Oil Marketing Companies (OMC)

An Overview

November 2020

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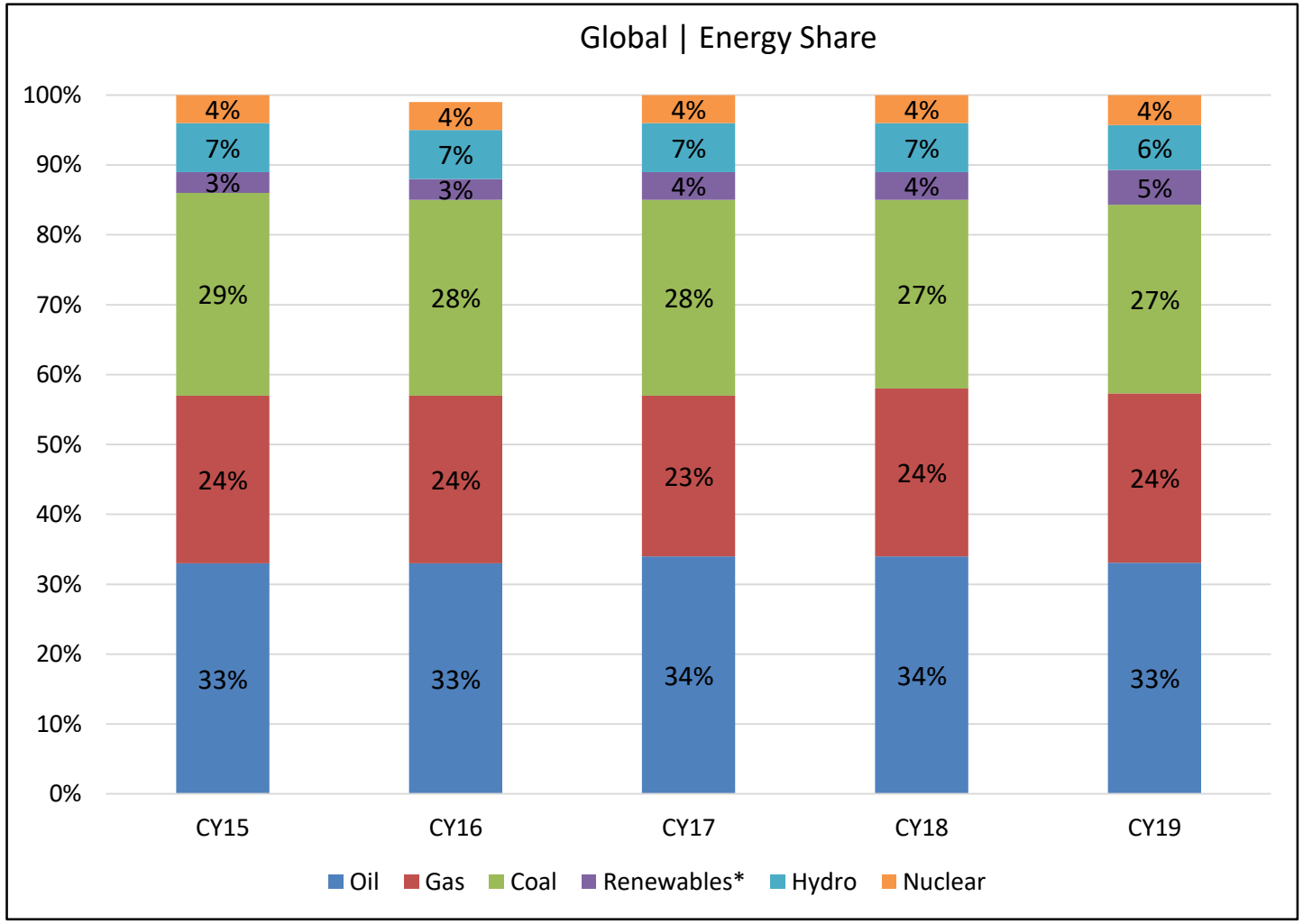
World Energy Mix Remains Largely Stable

- Energy Market has remained largely stable over the last five years with fossil fuels (Oil, Gas, Coal) contributing ~84% to the World Energy Mix in CY19 (CY18:~85%). Oil has the highest share of ~33% in the global energy mix.

- Shift towards renewable sources of energy remains low. The same trend is expected to continue in the short to medium term horizon. Electric Vehicles (EV), storage batteries and sustained renewables are expected to change the mix in long term.



Source: BP Stats

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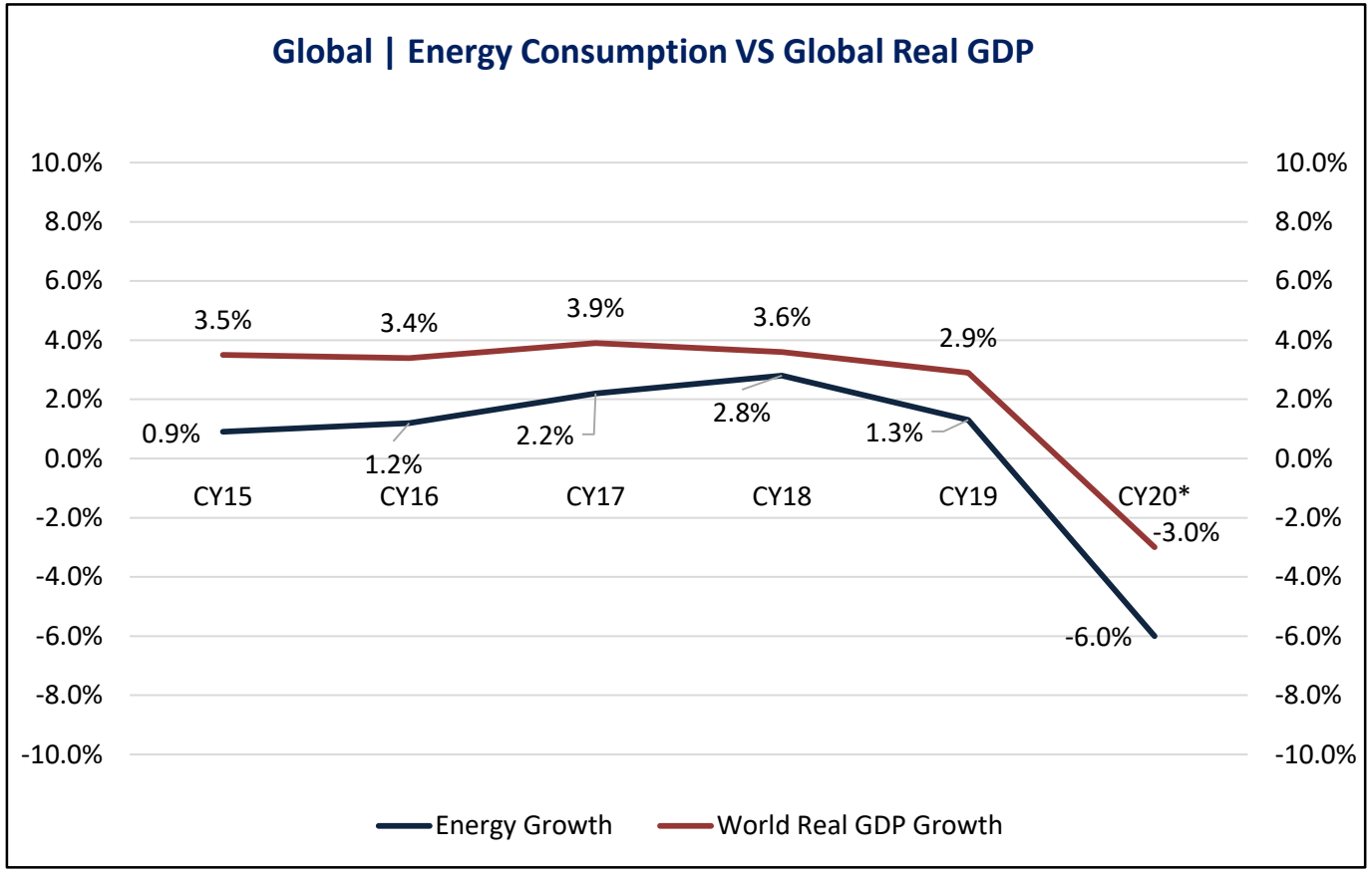
Energy consumption declines amid Covid-19 crisis

- World energy consumption slowed down in CY19, witnessing a growth of ~1.3% as compared to ~2.8% in CY18.

- Slow down was prominent in the US, Europe, Russia & India due to weaker economic conditions led by US/China trade war, Brexit and milder weather impact on heating and cooling. These regions experienced highest growth in energy demand in CY18. In developed economies, average economic growth decreased by ~25% between CY18 & CY19. India's economic growth fell to ~4.8% in CY19 (CY18: ~6.8%).

- The Covid-19 pandemic has major implications on global economy. By mid of April'20, countries with complete lock down faced ~25% decline in their energy demand per week and countries with partial lock down faced ~18% decline in energy demand per week. During the first quarter of 2020, overall energy consumption fell by ~3.8%. Although some recovery came in third quarter, it is expected that the energy demand may decline by ~6% by the end of CY20.



*forecasted

Source: BP Stats,EIA

Oil Marketing Companies

Market Segments

Upstream

- Exploration
- Field Development
- Production Operations

Midstream

- Transportation
- Processing & Refining
- Storage & Distribution

Downstream

- Wholesale & Marketing

- Oil sector is divided into **Upstream**, **Midstream** and **Downstream** segments. Global Investment in Upstream Sector is estimated to be USD~347bln in CY20 (USD~438bln in CY19).
- Upstream Sector encompasses Exploration and Production of oil.
- Midstream includes transporting oil from production sites to refineries via pipelines, trains, tankers, and trucks and production of refined products.
- Downstream comprises marketing & distribution of refined petroleum products.
- World investment in the Midstream and Downstream Sector is expected to be USD~180bln in CY20 (USD~270bln in CY19).

Source: EIA

Oil Marketing Companies

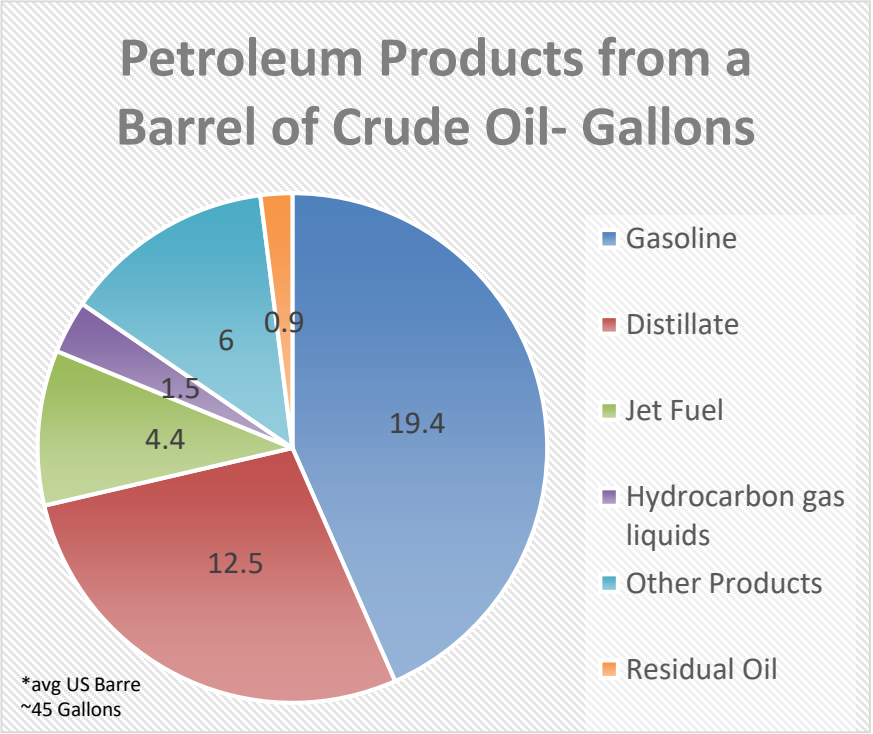
Crude Oil Overview

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

Crude oil is transported to refineries to convert oil into many petroleum products.

