FUELLING PAKISTAN, FROM REFINERY TO PETROL PUMP

Hascol Petroleum Ltd plays a substantial role in fuelling Pakistan's industrial, commercial and consumer needs through the purchase, storage and sale of a wide range of petroleum products – from fuel oil, high speed diesel and gasoline, to jet A-1, LPG and lubricants. Sarah Pursey speaks to Mr Mumtaz Hasan Khan, Chairman and CEO of Hascol Petroleum, to learn more about the significant progress made since Euroasia Industry last interviewed the company in 2012.

Economic growth in Pakistan is expected to expand 3.6 per cent year on year in 2014 (from 2.3 per cent in 2013), while the country's population continues to grow (at an estimated rate of over 1.5 per cent in 2013) – both of which mean that demand for energy remains on the rise. "One of the main challenges that we face is obviously meeting the increasing demand for our products in the most efficient manner," says Mr Mumtaz Hasan Khan, Chairman and CEO of Hascol Petroleum – a company incorporated in 2001 following the government's deregulation of the country's petroleum sector. Since its inception, Hascol Petroleum has gone on to become a leading player involved in the purchase, storage and sale of a wide range of petroleum products across the country.

Engaged in activities from refinery to petrol pump, the company markets a full range of petroleum products, including furnace oil, kerosene oil, motor gasoline, gas oil (known locally as high-speed diesel), light diesel oil, LPG (liquefied petroleum gas) and CNG (compressed natural gas). In addition, Hascol Petroleum is Pakistan's sole distributor of lubricants from Fuchs – the largest independent lubricant company in the world – distributing the German manufacturer's greases, corrosion protection, quenching oils, industrial lube, open gear lubricants, metalworking fluids, mining products, mould release agents, automotive oils and various speciality products.

In addition to this, Hascol Petroleum has developed a wide chain of retail outlets across the country – from Karachi to Landi Kotal on the border with Afghanistan, in all four provinces – while its commercial and industrial clients include independent power plants (IPPs), cement plants, bunkering companies and mines.

Infrastructure investments

Much has happened by way of investment since Euroasia Industry last spoke to Mr Khan back in February 2012, and the CEO is keen to highlight the impressive progress made by the company over the past couple of years. "We have made huge investments in our storage infrastructure, having developed a new 32,000 tonne capacity storage terminal at Port Qasim – a deep water seaport in Karachi. In addition to that, we have put up two major storage facilities – one of these, located about 300 miles north of Karachi, has been in operation since April 2013, while the other facility, in Lahore, is set to enter into operation in January 2014. Each terminal has a capacity of around 7,000 tonnes of gas oil and 1,000 tonnes of motor gasoline, alongside some capacity for lubricants," reports Mr Khan, who expects the US$12 million investment to greatly improve the company's supply chain management. "In support of these





recently developed storage facilities, we have increased our retail infrastructure, with around 225 retail outlets now in operation, and another 50 currently under construction. By mid-2014 we therefore anticipate having about 275 outlets in operation across the country," he reveals. "Our aim is to more efficiently meet the demand of our retail outlets, alongside achieving the maximum return on investments from our storage facilities."

The sites for the terminals were chosen for their strategic positions, as petroleum production is transported from Karachi to the north of the country via a gas oil product pipeline – the most economical and environmentally friendly way of transporting the oil. "All of the other major players – Shell, Chevron and Pakistan State Oil Company – have their terminals located along the route of the pipeline. We have therefore likewise erected our facilities where this infrastructure already exists," notes Mr Khan, adding that with the terminal in the north set to be up and running in early 2014, the company will have a total storage capacity in excess of 60,000 tonnes.

In another significant development, 2013 also saw the company start to import consignments of both fuel oil and gasoline on its own account, and Mr Khan is enthused by the fact that many international firms are keen to do business with Hascol Petroleum and have his company as a local partner in Pakistan.

Diversification goals

In the last article, Mr Khan described the companies intentions to diversify its activities to provide aircraft fuelling services – a very specialised business for which extremely high quality control standards are required. This plan remains a work in progress, as Mr Khan goes on to report. "While we remain keen to diversify, we are still looking to secure land at Jinnah International Airport in Karachi," he advises. "We already have a technical services agreement in place with an international operator – Emirates National Oil Company (ENOC). So far, due predominantly to changes in the government and the Pakistan Civil Aviation Authority (CAA Pakistan), various unsuccessful attempts have been made to secure a suitable plot of land upon which to build the infrastructure required to meet our client's needs."

