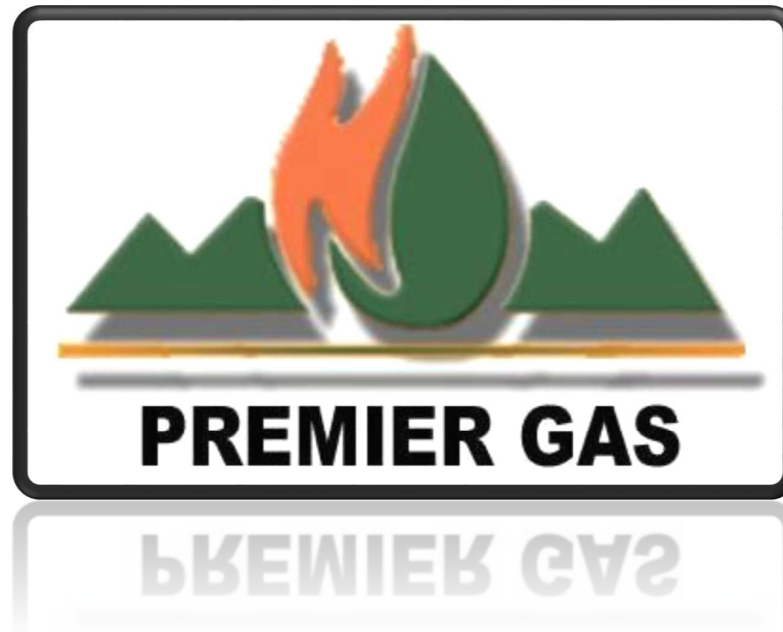


# ***Aftab Traders (Pvt) Limited***

**Main Shahrah-e-Karakoram  
Sultanabad, Gilgit**

## **Company Profile**



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# EXECUTIVE SUMMARY

## COMPANY BACKGROUND

M/s.Aftab Traders (Pvt) Limited (ATL) was incorporated in March 6, 1993, vide incorporation certificate No. R/JSC/NA-14/93 the company is enlisted at Corporate Law Authority (CLA) Gilgit Baltistan. Gilgit is situated in hilly and far flung part of the country, where exists acute shortage of fuel. Linkage of natural gas to this area through pipeline is a dream which it seems to be hardly come true in the near future. ATL acquired license for storage, marketing and distribution of LPG from Ministry of Petroleum and Natural Resources, Government of Pakistan in 1995 and thereafter renewed for 15 years vide Ministry of Petroleum and Natural Resources, Government of Pakistan letter No. LPG-5(2)/96-Pt dated September 14, 2002. The company got sale tax registration and NTN certificate vide No. 07-01-8500-099-28 and No.1274038-1 respectively.

In January 2001, shares of M/s.Aftab Traders (Pvt) Limited was purchased by Mr. Abdul Hadi Khan who had almost four decades experience of LPG marketing and distribution, started the business with renewed spirit. The designation of Mr.Abdul Hadi Khan is Chief Executive of the company respectively.

ATL markets bulk and packed LPG in the domestic, commercial and industrial segments. ATL has a clear strategy to offer and deliver differentiated Customer Value Propositions (Assured availability, free maintenance of equipment, correct weight, safe cylinders, convenience, home delivery and safety awareness program) to various segments of the market in order to increase customer satisfaction and retain its position as a premium LPG brand available in the market.

## INVESTMENT HIGHLIGHTS

- **Top 10 LPG marketing company in Pakistan**

This is a rare opportunity for new entrants to gain a foothold in Pakistan's LPG sector and for existing players to increase their LPG market share through an acquisition that will potentially strengthen the buyer's strategic investment portfolio and position in Pakistan. (After 2005, there has been no substantial increase in indigenous supply.) It creates a critical mass to optimize business value and secure base to capture growth in major demand centers

- **Continuous robust growth LPG**

Pakistan has been a net importer (10-20% of total demand) of oil products particularly LPG, HFO and HSD. Latent LPG demand is projected to grow 11%-14% per annum in the next 4 years\*\*, backed by demand in the household and commercial segment and as a result of rapid urbanization, and liberalization/modernization of the LPG distributor sector.