Refining breaks crude oil down into its various components, which are then selectively reconfigured into new products. All refineries have three basic steps: Separation, Conversion, Treatment

Petroleum products include gasoline, distillates such as diesel fuel and heating oil, jet fuel, petrochemical feed stocks, waxes, lubricating oils, and asphalt



Note: Conversion Table
1MT~7.33Barrels
1Gallon~0.02Barrels

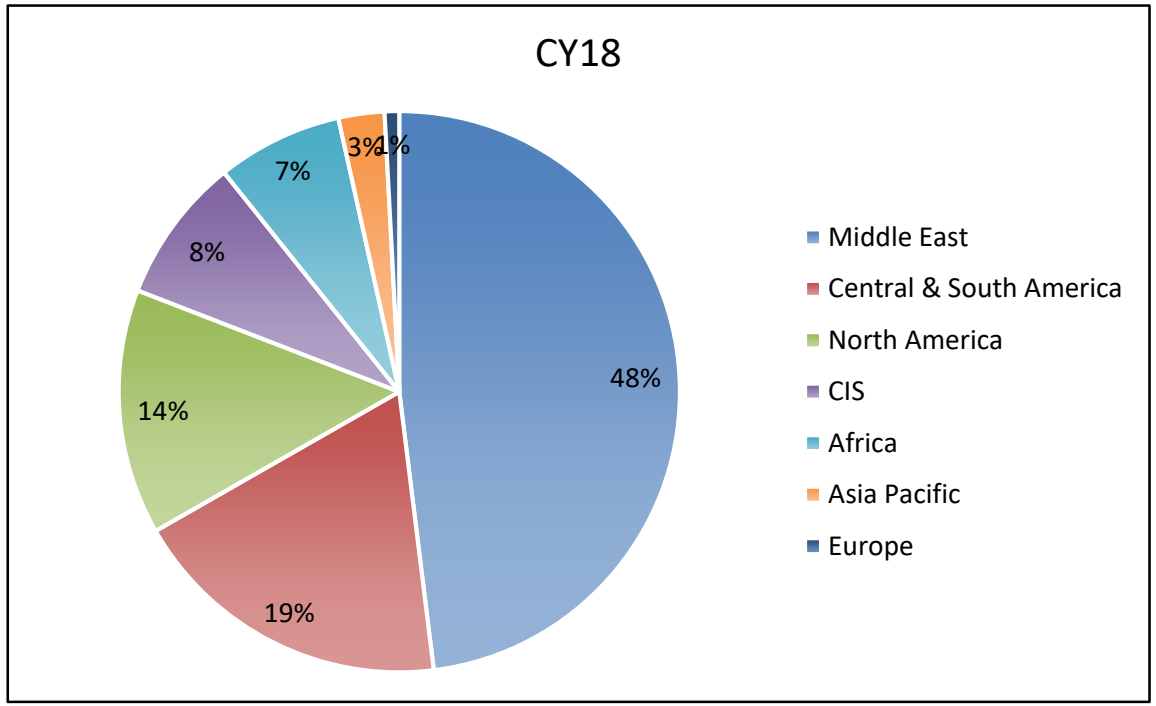
Source: EIA

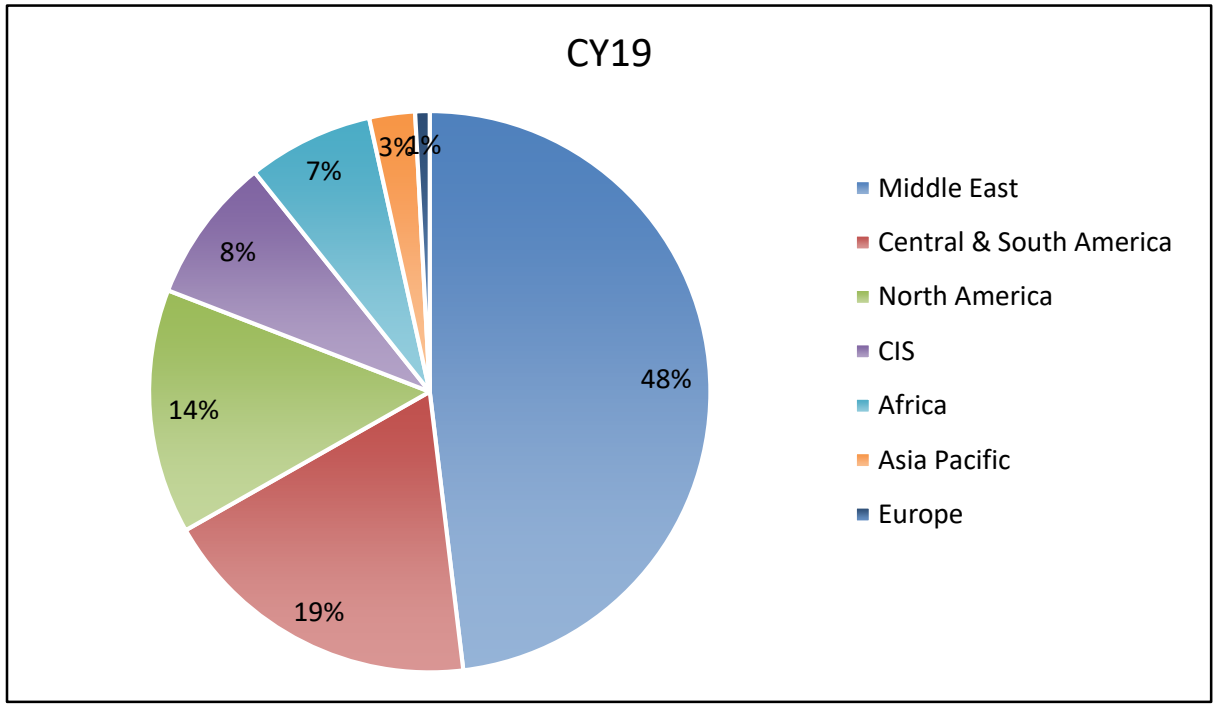
Oil Marketing Companies | Global Overview

Crude Oil Reserves Position

- World Crude Reserves stood around ~ 225,140 mln MTS in CY20.
- Reserves have been growing at a meagre CAGR of ~0.8% from CY15-CY19.
- OPEC countries account for ~70% of the world's oil crude oil reserves.

Global Crude Oil Reserves- mln MT						
Period	CY15	CY16	CY17	CY18	CY19	CY20
Total World	229,452	230,486	235,733	236,780	236,499	225,140





1 Barrel =0.1364 MT

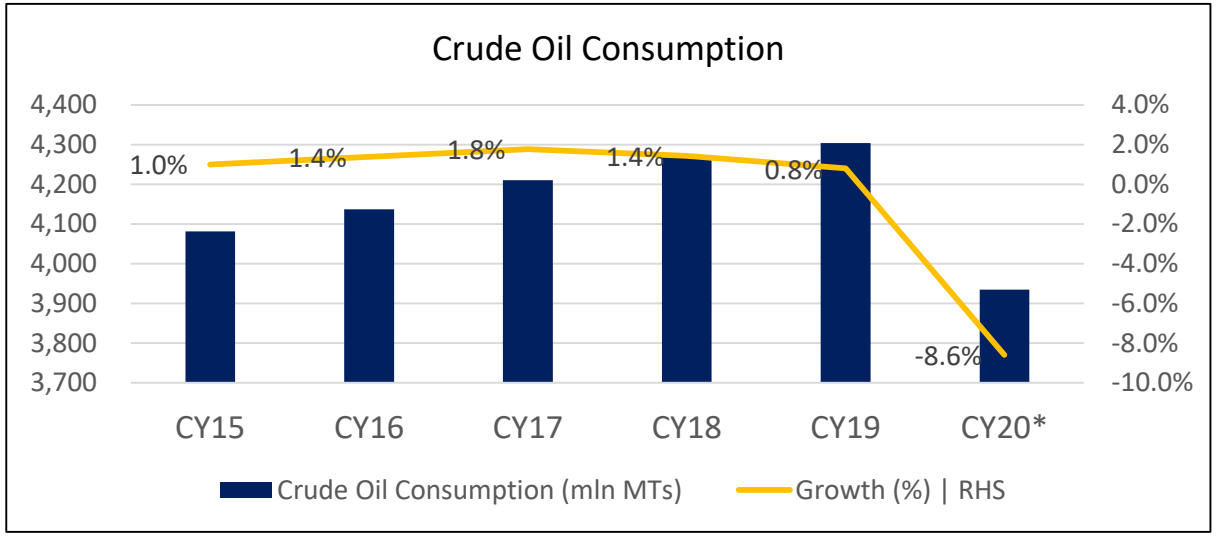
Source: BP Stats,EIA

Oil Marketing Companies | Global Overview

Crude Oil Production & Consumption Levels

- Yearly Crude extraction as a percentage of reserves is ~1.7%.
- Total World crude oil extraction has increased at an average CAGR of ~0.45% from CY15-CY20.
- Global crude oil extraction is expected to decline by ~6% in CY20 due to lower production needs
- OPEC countries account for ~33% of the world crude production.
- Crude oil consumption is expected to decline by~8.4% in CY20 due to Covid-19 pandemic.
- CAGR of crude oil consumption from CY15-CY19 has recorded at ~1.3%.

Global | Crude Oil Extraction-mln MT						
Period	CY15	CY16	CY17	CY18	CY19	CY20*
Total World Production	**4,056**	**4,049**	**4,067**	**4,158**	**4,129**	**3,881**
Middle East	1,317	1,395	1,378	1,394	1,317	
North America	773	738	770	865	924	
CIS	676	686	693	706	709	
Africa	380	356	379	388	392	
Asia Pacific	388	370	357	348	349	
Central & South America	365	347	335	304	288	
Europe	158	158	155	153	149	



