

# Oil Marketing Companies

Oct 18

Consumption

Production  
Mix

Market Share

Peer  
Comparison

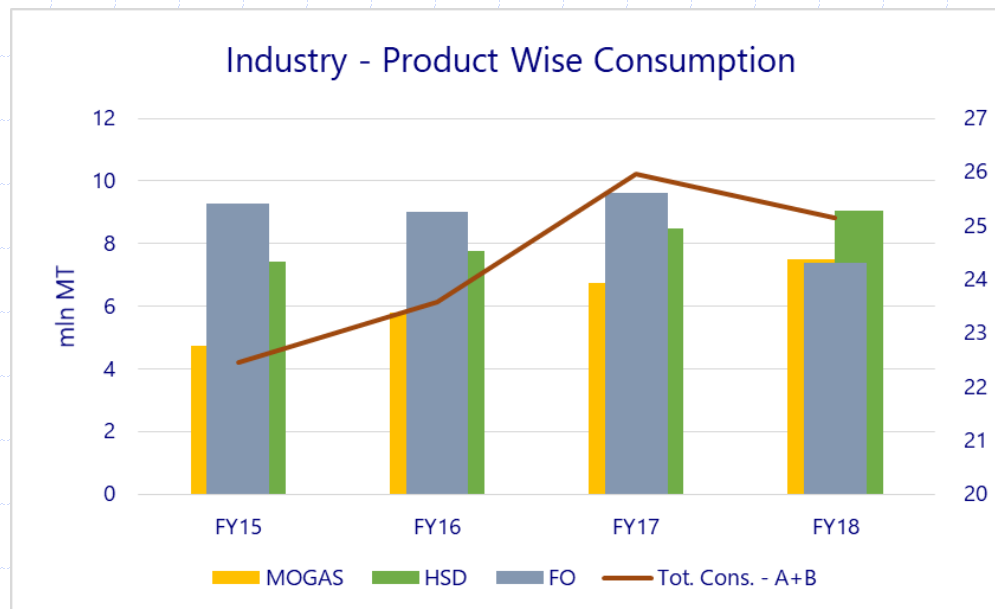
OMC Margin

Key  
Challenges

# National Fuel Consumption – Product Wise

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

Source : PACRA Data Base



- Pakistan consumed a total of ~25.1mln metric tons (MT) of petroleum products (POL) in FY18 (FY17: 25.9mln MT), ~3% lower than the same period last year. This decline is mainly seen owing to decrease in the sales of Furnace oil by ~ 23% to ~7.3mln MT (FY17: ~9.6mln MT), as the government of Pakistan plans to gradually reduce reliance on oil-based power plants to other power sources i.e. LNG & coal.
- There are total of ~15 Oil marketing companies registered in Pakistan.

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OMC Margin

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Challenges

# Demand and Supply | POL Products

**Demand & Supply - POL Products | mIn MTs**

	FY15	FY16	FY17	FY18	Trendline
Total Demand	22.5	23.6	26.0	25.2	— — — —
Imports	12.6	13.5	15.5	13.7	— — — —
Local	9.9	10.1	10.5	11.5	— — — —

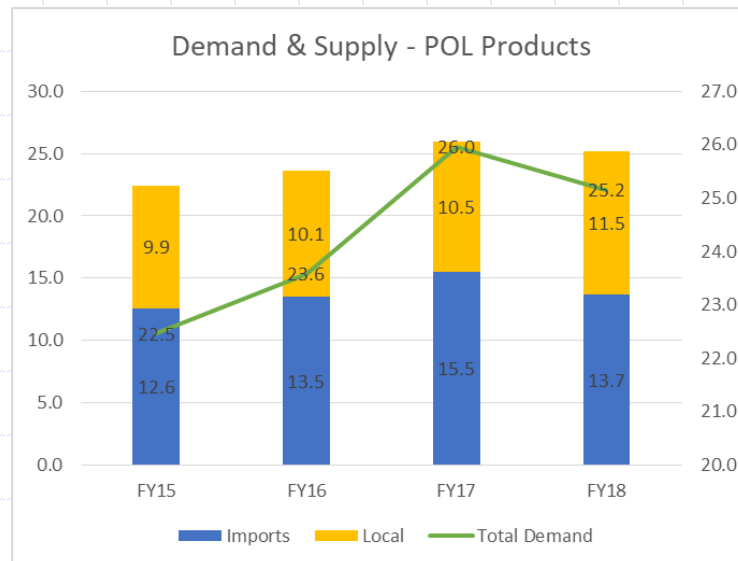
**Demand & Supply - POL Products | BPD**

