

## **Fuel sales drop 4pc to five-year low in FY2018**

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KARACHI: Fuel sales declined four percent to 24.256 million tons during the year-ended June 30, 2018 after a lag of five years, due to muted furnace oil sales.

According to Oil Companies Advisory Committee (OCAC) data issued on Tuesday, fuel sales during June 2018 posted a sequential decline of 22 percent to clock-in at 1.903 million tons. On yearly basis, fuel sales in June posted a decline of nine percent.

FO remained the major culprit behind muted energy fuel sales as its sales declined 32 percent to clock-in at 645,000 tons during the month of June 2018 as compared to June 2017. On sequential basis, FO sales declined 30 percent.

Umair Naseer, an analyst at Topline Securities, attributed the decline to the government ban on usage of expensive furnace oil for power generation during winters on account of high generation cost, and availability of RLNG. "Later on, the usage of FO resumed post commencement of summers when demand generally picks up, however, utilisation levels remained on lower side," he added.

Analysts believe that increasing oil prices would weigh down on demand.

On the other hand, MS sales in June 2018 improved 9.0 percent on yearly basis. However, on a sequential basis, MS sales declined 4.0 percent to clock-in at 614 thousand tons. Overall, during FY18, MS sales clocked-in at 7.353 million tons, up 11 percent.

Faizan Ahmed at JS Global Capital said that almost all major products such as motor spirit (MS) and high speed diesel (HSD) posted muted sales performance owing to increased prices in June.

"Decline in sales can be attributed to lower demand from the power sector as LNG-based power generation took top slot on the priority list," Ahmed added.

HSD sales also plummeted 9.0 percent YoY in June 2018 and 34 percent on sequential basis to stand at 589,000 tons. Cumulatively during FY18, HSD sales closed the year at 8.996 million tons mark, up 6 percent.

Among listed oil marketing companies, Hascol stood out in FY18 as it gained a market share of 3.0 percentage points. As FO sales came down, Pakistan State Oil was understandably the worst performer of the year with a loss of 5.0 percentage points in its market share.

Going forward, rising pump prices and lower FO sales along with currency devaluation (which could result in exchange losses) would be few of the key challenges faced by the industry.