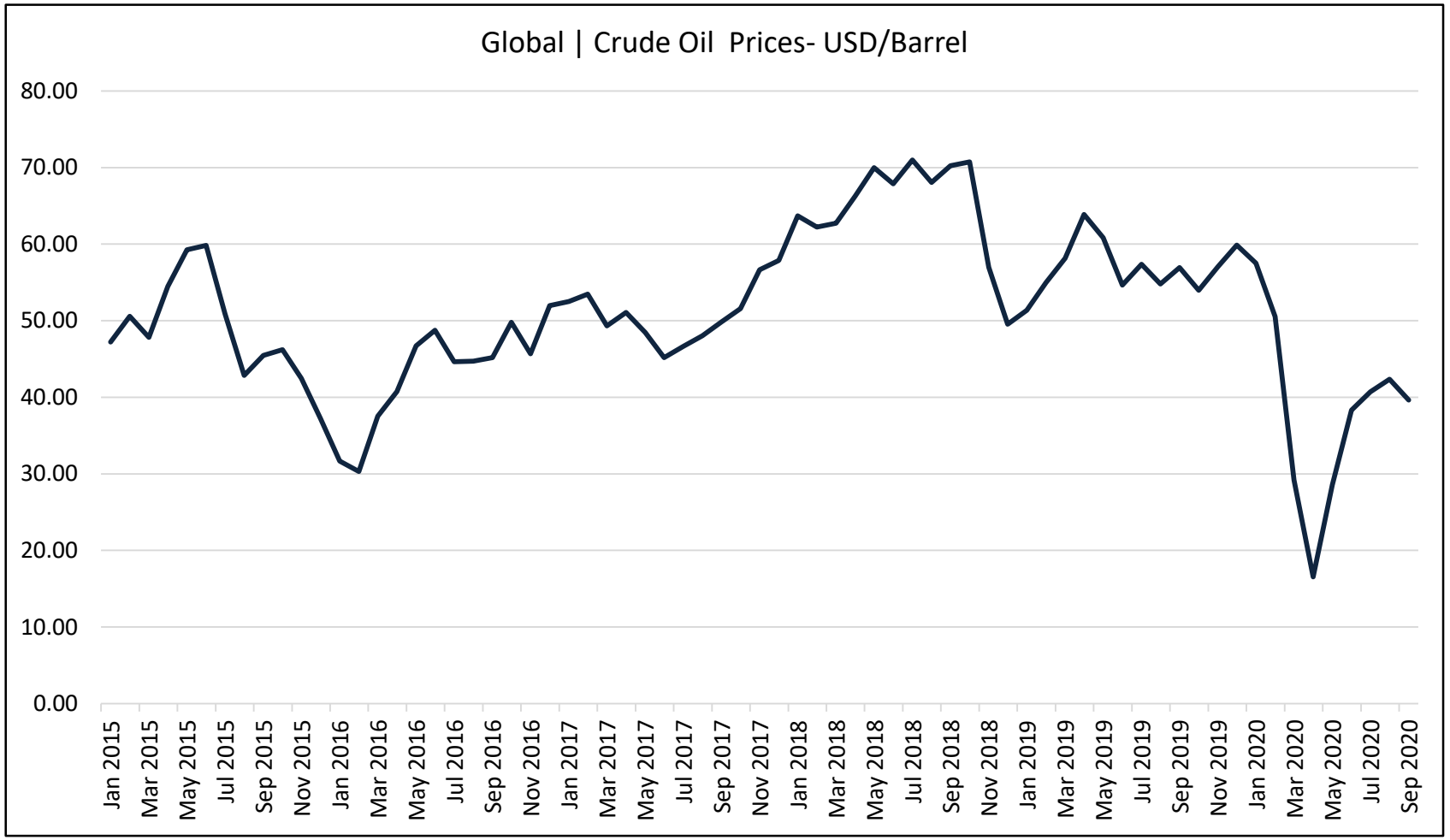
*Pro-rated

Source: BP Stats,EIA

Oil Marketing Companies | Global Overview

Crude Oil Prices & Volatility

- Oil price has lost over ~60% of its value in FY20 mainly due to conflict between OPEC and NON-OPEC crude oil producers on cutting world production amid pandemic outbreak. Continual decline in Industrial demand, due to COVID-19, further weakened the prices.
- Average crude oil price during FY20 was USD~46.7 /Barrel(USD~60.9/Barrel in FY19).
- Oil prices fell from USD 63/Barrel in May'19 to USD 16/Barrel in May'20. Crude prices have partially recovered since May'20 i.e. ~40%.
- According to EIA's forecast, crude oil prices may rise by further ~10% till FY21 i.e. to USD 46/Barrel given the world economy continues to recover and second wave does not hit hard; otherwise, the prices may remain low. On the contrary, arrival of vaccination and its timely distribution can change the game.



*WTI Prices

Source: EIA

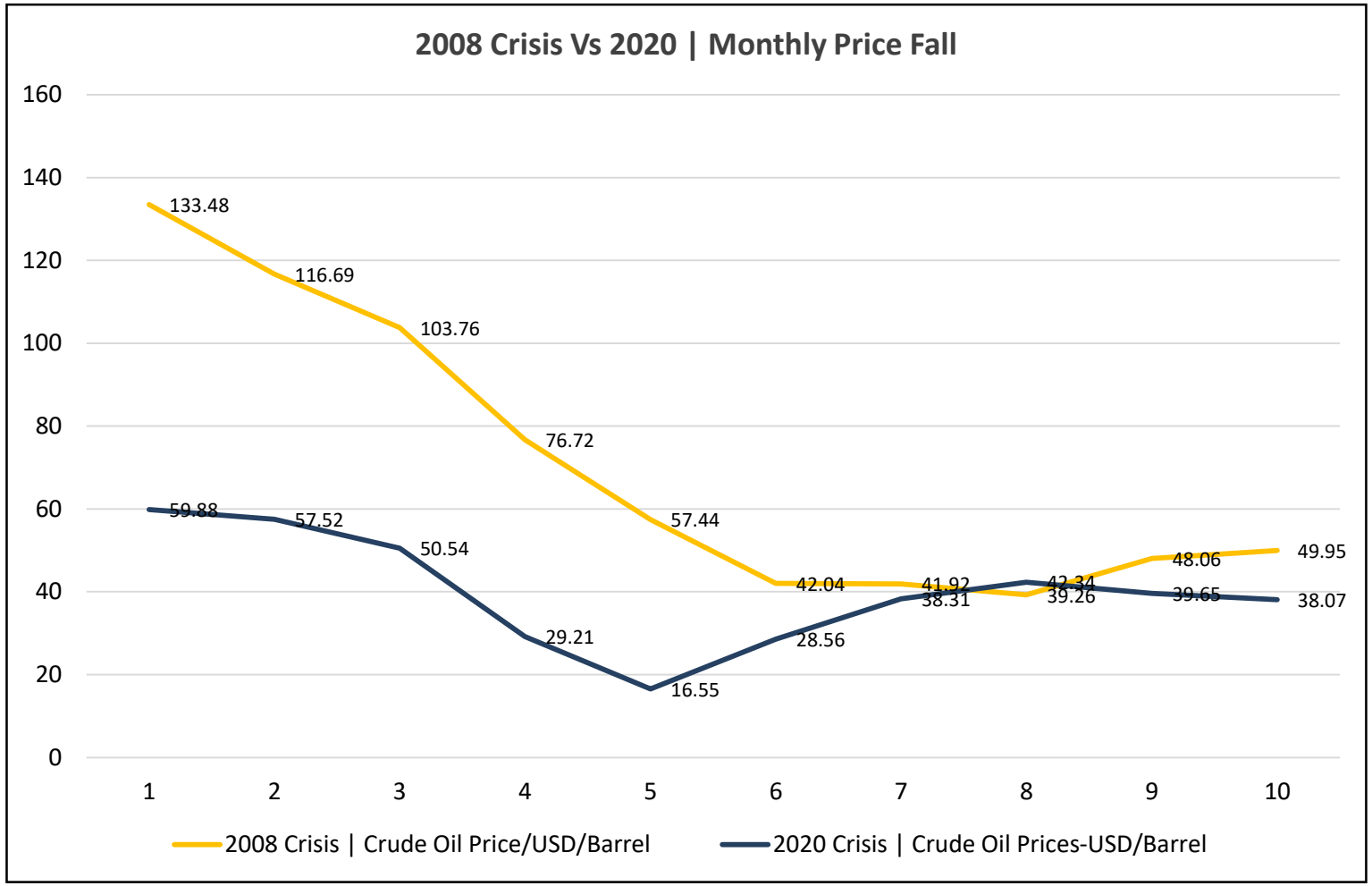
Oil Marketing Companies | Global Overview

Crude Oil | 2008 VS 2020 Crisis

- Though Covid-19 crisis originates from outside the financial system, its consequences on economy are expected to be more long lasting than the 2008 meltdown. One of the major reasons is the high level of uncertainty associated with the havoc.

- Oil is one of those commodities that is impacted with the highest intensity. During 2008 global recession, prices reduced by ~71% from May'08 to Feb'09. Crude oil prices took a recovery trajectory in Mar'09, with a greater pace than the Covid-19 price recovery.

- In the current scenario, prices declined by ~72% from Jan'20 to May'20. Partial recovery began in June'20. However, prices have not been able to recover to pre-pandemic levels.



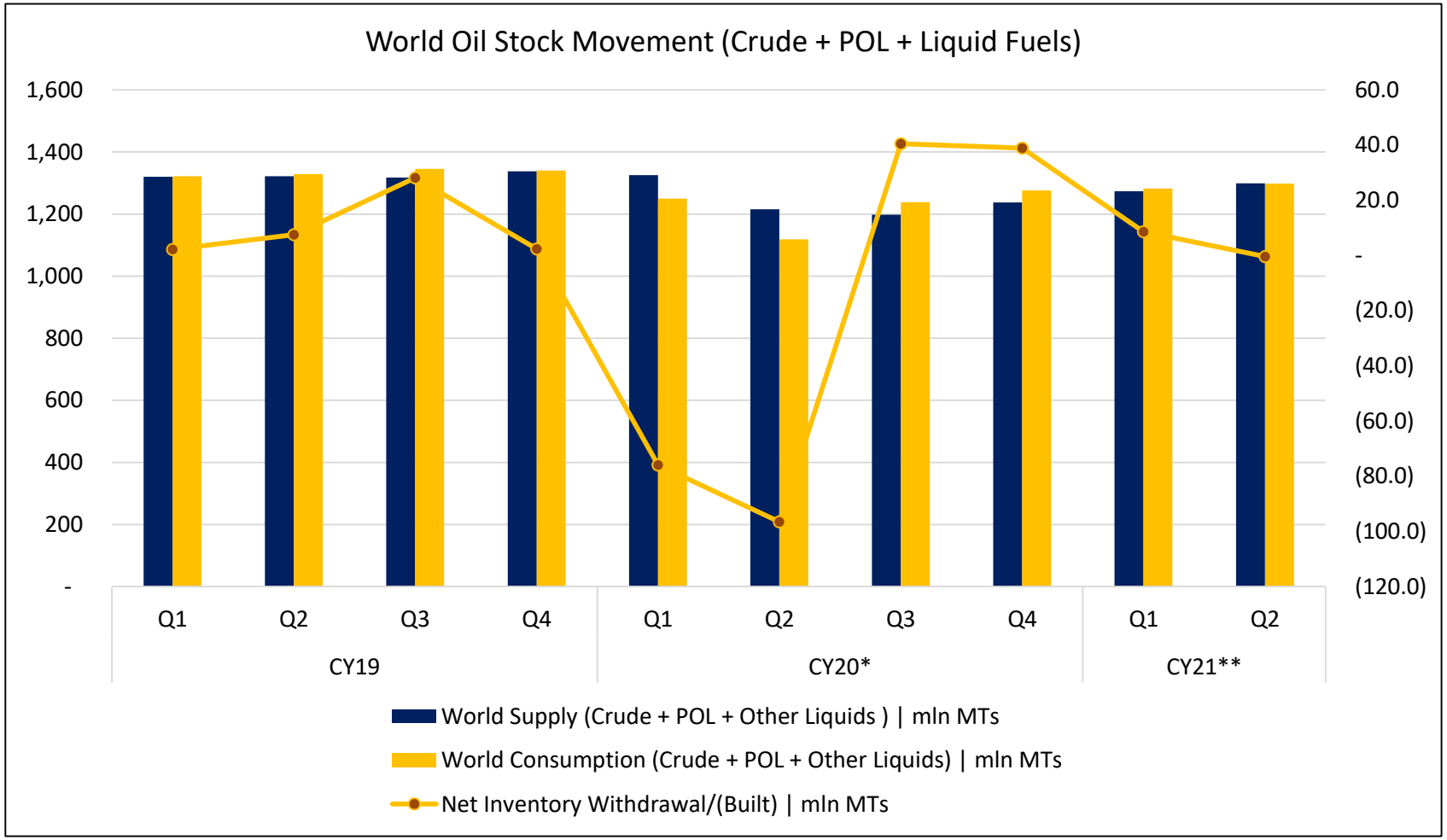
*WTI Prices

Source: EIA

Oil Marketing Companies | Global Overview

Oil Stock Analysis (Crude + Products)

- In CY19, world oil consumption surpassed world oil supply, keeping average oil prices intact and a net inventory withdrawal position for the year.
- The situation turned upside down in Q1 and Q2 of CY20 where a dramatic dip in oil consumption led to stock build-ups of 76mln MTs and 97mln MTs in Q1 and Q2 respectively.
- A partial improvement was witnessed in Q3 of CY20 following supply cut decisions by OPEC+ and gradual revival of demand.
- Projecting on the current scenario, global oil market is expected to revive gradually in CY21. Pre-pandemic demand levels are not expected to be achieved anytime earlier than Q4 of CY21.