	FY15	FY16	FY17	FY18	Trendline
Total Demand	516,322	542,237	596,787	578,301	— — — —
Imports	288,658	310,196	356,477	313,928	— — — —
Local	227,664	232,042	240,310	264,373	— — — —

## Total Imports

POL Imports	13.66
Crude Imports	10.31
Total imports	23.97

Source : PACRA Data Base and OCAC



- ❖ ~54% of the country's demand is met through imports while remaining ~46% is being produced locally.
- ❖ Over the years, imports have been reduced while local share in the total demand has increased.

Consumption

Production  
Mix

Market Share

Peer  
Comparison

OMC Margin

Key  
Challenges

# National Fuel Consumption – Product Wise

Industry - Product Wise Consumption - Percentage				
	FY15	FY16	FY17	FY18
MOGAS	17.6%	24.6%	26.0%	29.8%
HSD	29.3%	32.9%	32.7%	36.0%
FO	48.6%	38.2%	37.0%	29.4%
JP1	3.2%	2.9%	2.9%	3.0%
Others	1.3%	1.5%	1.4%	1.8%

*Source : OCAC*

- ~95% of POL consumption is distributed among three major products i.e. MOGAS (~30%), HSD (~36%), and FO (~30%).
- Over the years consumption of MOGAS and HSD have increased. This is because of the rising demand of transport sector particularly the growing number of motorcycles and cars, indicating increased economic activity in the country.

Consumption

Production  
Mix

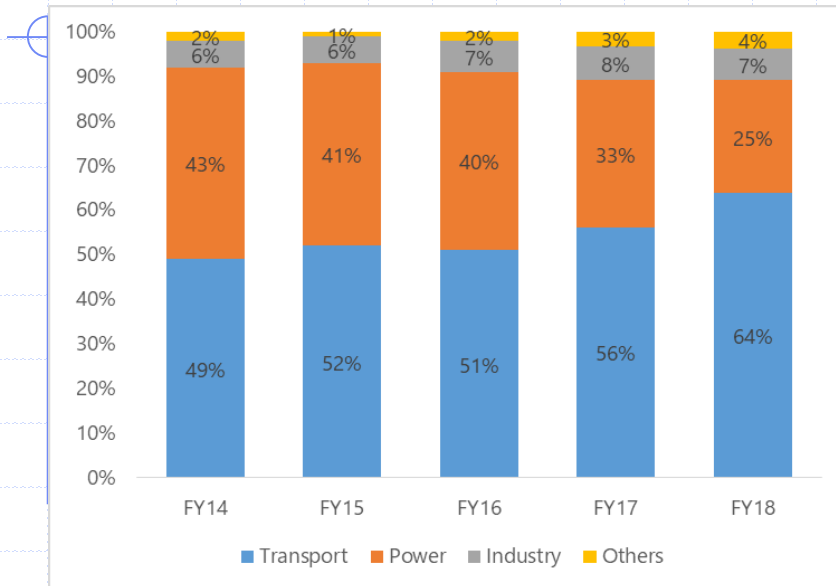
Market Share

Peer  
Comparison

OMC Margin

Key  
Challenges

# National Fuel Consumption – Sector Wise



- The country's consumption is mainly driven by two sectors constituting ~89% 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
Transport	49%	52%	51%	56%	64%
Power	43%	41%	40%	33%	25%
Industry	6%	6%	7%	8%	7%
Others	2%	1%	2%	3%	4%
Total	100%	100%	100%	100%	100%

