Amounts in mln						
(PKR mln)	3M-FY20	FY19	FY18	FY17	FY16	Trendline	(PKR mln)	9M-CY19	6M-CY19	CY18	CY17	CY16	Trendline
Revenue	59,208	223,054	177,344	172,081	109,234		Revenue	111,973	86,034	234,444	174,239	99,715	
Gross Margin	3.55%	3.69%	5.4%	4.3%	5.3%		Gross Margin	0.15%	0.13%	4.4%	4.2%	4.7%	
PBT	1,755	5,723	8,289	7,699	5,633		PBT	(18,436)	(14,675)	652	2,658	2,154	
Net Income	1,225	3,961	5,656	5,299	3,828		Net Income	(13,877)	(11,168)	207	1,401	1,215	
Short-Term Borrowings	-	-	-	-	-		Short-Term Borrowings	42,979	25,857	18,877	6,945	3,890	
Long-Term Borrowings	829	-	-	-	-		Long-Term Borrowings	6,158	6,426	6,433	2,240	2,308	
Equity	19,158	18,927	18,418	16,294	14,317		Equity	(1,775)	1,060	12,485	9,240	4,962	

BE Energy - Amounts in mln							GO - Amounts in mln						
(PKR mln)	FY19	FY18	FY17	FY16	FY15	Trendline	(PKR mln)	9M-CY19	6M-CY19	CY18	CY17	CY16	Trendline
Revenue	58,605	40,219	35,782	23,786	30,527		Revenue	84,031	55,795	92,182	34,390	15,387	
Gross Margin	3.8%	4.5%	6.5%	4.4%	6.9%		Gross Margin	5.4%	6.4%	5.7%	5.2%	5.6%	
PBT	990	1,030	1,428	451	577		PBT	371	360	1,639	1,225	482	
Net Income	665	647	1,030	448	300		Net Income	335	326	943	1,037	301	
Short-Term Borrowings	5,421	5,965	159	2,381	1,160		Short-Term Borrowings	17,460	14,737	16,326	795	523	
Long-Term Borrowings	931	706	760	1,072	1,291		Long-Term Borrowings	5,008	5,200	3,800	882	564	
Equity	4,533	4,009	3,362	2,324	1,064		Equity	8,489	8,480	6,667	2,903	1,796	

➤ Almost all major companies in the sector show a trend towards an increase in revenues mainly due to surge in POL prices. On the other hand, gross margins have taken a hit due to a surge in production costs.

➤ HASCOL reported loss of Rs.13.877 billion. Major reason of this loss is lower gross profit due to dip in sales volume, inventory losses and substantial increase in finance cost due to increased discount rate and higher average borrowing levels vs. same period last year. (Financial Statements, HASCOL, June 2019)

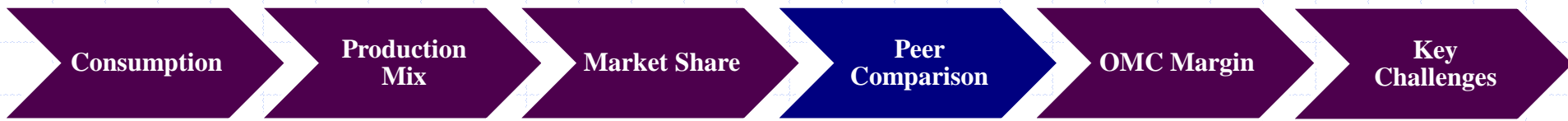


Regional Players

Hindustan Petroleum Limited Amount in bln		
	FY18	FY19
Topline	2,495	2,957
Operating Margin	4.9%	4.2%
Gross Margin	3.6%	3.0%

Bharat Petroleum Amount in bln		
	FY18	FY19
Topline	2,772	3,376
Operating Margin	5%	4%
Gross Margin	3.9%	2.9%

- Margins in the region are also declining owing to increase in the price of crude oil in the international market.



OMC Margin

HSD Price (PKR/ litre)	July 2017	July 2018	Jun 2019	Nov 2019
Cost of Supply	45.67	75.96	87.53	81.31
IFEM	1.3	1.55	1.13	1.03
OMC Margin	2.41	2.64	2.64	2.81
Dealer Margin	2.67	2.93	2.93	2.93
Sales Tax	20.05	28.23	14.59	18.47
PL	7.8	8	18	20.76
Taxes	27.85	36.23	32.59	39.23
Sales Tax Rate	33.50%	31.0%	13.00%	17.00%

MOGAS Price (PKR/ litre)	July 2017	July 2018	Jun 2019	Nov 2019
Cost of Supply	40.65	65.02	76.56	69.78
IFEM	3.16	3.91	3.29	3.72
OMC Margin	2.41	2.64	2.64	2.81
Dealer Margin	3.16	3.47	3.47	3.47
Sales Tax	12.13	14.46	12.96	16.45
PL	9.79	10	13.73	17.18
Taxes	21.92	24.46	26.72	33.63
Sales Tax Rate	20.5%	17.0%	13.0%	17.0%

Furnace Oil market is deregulated; Margin remains at ~3.5% of the imported Price.