*CY20: Estimated Q4
**CY21: Forecast

Source: EIA

Oil Marketing Companies | Global Overview

Oil Trade | Crude & Products

- Saudi Arabia has the highest share of world crude exports (~16%), followed by Russia and America. In products market, USA has emerged the largest exporter on a timeline basis, followed by Russia.
- A major portion of world crude and products import is dominated by Europe and China. India is emerging as a net crude importer and product exporter on with a share of ~10% in crude imports and ~1% (Net basis) in products export.

Country Shares	Imports (mln MTs)				Exports (mln MTs)			
	CY18		CY19		CY18		CY19	
	Crude	Products	Crude	Products	Crude	Products	Crude	Products
Canada	1%	3%	1%	3%	9%	3%	9%	3%
US	17%	8%	15%	9%	4%	20%	6%	20%
South & Central America	1%	9%	1%	9%	7%	2%	7%	2%
Europe	23%	18%	23%	17%	1%	11%	1%	10%
Russia	0%	1%	0%	1%	12%	14%	13%	13%
Saudi Arabia	0%	1%	0%	1%	16%	5%	16%	5%
Iraq	0%	0%	0%	0%	9%	1%	9%	1%
UAE	0%	3%	1%	3%	6%	6%	6%	6%
Other Middle East	1%	1%	1%	1%	9%	5%	6%	5%
China	21%	7%	23%	6%	0%	4%	0%	5%
India	10%	3%	10%	4%	0%	5%	0%	5%
ROW	26%	48%	25%	47%	28%	25%	28%	25%
Total WORLD	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**

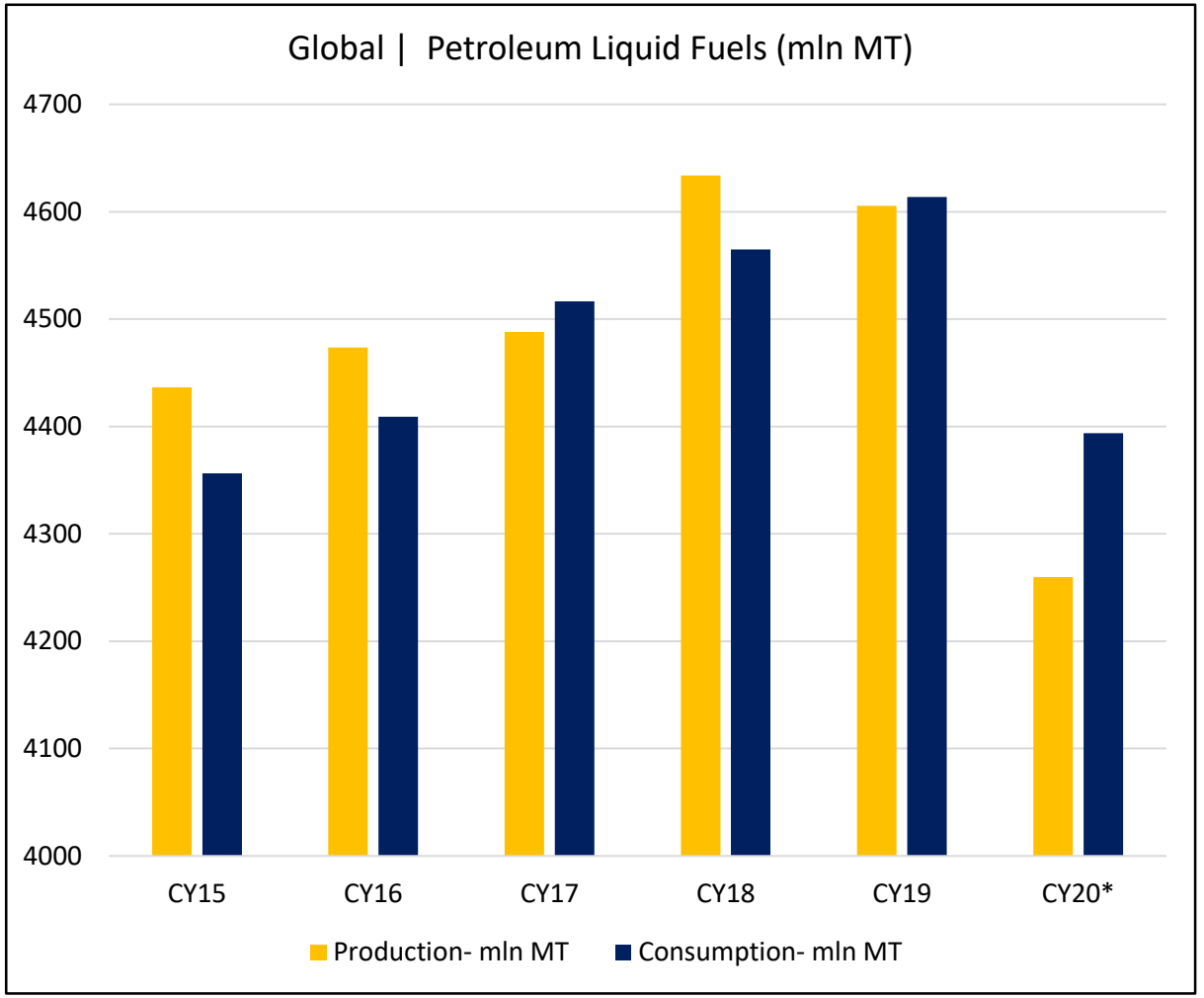
Source: BP Stats

Oil Marketing Companies | Global Overview

Petroleum Products | Consumption

- Global Production and consumption of liquid fuel are expected to decline by ~7.5% and ~4.8% in CY20. HSD is the highest consumed petroleum product with a share of ~28%, followed By MOGAS with a share of ~25%.
- CAGR (CY15-CY19) of production and consumption averages around ~0.9% and ~1.4% respectively.

Global | POL Mix					
Period	**CY15**	**CY16**	**CY17**	**CY18**	**CY19**
MOGAS	25%	25%	25%	25%	25%
HSD	29%	28%	28%	28%	28%
Ethane & LPG	12%	13%	13%	14%	14%
Jet & Kerosene	8%	8%	8%	8%	8%
Naphtha	7%	7%	7%	7%	7%
Other Fuels	19%	19%	19%	18%	18%