Source : OCAC

Consumption

Production  
Mix

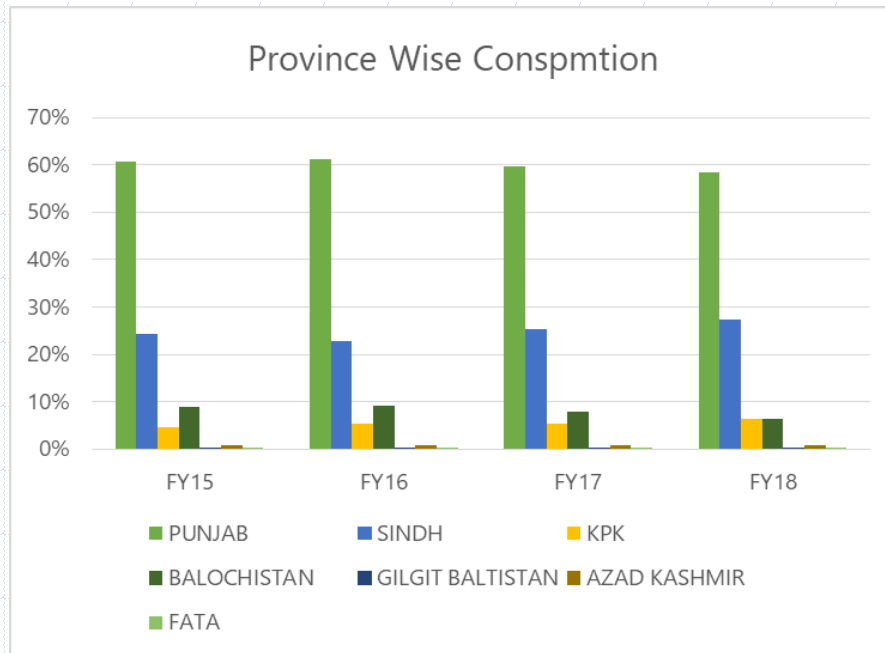
Market Share

Peer  
Comparison








OMC Margin

Key  
Challenges

# National Fuel Consumption – Province Wise



- ❖ Two provinces constitutes ~85% consumption in the country i.e. Punjab (~58%), and Sindh (~27%).
- ❖ Over the years Punjab's share in total consumption has declined from 60% to 58%, whereas share of Sindh has seen surge from 24% to 27%.

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

Source : OCAC

Consumption

Production  
Mix

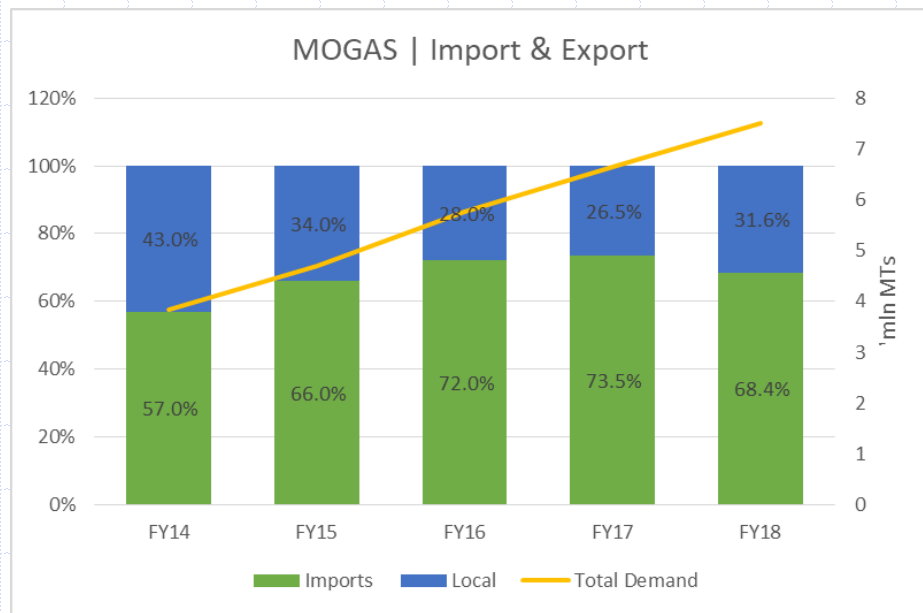
Market Share

Peer  
Comparison

OMC Margin

Key  
Challenges

# 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 (~68%) and domestic production (~32%).
- Additionally, over the recent years domestic production has increased with the four year CAGR of ~9.4%.

