

Financial Performance of Oil and Gas Sectors

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Sub Sectors

- Four sectors listed at the local exchanges
 1. Exploration & Production
 2. Oil Marketing
 3. Gas Distribution
 4. Refineries

Exploration & Production

- 4 companies (OGDC, PPL, POL and Mari) are listed
- The share of these 4 companies is 68% in total oil and gas reserves
- Profits annual average growth of 26% in last 5 years mainly due to higher oil prices
- Return on Equity rose to 44% in FY08 from 33% 5 years back.

Exploration & Production

Rs mn	FY04	FY05	FY06	FY07	FY08	CAGR
Total Equity	98,448	118,199	140,047	161,111	181,928	16.59%
Total Assets	141,092	171,775	193,835	214,249	257,138	16.19%
Net Sales	78,103	108,161	145,979	156,559	194,603	25.64%
Profit Before Tax	43,881	68,110	94,977	94,495	129,187	30.99%
Profit After Tax	32,042	45,718	65,686	69,021	80,493	25.90%
Net Profit Margin	41.0%	42.3%	45.0%	44.1%	41.4%	
Return on Equity	32.5%	38.7%	46.9%	42.8%	44.2%	

Oil Marketing

- Three OMCs listed at the exchanges (PSO, Shell Pakistan, Attock Petroleum)
- Their share is 89% of the industry
- Profits grew by 38% a year in last 5 years due to inventory gains and high oil price
- ROE 44% now from 26% in 2004

Oil Marketing

Rs mn	FY04	FY05	FY06	FY07	FY08	CAGR
Total Equity	21,964	26,861	33,016	33,855	50,113	22.90%
Total Assets	32,124	40,574	55,569	59,135	86,143	27.97%
Net Sales	281,896	375,626	526,194	585,318	794,082	29.55%
Profit Before Tax	8,986	13,394	18,004	9,937	32,630	38.04%
Profit After Tax	6,056	8,567	12,065	7,126	21,833	37.79%
Net Profit Margin	2.1%	2.3%	2.3%	1.2%	2.7%	
Return on Equity	27.6%	31.9%	36.5%	21.0%	43.6%	

Gas Distribution

- Two Suis are listed
- Financial performance over the last 5 years is not impressive
- Profits growth of just 1% in last 5 years due to UFG losses
- ROE fallen to 13% from 16% in 2004

Gas Distribution

Rs mn	FY04	FY05	FY06	FY07	FY08	CAGR
Total Equity	21,208	23,250	25,450	26,028	27,454	6.67%
Total Assets	88,762	102,696	124,317	145,605	169,351	17.53%
Net Sales	111,561	138,127	174,338	188,896	201,138	15.88%
Profit Before Tax	5,236	5,850	6,839	5,585	6,363	4.99%
Profit After Tax	3,294	3,749	4,614	2,968	3,488	1.44%
Net Profit Margin	3.0%	2.7%	2.6%	1.6%	1.7%	
Return on Equity	15.5%	16.1%	18.1%	11.4%	12.7%	

Refineries

- There are 4 refiners which are listed (NRL, PRL, ARL and BRL)
- These 4 companies refine 60% of total oil refined in Pakistan.
- Their earnings grew at a handsome average annual rate of 48% inventory gain and higher absolute deemed duty
- Sector ROE is 38% in 2008 from 28% in 2004

Refineries

Rs mn	FY04	FY05	FY06	FY07	FY08	CAGR
Total Equity	10,443	15,357	19,717	23,343	37,453	37.61%
Total Assets	40,903	51,354	77,141	94,770	152,520	38.96%
Net Sales	94,099	156,866	215,614	227,168	352,667	39.14%
Profit Before Tax	4,680	8,345	8,285	7,177	19,297	42.50%
Profit After Tax	2,976	5,180	5,256	4,522	14,279	48.01%
Net Profit Margin	3.2%	3.3%	2.4%	2.0%	4.0%	
Return on Equity	28.5%	33.7%	26.7%	19.4%	38.1%	

All Sectors

- Profits of listed oil and gas companies posted annual average increase of 28% in last 5 years to reach Rs120bn (US\$1.5bn)
- 30% average annual rise in oil price coupled with 5% annual increase in volume
- With ROE rising from 29% in 2004 to 40% in 2008.

All Sectors

Rs mn	FY04	FY05	FY06	FY07	FY08	CAGR
Total Equity	152,063	183,667	218,229	244,338	296,947	18.21%
Total Assets	302,881	366,399	450,862	513,759	665,152	21.73%
Net Sales	565,659	778,780	1,062,125	1,157,941	1,542,491	28.50%
Profit Before Tax	62,782	95,699	128,104	117,194	187,477	31.46%
Profit After Tax	44,367	63,214	87,621	83,636	120,093	28.27%
Net Profit Margin	7.8%	8.1%	8.2%	7.2%	7.8%	
Return on Equity	29.2%	34.4%	40.2%	34.2%	40.4%	

Outlook

- In next 5 years the growth is dependent upon
 1. Volume increase
 2. Global oil price trend
 3. Pak Rupee vs US Dollar
- Our estimation is that Oil and Gas Sector to post average annual increase of 15-20% in earnings in next 5 years. With ROE to maintained at 40%.