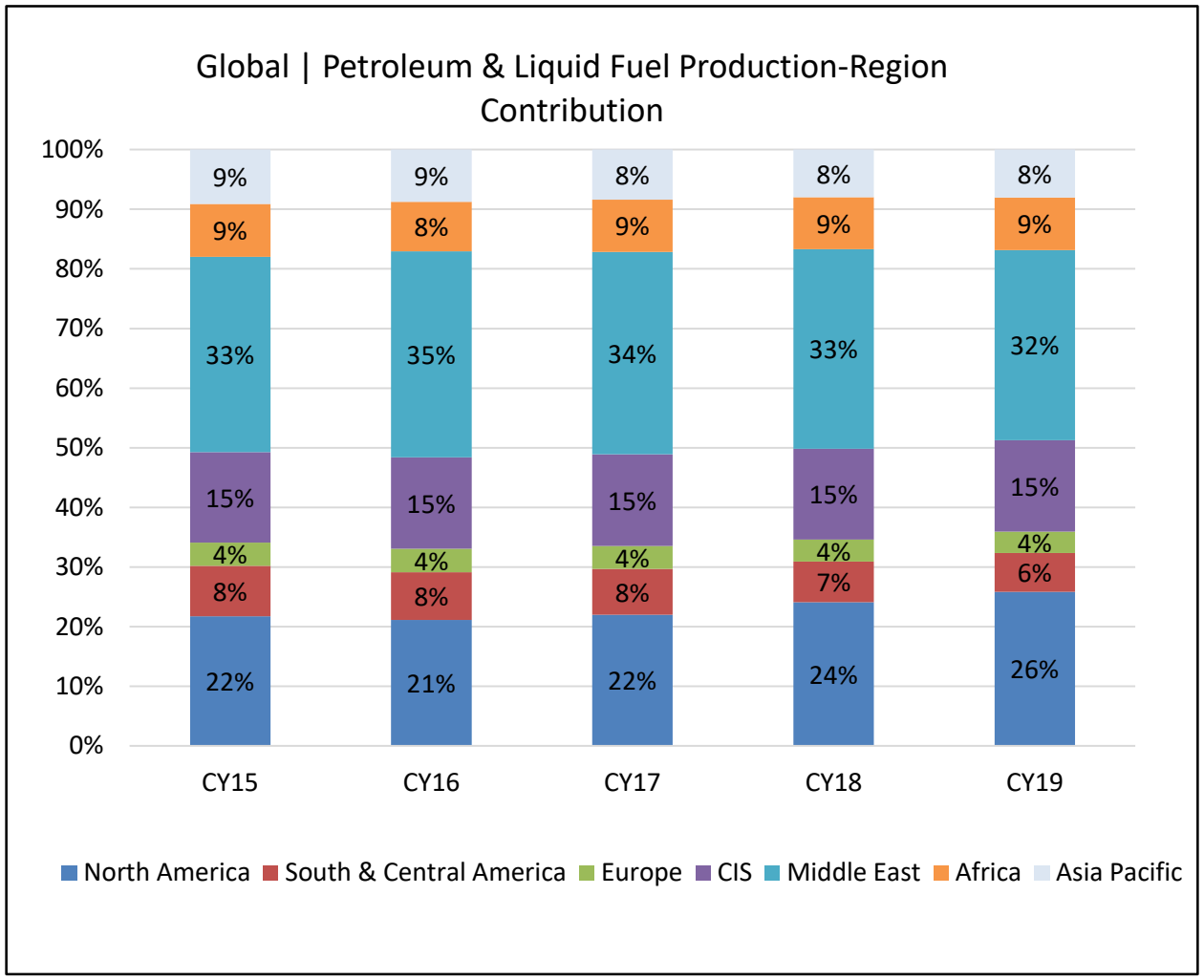


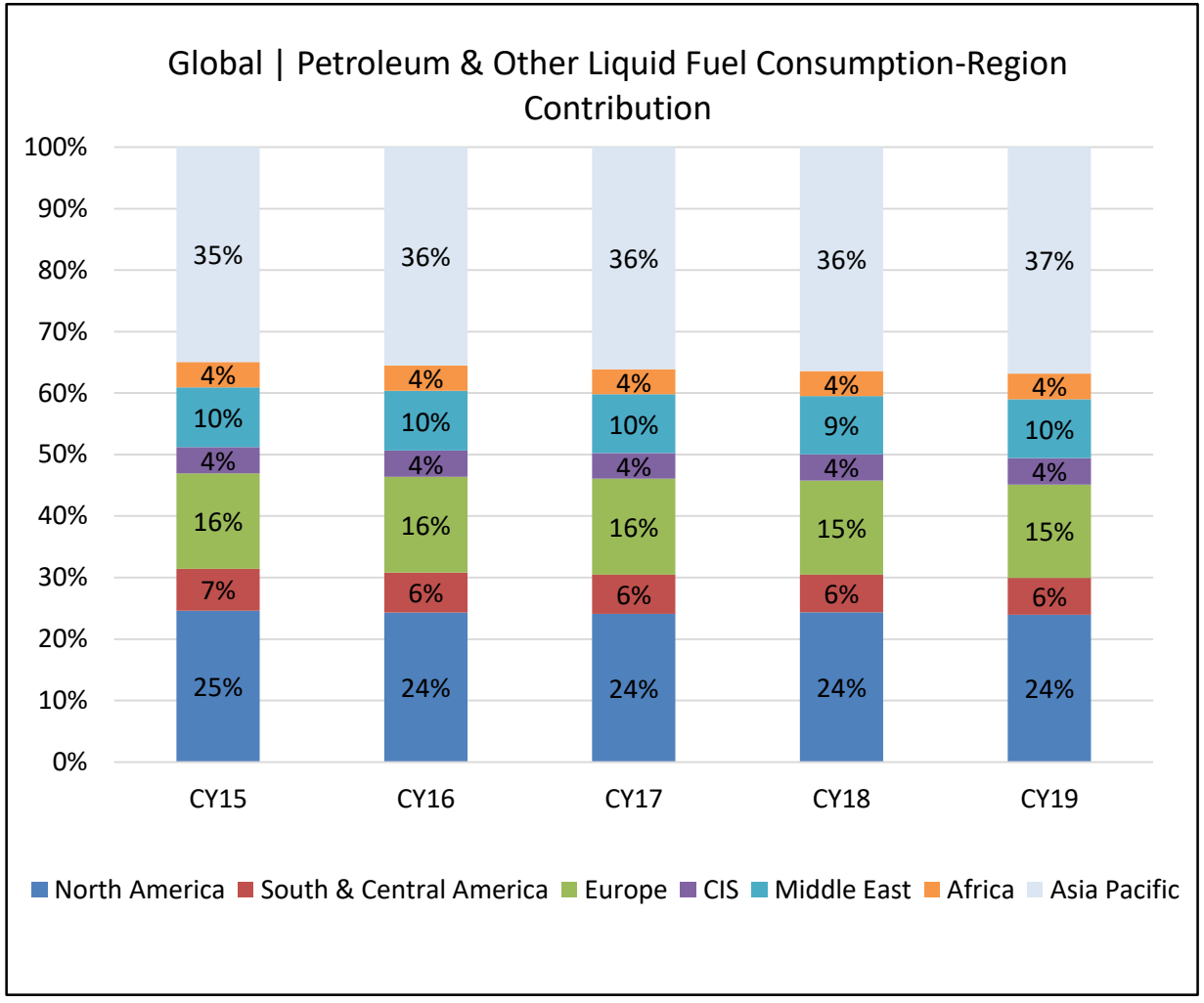
*Pro-rated

Source: EIA

Oil Marketing Companies | Global Overview

Regional Contribution





Source: BP Stats,EIA

Oil Marketing Companies | Global Overview

Top 10 OMCs

- World's Top 10 OMCs generated an annual revenue of USD~1,873,371 mln in CY19 (USD~2,014,751mln in CY18).
- Top 10 OMCs contributed ~1.4% to world's GDP in CY19 (~1.5% in CY18).
- These OMCs serve in all segments of the Oil Market.

Global | Revenue-mln USD			
Period	**Origin**	**CY18**	**CY19**
CNPC	China	413,122	401,013
Royal Dutch Shell	Netherland	335,597	294,677
Exxon Mobil	U.S	279,332	255,583
Sinopec	China	218,196	207,086
BP	England	195,020	180,236
Saudi Aramco	Saudi Arabia	147,420	140,645
Chevron	U.S	158,902	139,865
Lukoil	Russia	126,360	121,019
Phillips 66	U.S.	71,515	71,360
Total	France	69,287	66,887
Grand Total		**2,014,751**	**1,878,371**

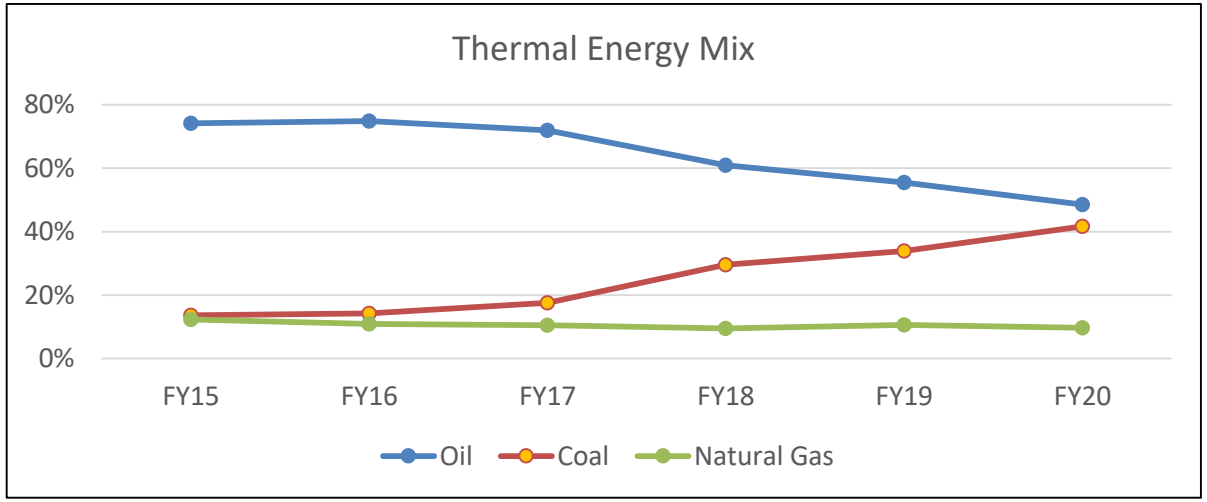
Source: PACRA Database

Oil Marketing Companies | Domestic Overview

Energy Mix

- Over the last ten years, Pakistan has been facing energy crisis in terms of demand and supply gap. Bottlenecks of energy sector have had adverse effects on industries of Pakistan. Energy-mix is another concern for Pakistan due to availability of limited reserves.
- Pakistan is dependent upon thermal energy with a share of ~59% in FY20 (~69% in FY19). Though oil had the greatest contribution in thermal energy (~49%) in FY20, its share is gradually being substituted by coal. Oil contribution to overall energy mix is ~29%.
- Since FY15 coal's share in Pakistan's energy sector has increased by ~29%. Renewables have gained share ~2% in FY20 (~0.4% in FY15) over the last five years as a result of "Integrated Energy Plan" in order to cater energy crisis. Hydro energy's share has boosted to ~31% in FY20 (~22% in FY19).

Energy Generation | Commercial Mix						
Period	**FY15**	**FY16**	**FY17**	**FY18**	**FY19**	**FY20**
Hydro	30.5%	31.3%	26.4%	21.6%	21.8%	31.1%
Thermal	63.7%	63.7%	66.8%	69.4%	69.0%	58.9%
Nuclear	5.4%	4.2%	5.8%	7.7%	7.9%	8.0%
Renewables	0.4%	0.8%	1.0%	1.3%	1.4%	1.9%



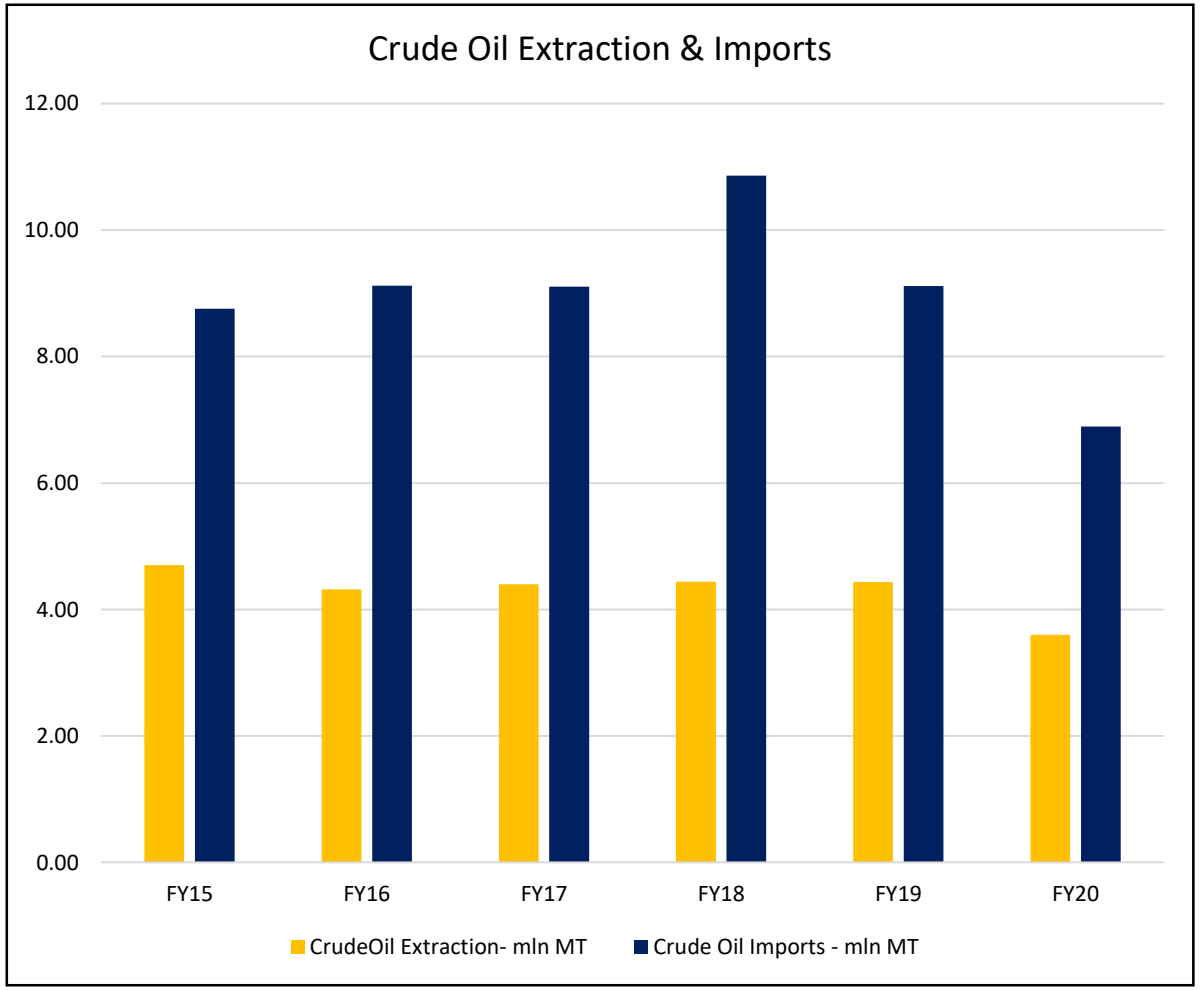
Source: PBS, OCAC

Oil Marketing Companies | Domestic Overview

Crude Oil

Crude Oil Reserves & Extraction						
Period	**FY15**	**FY16**	**FY17**	**FY18**	**FY19**	**FY20**
Oil Reserves -mln MT	50.47	47.74	47.74	45.01	46.38	46.38
Usage (Extraction)	9.3%	9.0%	9.2%	9.9%	9.6%	7.8%

- Pakistan's crude oil reserves have reduced at a CAGR of ~1.7%.
- Crude oil extraction declined at a CAGR of ~5.2% since FY15. Crude oil is also imported in order to bridge the gap between demand and supply.
- Imports constitutes of ~66% in FY20 (~67% IN FY19) of the total crude oil consumption.
- Total crude oil consumption (extraction & imports) is estimated to be ~10.49 mln metric tons in FY20 (~13.55 in FY19).
- Despite availability of reserves ~50%-60% of oil consumption of the country is imported due to lack of advanced technology and financial resources



Source: PBS, OCAC

Oil Marketing Companies | Domestic Overview

Industry Snapshot

- Pakistan's OMC market comprises 33 players Licensed by OGRA to function as OMCs in the Country. Most of the large Sector players have gone into backward integration in the Midstream Sector in order to reap integrated supply chain benefits.
- The Industry holds a strategic importance in the economy as well as a vital position in the Oil & Gas Sector of the country, contributing ~9% to the GDP.
- The Sector is 100% Organized and regulated by the GoP through OGRA.
- The performance of the Sector is dependent on the Petroleum Products (POL) pricing and demand behavior. Lately, due to drop in International oil prices amid Covid-19 and demand contraction for POL products, the performance of OMCs has been adversely impacted. The cycle is, however, reversing as lockdown restrictions have been lifted up and Oil prices have gained stability in the International Market. Performance is, therefore, expected to improve, going forward.