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

Source : PACRA Data Base

Consumption

Production Mix

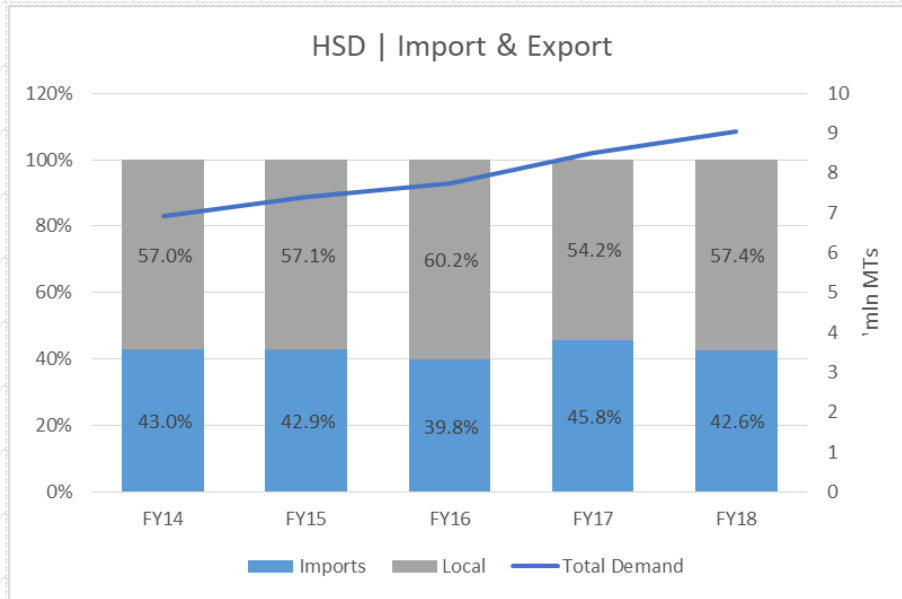
Market Share

Peer Comparison

OMC Margin

Key Challenges

# HSD | Import Vs Local



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

Source : PACRA Data Base

- 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
- Of the total consumption, ~90% of the HSD is used in transport sector, followed by industry (~6%), Power (~2%).
- Local production has increased in recent years.

Consumption

Production Mix

Market Share

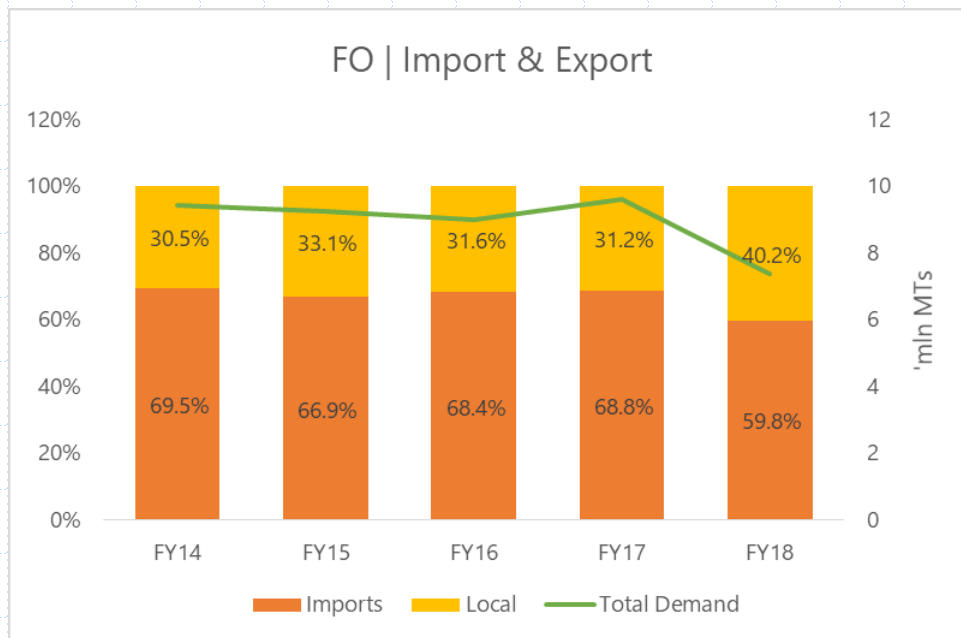
Peer Comparison

OMC Margin

Key Challenges



# FO | Import Vs Local



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

Source : PACRA Data Base

- During Dec17, government decided to restrict the import of fuel oil to save foreign currency reserves growing import of comparatively inexpensive liquefied natural gas (LNG). However, during Apr18, government has lifted the ban on import of furnace oil for running power plants in order to meet growing electricity demand in the country.
- The imported LNG impacted the demand pattern of furnace oil in the power generation mix during the last two years.