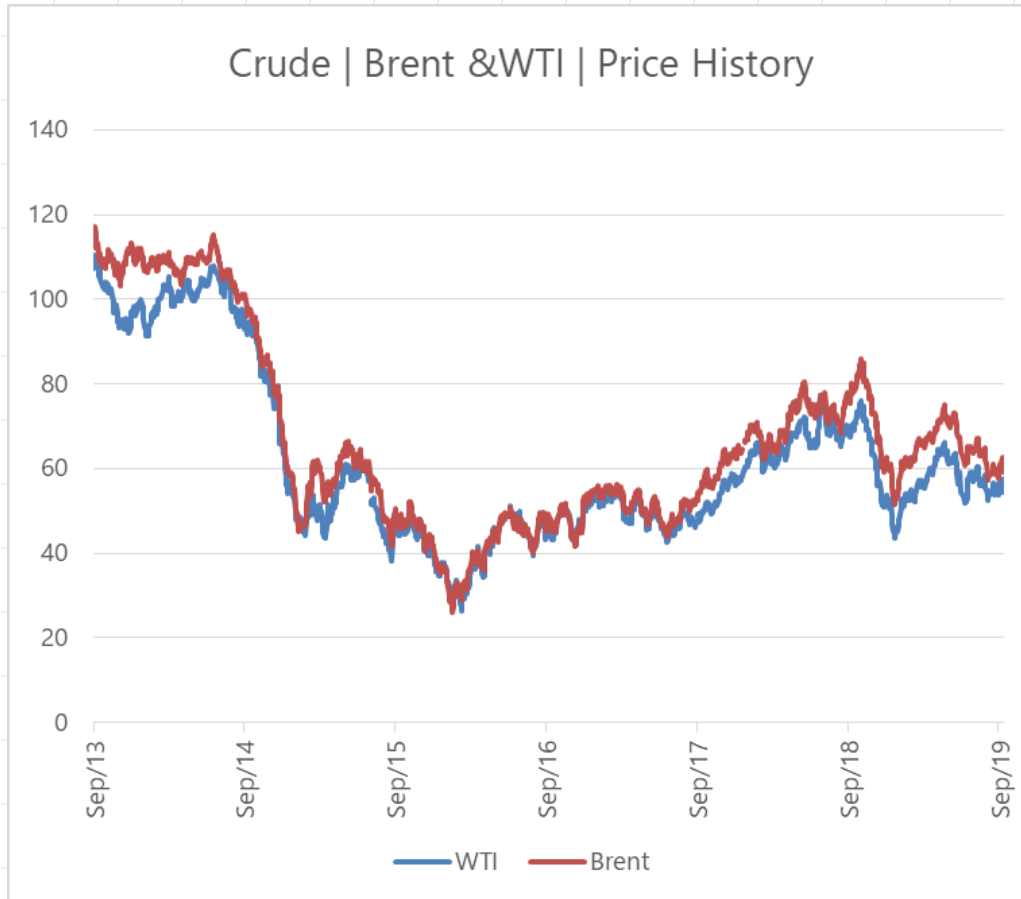
Applicable IFEM rates are notified on the OGRA website every month

- Ex-Depot sale price includes:
- IFEM
 - Dealers commission
 - OMCs Margin
 - Petroleum Levy
 - Sales Tax

- The OMC margins are fixed in terms of PKR for MS and HSD.
- Government of Pakistan has linked OMC margins with CPI (Consumer Price Index), which are updated annually. Margins of both HSD and Petrol have been revised PKR 0.17/liter to PKR 2.81/liter from current PKR 2.64/liter.
- The margin related to furnace oil remains linked with the imported price.



Crude | Brent & WTI | Outlook



- Crude oil prices have fallen about 20% from 2019 highs hit in April, in part due to an escalating trade war between the United States and China, which is seen hurting the global economy and in turn, demand for oil.
- According to OPEC, oil demand is expected to grow in the next five years, the pace of growth is decisively declining to 104.8 million barrels per day by 2024.
- OPEC and Russia, have not increased the supply, pointing at more than ample global commercial oil stocks, at the disposal of the two leading producers, the USA and Saudi Arabia. Should the stocks see drawing, the supply situation could be back to normal swifter than what it looks today.
- Although, the drawing from reserve stock normally carries a premium, but global stockpile today, is at a multi-decade high – and could only be seen as a step to bring the market close to equilibrium. Also, US shale players are never too far off, to sense the opportunity and pump in more, should the bull rally go any deeper.

Key Challenges

- Prolonged slowdown in economic activity
- Increase in circular debt will impact working capital cycles.
- Trade Debts - Net position of some major players is depicted as follows:

Trade Debts - Net (PKR mln)				
PKR mln	Sep-19	Jun-19	Jun-18	Jun-17
PSO	209,698	219,586	245,577	212,619
Shell Pakistan	4,304	4,060	3,380	2,497
Attock Petroleum	17,013	16,838	16,475	10,801
Hascol Petroleum	11,090	12,317	11,310	11,674

- Exchange rate: Volatility on extended carrying stocks
- Companies with sizeable procurement from local refineries are expected to have constrained impact on profitability in the current macroeconomic environment vis-à-vis players that have a leveraged capital structure and rely on imports.



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