

Analyst Note

Friday, 10 June 2016



Oil Marketing Companies

PSO Ink HSD Supply Deal in Thar Coal Project Block II

"PSO, CERIECO ink fuel supply deal: Pakistan State Oil (PSO) has signed an agreement with China East Resource Import and Export Corporation (CERIECO) to maintain seamless supply of high speed diesel (HSD) to Thar Mining Project Block II. The deal is of a major significance as it ensures uninterrupted work on the Thar mining project which is part of the China-Pakistan Economic Corridor (CPEC). "The project is also listed among the prioritized projects of the CPEC," said a PSO statement on Thursday."

<http://www.brecorder.com/fuel-a-energy/193:pakistan/55426:ps0-cerieco-ink-fuel-supply-deal/?date=2016-06-10>

Analyst Comments:

- In our view, the demand of HSD in Thar Coal Project is due to its use in drilling activities and transportation.
- We highlight this as a positive event for PSO as this would lead to higher growth and guaranteed volumes of sales of HSD.
- As per the news, the agreement has not pin pointed the amount of HSD required for the project, although according to our estimates we believe HSD demand from Thar Coal Project to be around 46,029Mton.
- We expected these additional volumes of HSD to have an EPS impact of PKR 0.33/share.

Exhibit: PSO to supply diesel to Thar Coal Mines

Thar coal diesel requirement (mnltrs)	55.00
HSD retail Price (PKR/ltr)	72.52
HSD Margin (PKR/ltr)	2.41
EPS Impact (PKR/share)	0.34

Source: IGI Research, engropowergen, Business Recorder

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