Synopsis		
Period	**FY19**	**FY20**
No. of Licensed OMCs	28	33
New Licenses Issued by OGRA	9	
Listed	5	5
POL Country Supply	~58% Imports, ~47% Local Refineries	~67% Imports, ~33% Local Refineries
Oil Refineries	5	5
OMC Revenue	PKR~3,271bln	PKR~2,939bln
GDP Contribution	~7%	~9%
Growth	-11%	22%
Regulatory Authority	OGRA	OGRA
Association	OCAC	OCAC

Source: PBS, OCAC,B0R

Oil Marketing Companies | Domestic Overview

An Overview of Petroleum Products

- Consumption of Petroleum Products has reduced by ~3% over the last five years. Major drop is witnessed FY19 onwards when consumption drastically dropped due to reduced economic activities in FY19, substitution of FO by imported LNG in the power sector, and the emergence of Covid-19 in 2HFY20 adversely impacting the MOGAS consumption.

- Total Petroleum Products consumption in FY20 was ~19 mln tons (~20 in FY19).

- MOGAS and HSD are the highest consumed POL products. HSD share in consumption was recorded at ~37% in FY20. Five years back, Furnace Oil (FO) was the highest consumed product with a share of ~42%. Its consumption has drastically declined by a CAGR of ~30% mainly due to government's decision to reduce reliance on oil products for power purposes.

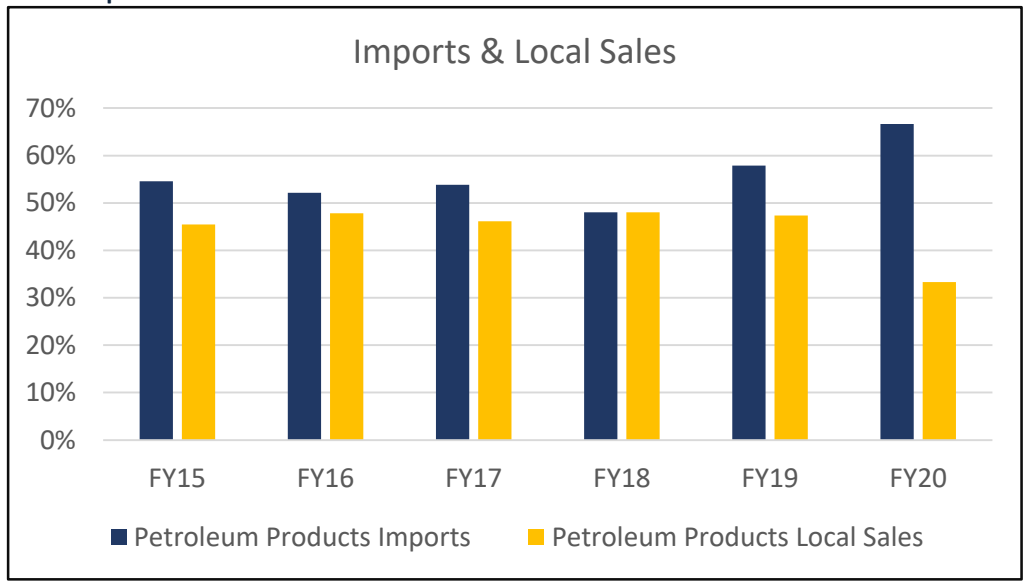
Energy | Refined Petroleum Products Consumption (mln MT)						
Period	FY15	FY16	FY17	FY18	FY19	FY20
MOGAS	5	6	7	7	8	7
HSD	7	8	9	9	5	7
FO	9	9	10	6	3	2
Kerosene	0.2	0.1	0.1	0.1	0.1	0.1
JP-1	0.6	0.8	0.8	0.9	0.8	0.6
Others	0.2	-	-	2	3.1	2.3
Total POL Consumption	**22**	**23**	**26**	**25**	**20**	**19**

Source: PBS, OCAC

Oil Marketing Companies | Domestic Overview

Petroleum Products | Imports VS Local Consumption

- Local Consumption has reduced by a CAGR of ~10 over the last five years.
- Imports share in total consumption has increased to ~67% in FY20 (~58% in FY19).
- ~57% of MOGAS & HSD consumption is catered through import.



Petroleum Products | Imports Vs Total Consumption (mln MT)						
Period	**FY15**	**FY16**	**FY17**	**FY18**	**FY19**	**FY20**
Petroleum Products Imports	12	13	15	13	13	13
Petroleum Products Local Sales	10	10	11	12	7	6
Total	**22**	**23**	**26**	**25**	**20**	**19**

Petroleum Product Mix | Imports VS Local Consumption						
Imprts	**FY15**	**FY16**	**FY17**	**FY18**	**FY19**	**FY20***
MOGAS	3	4	5	5	5	4
HSD	3	3	4	4	2	4
FO	6	6	7	4	2	1
Other	-	-	-	-	4	4
Total Imports	12	13	15	13	13	13
Local Consumption	**FY15**	**FY16**	**FY17**	**FY18**	**FY19**	**FY20***
MOGAS	2	2	2	2	3	3
HSD	4	5	5	5	3	3
FO	3	3	3	3	2	
Other	1	1	2	2	-	-
Total Local Consumption	10	10	11	12	7	6

*FY20 figures estimated

Source: PBS, OCAC

Oil Marketing Companies | Domestic Overview

Petroleum Liquid Fuels | Sector Wise Consumption

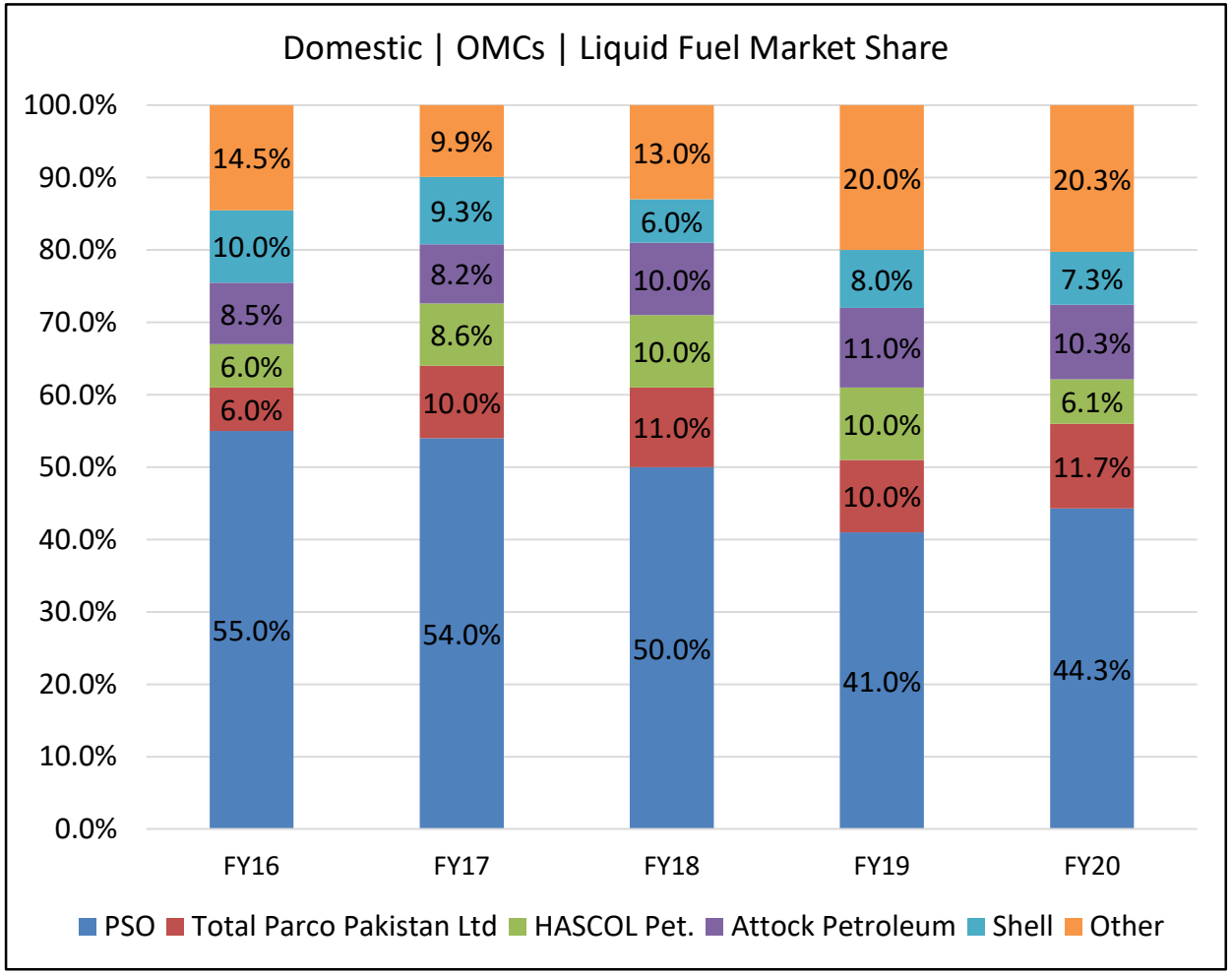
POL Products | Sector Wise Consumption							
	Transport	Power	Industry	Other Govt.	Households	Agriculture	Total
FY15	51%	41%	6%	2%	0.4%	0.2%	100%
FY16	56%	33%	9%	2%	0.3%	0.1%	100%
FY17	57%	33%	8%	1%	0.3%	0.0%	100%
FY18	65%	26%	7%	2%	0.3%	0.1%	100%
FY19	76%	14%	7%	2%	0.3%	0.1%	100%
FY20	80%	11%	7%	2%	0.3%	0.1%	100%

- Transport sector consumes the highest of the oil and petroleum products ~78% in FY20 (~76% in FY19).
- Oil consumption by power sector has reduced to ~11% in in FY20 from ~14% in FY19.
- Since FY15, power sector's oil consumption has reduced at a CAGR of ~24% due to shift from Furnace Oil consumption to imported LNG.