However, a new Director General of CAA Pakistan – Air Marshal (Retd) Muhammad Yousuf – took over the post on 5th November 2013, which Mr Khan believes could represent a positive move in relation to his company's plans. "I am hoping that with this new incumbent we should succeed in securing the necessary land – from that point onwards, we would expect to be in business within three months."

Another interesting area of diversification for Hascol Petroleum is with regards to Pakistan's nascent automotive LPG (liquefied petroleum gas) sector. LPG has been used in some countries since the 1940s as a petrol alternative for spark ignition engines. Its advantages are that it is non-toxic, non-corrosive and free of additives, alongside having a high octane rating. It burns more cleanly than petrol or fuel oil, and is free of particulates. In Pakistan, Hascol Petroleum has been leading the field in this segment, having opened its first LPG AUTOGAS station in late 2011. "We are actually the only company in the country that is aggressively pursuing development of the auto great scope," says Mr Khan, noting that the potential for the sector has been enhanced in recent years by the government's decision not to establish any further connections for automotive CNG (compressed natural gas). "Our initial experiment in automotive LPG has proven to be very successful and we have developed relationships with a number of companies involved in this segment." Indeed, Hascol has already started to market LPG as an automotive fuel through its retail network, having obtained the necessary licence from OGRA (Oil & Gas Regulation Authority), and has formed relationships with well known LPG marketing companies throughout Pakistan.

Despite Mr Khan's enthusiasm for the prospects of automotive LPG in Pakistan, the country's government nonetheless continues to drag its heels. "Unfortunately, the government has yet to articulate a proper automotive LPG policy – the result of that being that confusion remains as to what sort of regulatory environment is required in terms of setting up an automotive LPG network. This has slightly hampered the progress that we expected to have made by now. We have seven to eight stations currently under construction, although my target was to have 30-40 stations in place by this time. Basically, we have been hampered and delayed as a result of the government's slow understanding of a regulatory regime that should by now have been implemented."

That said, Mr Khan remains positive that this inertia may soon end. "We have been in touch with the World LP Gas Association (WLPGA), and have invited them to come and make a presentation to the government regarding the LPG standards already in place in countries like Turkey and India. Basically, the emphasis will be on the need to not over-regulate the industry to the extent that it hampers growth. Obviously, my hope is for the authorities to make the necessary regulatory changes – unfortunately, the government's processes move much slower than we would like."

Strong performance

Despite the challenging environment that Hascol Petroleum faces, its ambition in rolling out LPG autogas product and infrastructure throughout Pakistan is indicative of the company's pioneering spirit, and the expertise that its people bring to the business. "I firmly believe that the success of any business hinges upon the quality of its human resources, because without an expert team to undertake proper planning and risk assessments, or to implement business plans in a very professional manner, no company can make progress," notes Mr Khan. "I therefore take great pleasure in the knowledge that I have one of the best teams in the industry – they are all professionally trained and many have worked for large companies like Shell, giving them the expertise to tackle in a very professional manner the various challenges that we face as a company.

"Many of the staff that joined within the first few years of its establishment remain with the company today," informs Mr Khan. "I put this down to the fact that we provide a good working environment, we offer a competitive wage and we treat our staff well, which means that they are satisfied. And because of their outstanding performance, the company is doing well." Indeed, Hascol Petroleum was expected to double both its turnover and profit after tax in 2013, compared to 2012 figures. "We have achieved excellent volume and financial results, with a predicted turnover in the region of 50 billion rupees for 2013," the CEO enthuses.

Raising its profile

The most exciting news from Hascol Petroleum is undoubtedly the management's plans to float the company on the stock exchanges of both Karachi and Lahore. "We expect to do an IPO in the next three months or so, and thus far the response has been excellent – so hopefully next time that we speak we will be a listed company, which will attract more visibility to our performance and our earnings."

Aside from greater visibility – becoming listed will also give Hascol Petroleum access to more credit lines from the banks, as Mr Khan points out. "Oil is a high volume, low margin business, which means that massive lines of credit are required in order to sustain your level of volume – and this is especially true in the post global financial crisis environment. Unfortunately, banks in Pakistan do not generally understand trade finance – they are mainly involved in asset-based financing. Now, however, having seen our performance, more and more banks are wanting to be our partners in our trade finance transactions. So, I think the future looks good, and as a result we expect to move along at a very healthy pace in the years ahead." □