- **Substantial Local Supply**

Indigenous supply is limited, but price caps set by the local regulator render imports uncompetitive. ATL possesses long-term rights to 15-30% of LPG production from local refineries. With additional capex, there are also opportunities to develop further local supply from new refineries and local gas fields.

- **Solid Financial Results**

The normalized financial statements on page.11 illustrate an improved performance of the company as a standalone entity. The results will show a cash-generative business yielding significant levels of cash in the past 5 years.

- **Proven Operational & Management Track Record**

ATL management team is well-versed and experienced in the LPG business, having almost 40 years of combined relevant experience. Through vigorous cost control and strong management, the company managed to turn around its business and deliver profits.

- **Strong supply/distribution channels with nationwide coverage**

At the very outset of purchasing the company, the management inducted highly qualified/capable technical and professional manpower. Because of this, within a short span of two years the company uptill now have appointed 100 distributors, sub-distributors throughout Pakistan, accordingly it developed large marketing infrastructure, bottling plant, bulk transportation services and distribution network. Untiring efforts on the parts persons at present we are able to market 80 to 120 Metric Ton of LPG per day based on Summer & Winter season. We have concentrated all our energy into developing LPG gas technology and gas expertise which lead us to achieve a goal of one of a Leading LPG Marketing company in Pakistan.

\*\* Source PFC Energy 2008



- **The Premiergas Brand**

The company has been marketing LPG in Pakistan under the brand name **Premiergas**. There is valuable brand recognition of Premiergas in Pakistan that can be used by new entrants to quickly establish their marketing presence or by existing players to complement/boost their branding strategy.

- **Investment Opportunities For Growth**

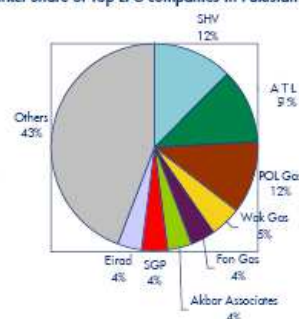
Auto LPG is the next potential growth sector. OGRA has, as of FY08, approved 60 licenses to operate auto LPG refueling stations.

\*\* Source PFC Energy 2008

## MARKET OVERVIEW

- Local producer price is set by LPG producers within a price ceiling (1) set by the Oil & Gas Regulatory Authority (OGRA). The marketing companies are allowed a profit margin above the producer price, guided by OGRA's 'reasonable consumer price'.
- OGRA's price ceiling also applies to imports. Since the landed cost of imports is higher than the price ceiling, imports are rendered uncompetitive. Hence, the LPG market in Pakistan is long in demand and constrained in supply.
- Since mid-2000, Pakistan has made strides in deregulating the LPG sector and rationalizing the imposition of levies and taxes. In 2007, the 5% duty on import of LPG was waived to incentivize private sector investment in this area.
- Latent LPG demand is projected to grow 11-14% in the next 4 years (2) driven by liberalization of the LPG sector, forecast population growth of 1.8%, GDP growth rate of 3-6% and underpinned by the current low penetration of LPG as a fuel in the semi-urban/rural areas.
- In July 2006, the Government of Pakistan approved a regulatory framework to govern the usage of LPG as motor fuel. Auto LPG has become the next potential growth sector, attracting more than US\$180 Million worth of investments (3).
- The top 10 marketing companies accounted for more than 50% of total supply in 2010. ATL currently holds 9% share of Pakistan's LPG market with annual sales volume of c.47kt through bulk and packed products.