Source: PBS, OCAC

Oil Marketing Companies | Domestic Overview

Domestic OMC Players | Market share



PSO-Product Wise Share				
Period	FY17	FY18	FY19	FY20
MOGAS	40%	39%	36%	35%
HSD	46%	43%	39%	40%
FO	73%	67%	53%	31%

Shell-Product Wise Share				
Period	FY17	FY18	FY19	FY20
MOGAS	18%	12%	13%	11%
HSD	12%	7%	8%	7%
FO	1%	-	-	-

Attock-Product Wise Share				
Period	FY17	FY18	FY19	FY20
MOGAS	7%	9%	10.00%	9%
HSD	10%	9%	11%	10.%
FO	8%	9%	13%	19.%

Hascol-Product Wise Share				
Period	FY17	FY18	FY19	FY20
MOGAS	7%	13%	9%	9%
HSD	8%	15%	11%	8%
FO	6%	8%	11%	6%

G&O-Product Wise Share				
Period	FY17	FY18	FY19	FY20
MOGAS	4%	5%	8%	10%
HSD	4%	5%	8%	10%
FO	-	-	0%	-

Source: PACRA Database

Oil Marketing Companies | Domestic Overview

Country Wide Retail Outlets

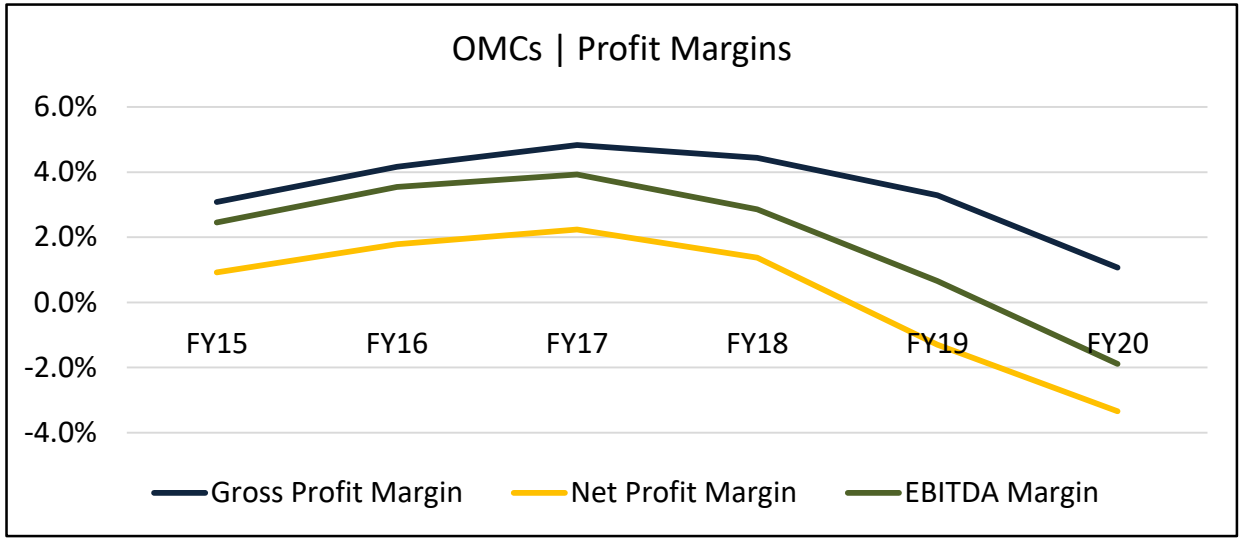
	Retail Outlets		
OMC	FY19	FY20	Percentage Share-FY20
PSO	3,468	3,500	40.7%
Shell	784	700	8.1%
Total	793	800	9.3%
Hascol	700	571	6.6%
Attock	672	702	8.2%
G&O	500	600	7.0%
Puma	470	470	5.5%
Askar	394	394	4.6%
Byco	377	393	4.6%
BE	337	350	4.1%
Zoom	43	43	0.5%
Q1	33	30	0.3%
Al-Noor	17	17	0.2%
Exceed	13	13	0.2%
Horizon	11	11	0.1%
Total Petrol Stations	8,612	8,594	100.0%

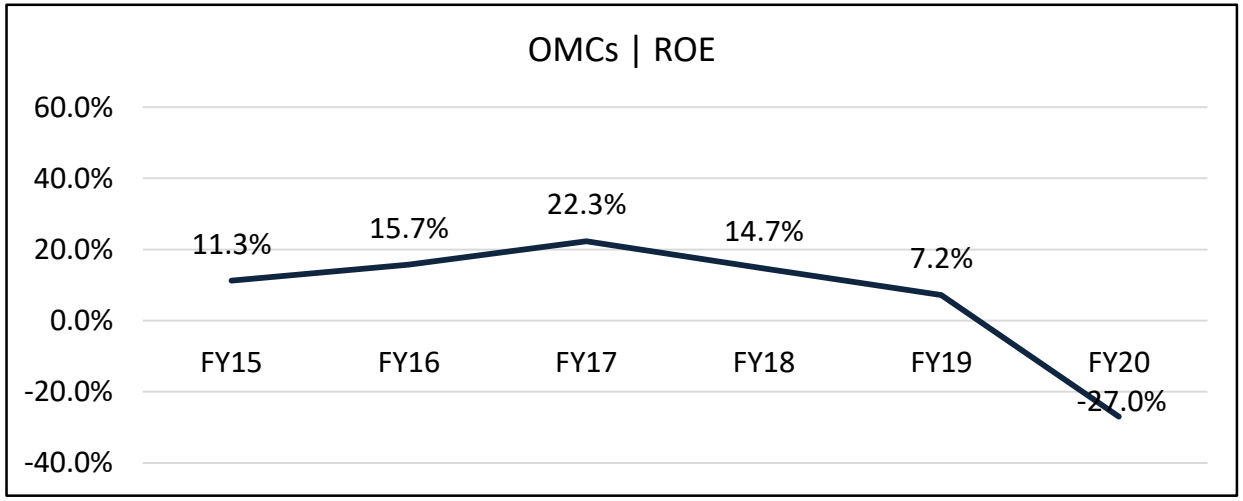
Source: PACRA Database

Oil Marketing Companies | Domestic Overview

Domestic OMC Players | Business Risk

- OMC Business Risk can be classified into Operating Risks and Sales Risk.
- On the operating side, OMCs operate in a fixed commission business. OMC margins per liter of fuel price are pre-set by OGRA. However, International price fluctuations embedded in the Ex-Refinery Price formula, bear a direct impact on the OMCs through Inventory gains or losses. OMCs recorded an Inventory loss of PKR~23bln in FY20 due to crashing oil prices in the International Market.
- On the Sales Side, demand for MOGAS and HSD play a vital role in determining the volumetric growth of OMCs. Demand for both remained severely depressed during lockdown days. The country has now entered into a recovery phase.
- Net profit margin in FY20 went further negative at ~-3.3% (~-1.3% in FY19). The margins for MOGAS, HSD and Kerosene are fixed by the GOP through OGRA. However, furnace oil prices are deregulated. Furnace oil has an average margin of 3%-4%.
- Influx of smuggled products (HSD) is another challenge to the organized sector.





Source: PACRA Database

Oil Marketing Companies | Domestic Overview

How does Price Per liter build up for Petrol and Diesel?

Ex-Refinery Price: The refinery output price for finished inventories of HSD and MOGAS

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 is collected by the OMCs at a monthly fixed percentage charged to the Ex-Depot price and dealer commission.

In-Land Freight Equalization Margin (IFEM): The element of pricing structure which allows pricing of petroleum products to remain at par across the country. A freight pool managed by OGRA is developed to keep the prices equalized countrywide.

Distribution Margin (OMCs): Fixed Commission per liter earned by the OMCs upon sales of HSD and MOGAS to Industrial and retail clients.

Dealer Commission: Fixed Commission per liter earned by the dealer or owner of the petrol pump.

Source: OGRA

Oil Marketing Companies | Domestic Overview

Pricing Mechanism | How it Works

- The pricing structure of POL products (MOGAS & HSD) is a computation of six different price components (discussed in previous slide) embedded in a price formula.

- While OMC Margins and Dealer Commission are fixed, the Petroleum Levy, Sales Tax and IFEM are variable components, the former two depending on the GoP's discretion, and the latter computed through a freight pool mechanism.

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

- Recently, applicable from 1st Sep'20 onwards, the GoP has decided to shift the pricing mechanism from monthly basis to fortnightly basis and also shift the price benchmark based on PSO's oil imports 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 at different areas of the country in order to maintain a stock of at least 23 days so as not to end up with dry petrol stations. Ex-Refinery Price, PL, IFEM and OMC margin add up to Ex-Depot Price, while Dealer Commission is added on the next step. Sales Tax is applied to an aggregate of Ex-Depot Price and Dealer Commission.

Source: OCAC, OGRA

Oil Marketing Companies | Domestic Overview

Fuel Retail Price

- Following a dramatic fall in International Oil Prices in the earlier phase of Covid-19, domestic POL products also witnessed a significant decline in prices reflected in the 3QFY20.
- OMC Margins have remained fixed at PKR2.81 since 2QFY20 on both MOGAS and HSD.
- Almost ~40-45% of the price charged per liter charged to the end consumers goes to the GoP kitty in the form of Petroleum Levy and Sales Tax.

MOGAS-Retail Price Per Liter Composition

Price Components	FY18	FY19	FY20				FY21	
			1QFY20	2QFY20	3QFY20	4QFY20	1QFY21	Nov'21
Cost of Supply	62.38	71.89	69.78	74.56	55.71	45.86	50.39	47.53
IFEM Margin	3.83	3.31	3.72	3.59	3.17	3.19	3.5	3.48
OMC Margin	**2.55**	**2.64**	**2.64**	**2.81**	**2.81**	**2.81**	**2.81**	**2.81**
Dealer Commission	3.35	3.47	3.47	3.7	3.7	3.7	3.7	3.7
Petroleum Levy	10	15	17.18	15	17.16	30	28.46	30
Sales Tax	9.85	16.37	16.45	16.94	14.03	14.55	15.11	14.88
Max Ex-Depot Sales Price	91.96	112.68	113.24	116.6	96.58	100.11	103.97	102.4

HSD - Retail Price Per Liter Composition

Price Components	FY18	FY19	FY20				FY21	
			1QFY20	2QFY20	3QFY20	4QFY20	1QFY21	NOV'21
Cost of Supply	75.96	85.67	81.31	83.68	69.28	30.99		51.26
IFEM Margin	1.55	1.12	1.03	1.16	0.97	1.54		
OMC Margin	**2.64**	**2.64**	**2.64**	**2.81**	**2.81**	**2.81**		
Dealer Comission	2.93	2.93	2.93	3.12	3.12	3.12		
Petroleum Levy by Fed.Govt	8	16.03	20.76	18	15.49	30		
Sales Tax	28.23	18.43	18.47	18.49	15.58	11.64		
Max Ex-Depot Sales Price	119.31	126.82	127.14	127.26	107.25	80.1	106.46	103.22
*Info Not Available								

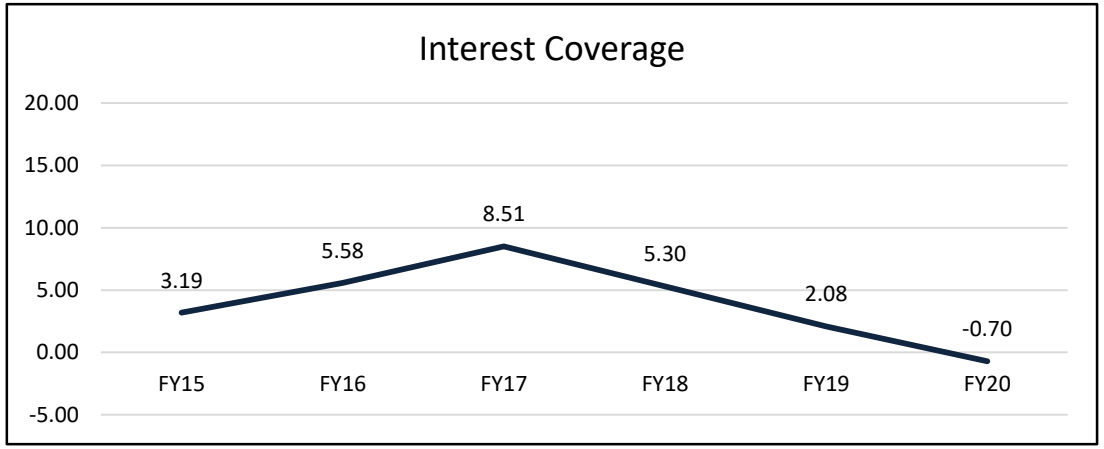
Source: OGRA

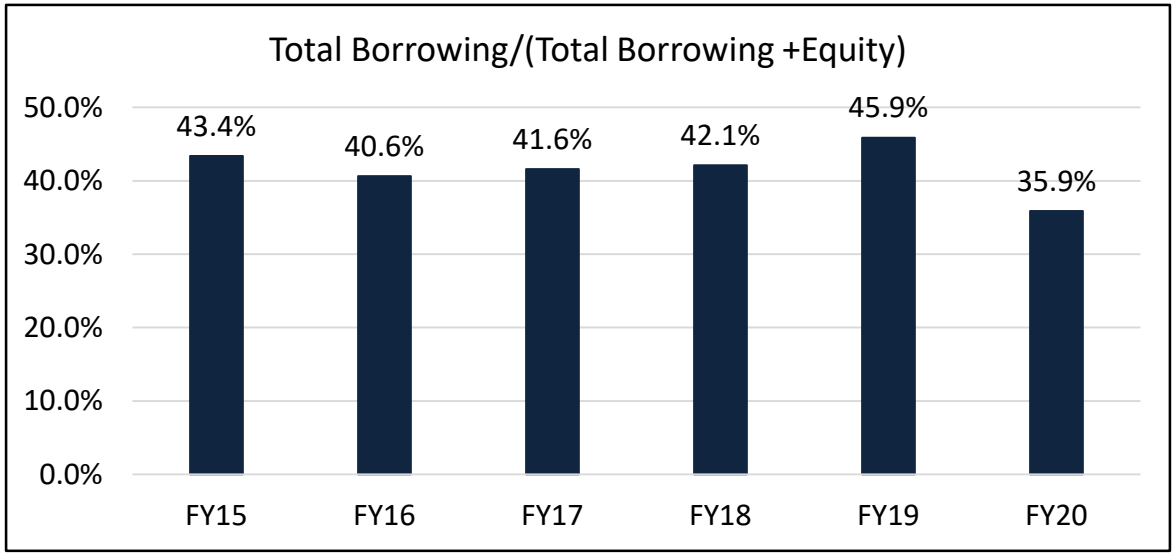
Oil Marketing Companies | Domestic Overview

