

**SECTORWATCH | CORONAVIRUS | OIL MARKETING COMPANIES**

Since the start of 2020, the novel coronavirus (COVID-19) outbreak has quickly spread across the world and caused disruptions in economies worldwide. Starting in China – itself a global manufacturing hub – and moving to more than 200 countries and territories, virtually all major economies and markets have been adversely impacted. The full impact of such an outbreak on Pakistan's economy is difficult to ascertain at present and will depend on the severity and duration of the outbreak as well as Government's response. However, it is clear that credit conditions are under stress and this will impact credit quality of many entities and sectors. In this context, PACRA aims to provide analysis on how the ongoing outbreak of COVID-19 may impact various sectors in Pakistan.

SECTOR	SUB-SECTOR																																										
OIL & GAS	OIL MARKETING COMPANIES (OMCs)																																										
SIZE	<table><tr><th>Products (Mln MT)</th><th>9M FY20</th><th>9M FY19</th><th>FY19</th><th>FY18</th><th>%Δ FY 18-19</th><th>%Δ 9M FY 19-20</th></tr><tr><td>Motor Gasoline (MOGAS)</td><td>5.5</td><td>5.5</td><td>7.7</td><td>7.5</td><td>3%</td><td>1%</td></tr><tr><td>High Speed Diesel (HSD)</td><td>4.5</td><td>5.4</td><td>7.4</td><td>9.0</td><td>-18%</td><td>-17%</td></tr><tr><td>Furnace Oil</td><td>1.6</td><td>2.2</td><td>3.5</td><td>7.4</td><td>-53%</td><td>-27%</td></tr><tr><td>Total</td><td>11.6</td><td>13.1</td><td>18.6</td><td>23.9</td><td>-22%</td><td>-11%</td></tr><tr><td>Retail Pumps</td><td>~8,800</td><td>~8,550</td><td>~8,612</td><td>~8,363</td><td>3%</td><td>3%</td></tr></table>	Products (Mln MT)	9M FY20	9M FY19	FY19	FY18	%Δ FY 18-19	%Δ 9M FY 19-20	Motor Gasoline (MOGAS)	5.5	5.5	7.7	7.5	3%	1%	High Speed Diesel (HSD)	4.5	5.4	7.4	9.0	-18%	-17%	Furnace Oil	1.6	2.2	3.5	7.4	-53%	-27%	Total	11.6	13.1	18.6	23.9	-22%	-11%	Retail Pumps	~8,800	~8,550	~8,612	~8,363	3%	3%
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NUMBER OF PLAYERS	<ul style="list-style-type: none">- 28 OMCs currently operating in Pakistan- 5 major players represent ~80% market share (PSO, Total Parco, Attock, Shell and GO)																																										
PACRA PENETRATION	<ul style="list-style-type: none">- 2 OMCs rated by PACRA having 9% total market share (15% of non-public)																																										
IMPACT	<ul style="list-style-type: none">- OMCs source petroleum products through refineries and imports, ensuring availability throughout Pakistan. Currently, supply is being procured through refineries as per government directives with selective permission for import- Operating on regulated margins, OMCs also operate their own company owned and operated retail outlets, which enables them to gain the dealer margin- The prices are decided on import parity basis with reference to PSO imports. OMCs follow the buying pattern by buying within 1-3 days of PSO’s bill of lading at the port. Any negative mismatch arising from PSO's pattern of buying may lead to eventual losses. Second probable loss would arise on the inventory, which is carried to the next month. This is especially relevant in current plummeting global oil prices- The government has lately allowed relief on foreign exchange losses occurred on sixty days rolling basis, a welcome step for the industry- The demand has been subdued in urban areas. The rural demand has picked up due to the harvest season which has remained unaffected. Moreover, the border lockdown will help the local sales of HSD- The debt structure of OMCs mainly consists of short term borrowing for working capital needs. Total debt in OMC market is approximately PKR 233bln- The white oil market (MOGAS and HSD) is consumer and transport driven. Revival of commuting and trade activities would augment the demand, the pace of which is unclear. The interest rate cut of 425bps and SBP’s decision to defer loan payments to provide much needed relief																																										

DISCLAIMER

PACRA has taken due care while formulating this analysis. We have used the information that we believe is reliable and current as to the date of publication. In any case, this remains an opinion and suitability may vary. Due care should be taken while relying on it. The press release may be used in full or in part without changing the meaning or context thereof with due credit to PACRA.

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