Consumption

Production Mix

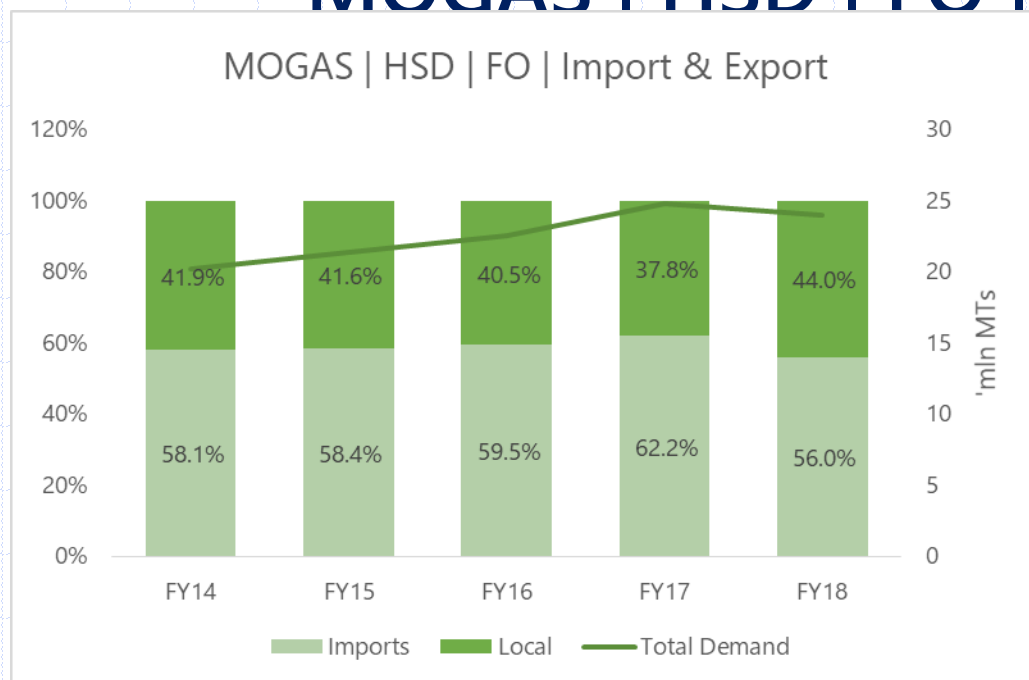
Market Share

Peer Comparison

OMC Margin

Key Challenges

# MOGAS | HSD | FO | Import Vs Local



- ❖ Over the years, there is moderate to little growth in the demand. However, there is a dip in recent period owing to plunge in the consumption of FO.
- ❖ Local refineries production has improved which has reduced the reliance on the imports.

Consumption - MOGAS   HSD   FO					
Amounts in 'mln MT					
	FY14	FY15	FY16	FY17	FY18
Imports	11.73	12.48	13.38	15.39	13.41
Local	8.47	8.89	9.12	9.36	10.53
Demand	20.19	21.37	22.50	24.75	23.94
Inc/Dec in Demand (%)	12.0%	5.8%	5.3%	10.0%	(3.3)%