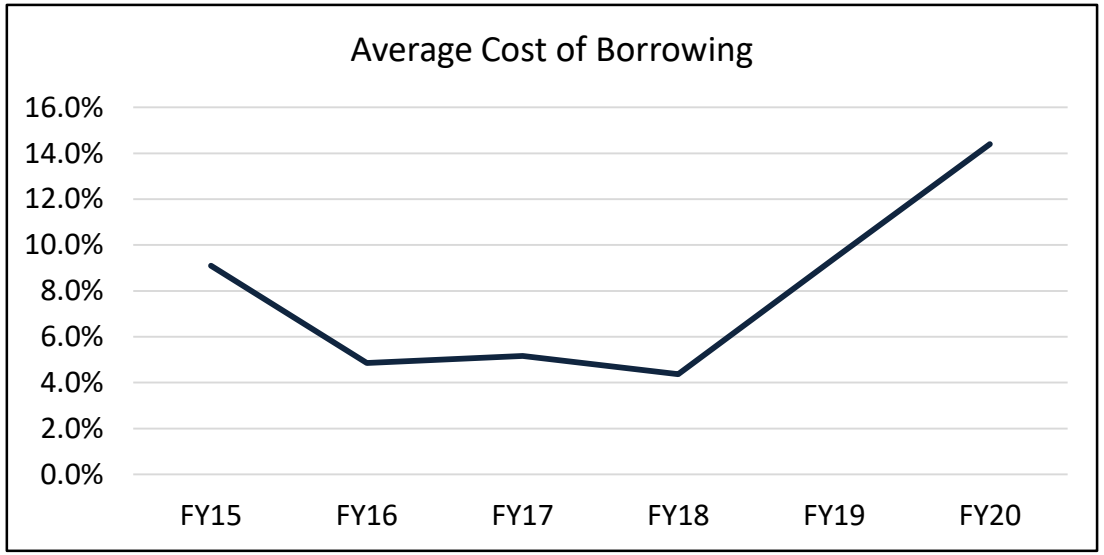
Domestic OMC Players | Financial Risk

- Short-Term borrowing as a percentage of total borrowing has been ~80%-90% over the last five years due to increased working capital needs.

- Interest Coverage fell to ~-0.70 times in FY20(~2.08 times in FY19) due to decrease in sales and increase in policy rate in 1HFY20 to ~13%, which resulted in an increase to ~14% in average cost of borrowing (~9.4% in FY19).







Source: PACRA Database

Oil Marketing Companies | Domestic Overview

Key Developments in the Sector

- Government of Pakistan (GoP) relaxed the policy framework for establishing new Oil Marketing Companies (OMCs) in the country. Owing to the relaxation in the policy framework, (especially related to uplift of retail expansion restriction and storage capacity) the number of active OMCs reached 33 in FY20 (28 in FY19), while 33 additional entities are in process of establishing new OMCs.

- Applicable from 1st Sep'20 onwards, the GoP has decided to shift the pricing mechanism from monthly basis to fortnightly basis and also shift the price benchmark based on PSO's oil imports to Platt's Index. This development is expected to shield the Industry from Inventory losses

Following Policies have been under consideration since FY17:

- Deregulation of margins on kerosene oil/JP-1/JP-8 and light diesel oil.

- Deregulation of ex-refinery prices and margins of HSD/MS for local refineries and OMCs in a phased manner.

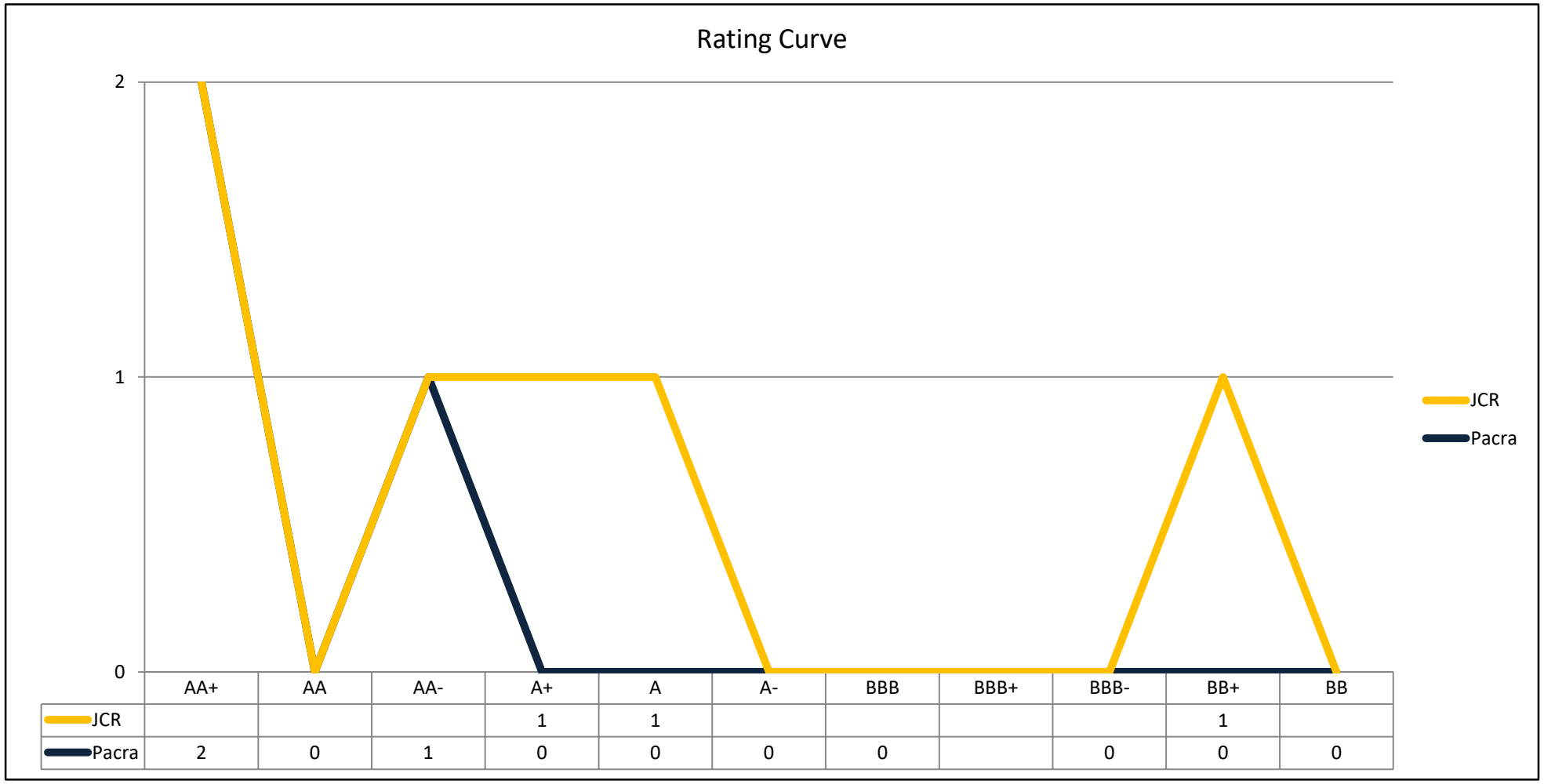
- Phasing out of IFEM system with the completion of pipeline from Karachi to Peshawar, which would allow multiproduct movement.

- Deregulation of OMC and dealer margin would be a positive event for the sector and could help contain the inventory losses for the companies. However, little progress is seen in this area.

Source: AKD, BIPL

Oil Marketing Companies | Domestic Overview

Ratings



	AA+	AA	AA-	A+	A	A-	BBB	BBB+	BBB-	BB+	BB
JCR				1	1					1	
Pacra	2	0	1	0	0	0	0		0	0	0

- PACRA rates G&O, BE Energy & Sitara Petroleum

Source: PACRA

Oil Marketing Companies | Domestic Overview

SWOT Analysis

- One of the major contributor to Pakistan's GDP
- Sufficient Local Oil Reserves
- Government Relations
- Wider range of products
- FO not regulated
- Availability of low paid unskilled and skilled labor-force.

- Majority of consumption is imported
- Regulated prices of MOGAS&HSD
- Strict government regulation regarding inventories.
- Increasing number of competitors due to entrance relaxation by GOP.

- Exploration of new markets and development of retail branches.
- Black Oil Export Opportunity
- Pakistan GDP & industries recovery.

- Shift of power sector to alternate sources of energy.
- Oil price fluctuations.
- Exchange rate fluctuations.
- Outdated technology

Oil Marketing Companies | Domestic Overview

Outlook: Stable

- Pakistan has entered into recovery phase on the economic and health front following easing of lockdown and reduction in daily new cases of Covid-19. The Country's GDP is expected to grow at ~1% as per IMF forecast in FY21 as compared to a contraction of ~0.4% in FY20. As a response to Covid-19, GoP reduced the policy rate to ~7.35%, which is expected to lower cost of borrowings.

- Current economic conditions are proving to be favorable for the OMC sector given initiation of market determined exchange rate resulting in less volatility in the PKR-USD parity, stable international oil prices and uptick in inflation. This may come as an advantage for the OMC sector as margin revision is linked with CPI.

- The total industry sales volumes for OMCs during 1QFY21 experienced a growth of 8% YoY. The growth was majorly driven by increased demand for FO by the power sector, up by 58% YoY.

- During 1QFY21, overall industry registered a volumetric growth of 28%, 7%, and 6% in FO, HSD, and MOGAS respectively. FO fate, however, still remains unaddressed, as Pakistan is heading towards winter season where lower power sector consumption would result in accumulation of FO stock in the Oil Value Chain.

- Among OMCs, Attock Petroleum recorded the highest growth of 31%, MoM, in sales of petroleum products in September 2020 among its peers due to 90% and 14% increase in FO and HSD sales respectively. While sales of PSO declined by 7%. On the contrary, Shell witnessed a slight growth of 1% MoM in sales, because of slight increase in MOGAS volume. During 1QFY21, HASCOL posted 12% YoY increase in total sales of petroleum products, contributed by a 52% growth in MS sales.

- The volumetric growth of MOGAS and HSD is expected to remain high due to winter and harvesting season (HSD use in agricultural sector).

Source: PACRA Database, PBS, AKD, BIPL

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