Market Share of Top LPG companies in Pakistan



\*\* Source PFC Energy 2008

1 Currently, the cap is the ARAMCO Saudi Contract Price published monthly

2 Source PFC Energy 2008

3 Source Oil & Gas Regulatory Authority (OGRA)

## SUPPLY & DISTRIBUTION

- ATL's purchases have historically been acquired through 4 main local refineries:
  - Oil & Gas Development Company Ltd.(OGDCL)
  - Pak Arab Refinery Limited (PARCO)
  - Jamshoro Joint Venture Ltd.(JJVL)
  - BYCO Petroleum Pakistan Ltd. (Formerly Bosicor Pakistan Ltd.)
- The group has imported 78,874 MT LPG during January 2009 to June 2013 from Middle East countries. In January 2013 for the first time in country's history ATL imports a bulk consignment of 9,000 MT of imported LPG joint venture with JJVL and SSGC LPG
- ATL accruing LPG bottling & Storage service from the following companies
  - Power Gas (Pvt) Ltd.
  - Foundation Gas.
  - Link International.
  - MNA Energy (Pvt) Ltd.
  - BBN Energy (Pvt) Ltd.
- Delivery from PARCO refinery to filling plant at Lahore is via road transportation, besides filling & storage services there are swap arrangement with Parco Pearl Gas (Pvt) Ltd. (Formerly SHV Energy Pakistan (Pvt) Ltd.)
- Distributors pick up product ex plant and deliver to end consumers, ATL ultimately services customers via more than 100 distributors.
- ATL's direct customers are primarily commercial and industrial users.
- Bulk deliveries are made using ATL's hired 'bobtails' (smaller trucks) and bowzers whereas commercial and domestic cylinders are delivered through packed trucks.
- Product pricing is set by the company based on various factors such as market conditions, demand-supply, producer price and diesel cost.

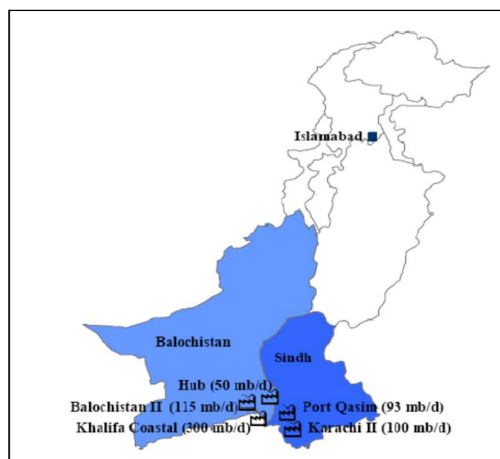
# GROWTH POTENTIAL

- SYNTHETIC NATURAL GAS (SNG)**

Ely Energy designs and manufactures equipment for air pollution abatement, supplementation or replacement of natural gas using a blend of LPG and air (i.e. Synthetic Natural Gas), and successfully commissioned the LPG/Air mix SNG Units in Pakistan at SSGC Air Mix Plants as well as private industrial sector. SNG can be used as full replacement or mixed in any ratio with natural gas (NG) in the same pipeline for augmentation or peak shaving. Typical applications for SNG include natural gas industrial back-up systems where NG is unavailable or unreliable especially in peak shaving. The energy index for SNG is 100% equivalent to NG when used in equipment like steam generation plants.

- NEW LOCAL SUPPLY OPPORTUNITIES**

Historically, growth in LPG sales volumes relied on limited availability of local supply. This may change as several 'grassroots' and expansion projects in the pipeline offer new local supply opportunities. For example, Byco Petroleum Pakistan Limited (formerly Bosicor Pakistan Ltd.) is planning to build a new 115,000 b/d refinery with its existing facility by 2011. Auctions of gas fields in the north of Pakistan also provide new local supply opportunities.