Source : PACRA Data Base

Consumption

Production  
Mix

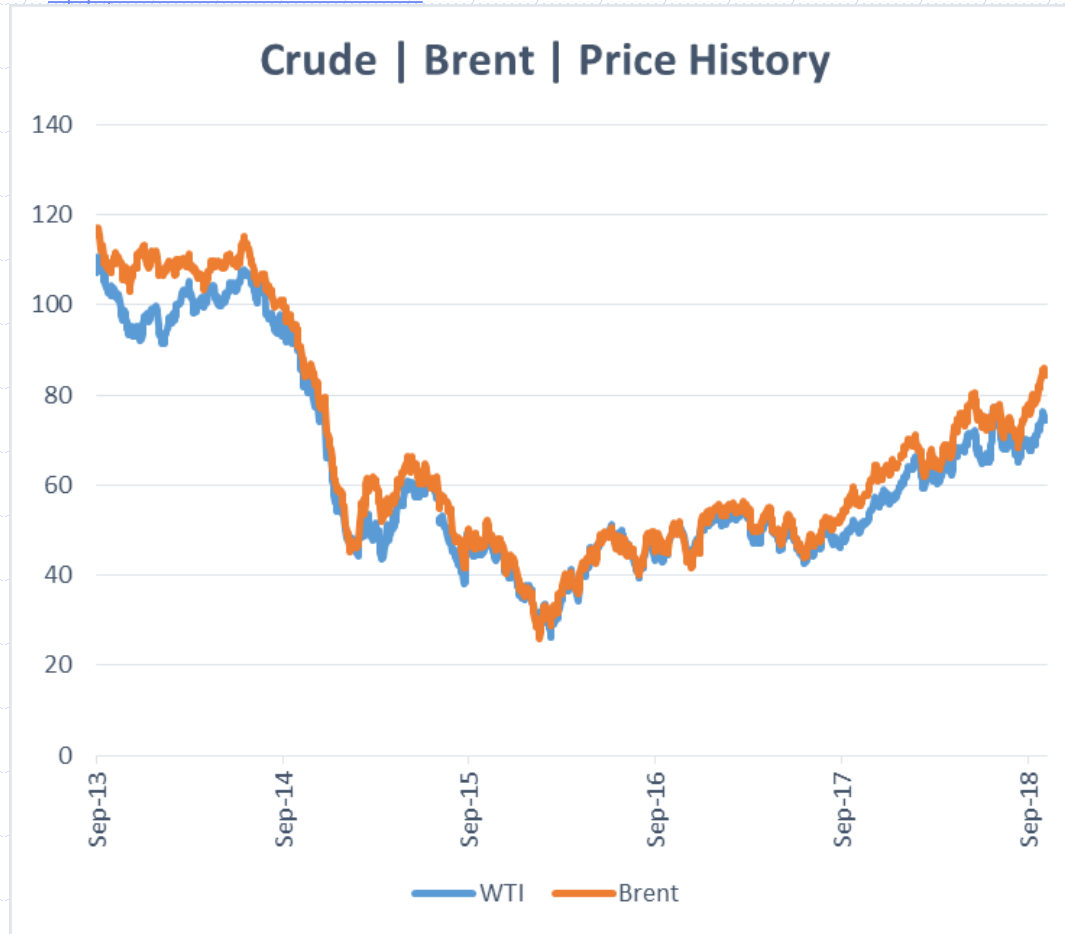
Market  
Share

Peer  
Comparison

OMC  
Margin

Key  
Challenges

# Crude | Brent | Price History



❖ Fears about global supply disruptions in the wake of U.S. sanctions against Iranian oil exports led the rally in Brent crude oil prices, resulted into recent hike in the oil prices.

# OMCs Market Share

Market Share (OMC-wise)				
Entity	FY15	FY16	FY17	FY18
PSO	57%	55%	54%	50%
Total Parco Pakistan Ltd			10%	11%
HASCOL Pet.	5%	6%	9%	10%
Attock Petroleum	10%	9%	8%	10%
Shell	10%	10%	9%	6%
BE Energy			3%	2%
GO			2%	3%
Others	18%	21%	5%	7%

*Source : PACRA Data Base*

- Five major players represent ~87% 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.

Consumption

Market Share















Peer  
Comparison

OMC Margin















Key  
Challenges

# Peer comparison















- OMC sector in Pakistan is dominated by players listed on the country's stock exchange.
- Almost all major companies in the sector have observed an increase in revenues mainly due to surge in POL prices.

PSO - Amounts in PKR mln						Shell Pakistan - Amounts in PKR mln					
(PKR mln)	FY18	FY17	FY16	FY15	Trendline	(PKR mln)	CY18 E	CY17	CY16	CY15	Trendline
Revenue	1,056,901	878,147	677,967	913,094		Revenue	179,810	168,848	167,641	197,128	
Gross Margin	3.8%	4.2%	3.3%	2.6%		Gross Margin	9.2%	8.8%	8.3%	5.3%	
PBT	27,160	29,347	16,289	12,034		PBT	4,395	4,322	5,705	2,345	
Net Income	15,461	18,226	10,273	6,936		Net Income	3,206	3,182	6,764	910	
Short-Term Borrowings	89,847	130,499	105,113	102,076		Short-Term Borrowings	-	395	-	2,025	
Long-Term Borrowings	-	-	-	-		Long-Term Borrowings	-	-	-	-	
Equity	110,452	102,850	91,581	82,310		Equity	9,982	10,198	11,110	5,981	

Attock Petroleum - Amounts in PKR mln						Hascol Petroleum - Amounts in PKR mln					
(PKR mln)	FY18	FY17	FY16	FY15	Trendline	(PKR mln)	CY18 E	CY17	CY16	CY15	Trendline
Revenue	177,344	172,081	109,234	171,730		Revenue	244,214	174,239	99,715	94,065	
Gross Margin	5.4%	4.3%	5.3%	2.9%		Gross Margin	4.8%	4.2%	4.7%	3.7%	
PBT	8,289	7,699	5,633	4,537		PBT	3,232	2,658	2,154	1,197	
Net Income	5,656	5,299	3,828	3,286		Net Income	2,056	1,401	1,215	1,133	
Short-Term Borrowings	-	-	-	-		Short-Term Borrowings	7,941	6,945	3,890	1,699	
Long-Term Borrowings	-	-	-	-		Long-Term Borrowings	3,249	2,240	2,308	176	
Equity	18,418	16,294	14,317	13,560		Equity	9,794	9,240	4,962	4,529	

BE Energy - Amounts in PKR mln						GO - Amounts in PKR mln					
(PKR mln)	FY18	FY17	FY16	FY15	Trendline	(PKR mln)	CY18 E	FY17	FY16	FY15	Trendline
Revenue	40,219	35,782	23,786	30,527		Revenue	70,492	34,390	15,387	1,656	
Gross Margin	4.4%	6.5%	4.4%	6.9%		Gross Margin	5.7%	5.2%	5.6%	7.5%	
PBT	1,110	1,428	451	577		PBT	870	1,225	482	13	
Net Income	717	1,030	448	300		Net Income	484	1,037	301	17	
Short-Term Borrowings	5,965	159	2,381	1,160		Short-Term Borrowings	6,018	795	523	443	
Long-Term Borrowings	706	760	1,072	1,291		Long-Term Borrowings	3,757	882	564	154	
Equity	4,079	3,362	2,324	1,064		Equity	3,923	2,903	1,796	966	

Source : PACRA Data Base

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Production  
Mix

Market Share

Peer  
Comparison

OMC Margin

Key  
Challenges

# OMC Margin

Pricing		Per Litre	
	Dealer Margin	OMC Margin	Inland Freight
Petrol	3.47	2.64	3.28
Diesel	2.93	2.64	1.63

**Note: Effective from July 1, 2018**

*Source : PACRA Data Base*

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

- 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.
- The margin related to furnace oil remains linked with the imported price.

Consumption

Production Mix

Market Share

Peer Comparison

OMC Margin

Key Challenges

# Regional Players

Hindustan Petroleum Company Limited   Amount in INR bln		
	FY18	FY17
Topline	2,185	1,867
Gross Profit	240	233
Gross Margin	11.0%	12.5%

Bharat Petroleum   Amount in INR bln		
	FY18	FY17
Topline	2,363	2,022
Gross Profit	273	245
Gross Margin	11.6%	12.1%

Source : <http://www.hindustanpetroleum.com/>  
<https://www.bharatpetroleum.com/>

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

# 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)		
PKR mln	end-Jun18	end-Jun17
PSO	245,577	212,619
Shell Pakistan	3,380	2,497
Attock Petroleum	16,475	10,801
Hascol Petroleum	11,310	11,674

- ❖ Exchange rate fluctuation / Inventory loss

Consumption

Production  
Mix

Market Share

Peer  
Comparison

OMC Margin

Key  
Challenges



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