**Recent and Planned refinery Investments – Pakistan**

Source : PFC Energy

Refinery	Company	Project	Status	Scheduled Completion	Estimated Cost
Punjab	PARCO	Desulfurization unit	Ongoing	2010	US\$ 132 m
Rawalpindi	Attock Refinery Ltd.	Desulfurization unit	Planning	n/a	n/a
		Isomerization unit	Planning	n/a	n/a
		Atmospheric idstillation unit	Planning	n/a	n/a
Karachi	Pakistan Refinery Ltd.	Vacuum idstillation unit	Ongoing	2012	n/a
		Desulfurization unit	Ongoing	2012	n/a
		Visbreaker	Ongoing	2012	n/a
Baluchistan	Byco Petroleum Pakistan Ltd.	Isomerization unit	Ongoing	2009	US\$ 30m
Baluchistan II	Byco Petroleum Pakistan Ltd.	New integrated refinery	Ongoing	2010	US\$ 225-312 m
Port Qasim	Indus Refinery Ltd.	New relocated refinery	Ongoing	2010	US\$ 900 m
Karachi II	TransAsia	New relocated refinery	Ongoing	2010	US\$ 450-600 m
Khalifa Coastal	74% IPIC-26% PARCO	New refinery	Planning	2012	US\$ 5 bn



## LPG EXTRACTION PLANT (FROM NG)

This is in reference regarding JAKHRO GAS FIELD. We have gathered all the information from different sources/documents.

We are preparing to bid another dormant field at wellhead. We have done initial work for a new/used skid mount LPG Extraction Plant for this field on the basis of the following assumptions:

- Thermal Value (Btu): 797 Gross.
- Approx. Qty of Gas (MMCFD): 5.50
- Average Quantity of Gas (MMCFD): 3.5
- Reserves (BCF): 6.16
- This field has the potential of producing LPG and 50 barrels of Condensate/per MMSCF of Gas.
- The life of the project will be determined by the manufacturer to achieve the best economic results keeping in view that the remaining gas after the extraction of LPG will be used for power generation.
- We are preparing a technical /commercial proposal from interested party with O & M Contract.
- As the balance gas will be used for power generation, we also need a stripping/discarding plant for N<sub>2</sub>.

The basic criteria for submitting the bid for this field as well as equity stake holders we will keep the following points in mind:

1. Proposed Technology: the applicant should describe technical details of its proposed technology covering technical aspects, project life span, gas demand, emissions control, and details on similar projects/systems, if any already in operations worldwide.
2. LPG Extraction: the applicants are required to include in their comprehensive proposal for field development the following additional information:
  - (i) LPG extraction plant and processing along with firm and binding cost calculations;
3. What will be the balance gas remaining after extraction of LPG for power generation.
4. What will be the Thermal Value in Btu present in the gas after extraction of LPG with the Methane number.
5. What will be the shrinking/wastage in percentage in MMSCF.
6. The plant design should be based on 98% LPG extraction.
7. What is the total EPC cost of LPG extraction plant.
8. What will be the fixed and variable operation and maintenance cost of the plant.



The initial rates of these forecasts can be revised as per the requirements of the plant designing to get the maximum economic viability.

These are some of the technical details of the field for reference:

#### PRODUCTION PROFILE BASED ON THE MAXIMUM OF THE 1<sup>st</sup> YEAR:

Year	Gas (MMSCFD)	LPG (MTON)	NGL(BBI)	Gas Gravity	Average Quantity of Gas	Separator Pressure
1	5.5	20.98	34.30	0.822	3.5 MMCFD	650 PSI
2	4.4	16.78	27.44			
3	3.52	10.43	21.95			
4	2.97	11.33	18.52			
5	2.2	8.39	13.72			

#### RESERVE STATUS:

Status	ORIGINAL IN PLACE	ORIGINAL RECOVERABLE RESERVES	ORIGINAL RECOVERABLE RESERVES
Status	GAS(BSCT)	GAS(BSCF)	CONDENSATE (MMSTB)
PROVEN	9.3	6.16	0.31

#### INITIAL TEST RESULTS:

Choke (Inches)	WHFP (PSIA)	Q cond. (STB/D)	Q gas (MMSCFD)	Q w (B/D)
16/64	3600	175	3.35	NIL
20/64	3500	310	5.76	0.6
24/64	3380	380	7.50	1.5
28/64	3160	450	8.73	1.5
32/64	2900	510	10.95	2.5

**GAS COMPOSITION:**

<b>GAS COMPOSITION (IN MOLE %)</b>	<b>FIELD</b>
METHANE	48.35
ETHANE	7.88
PROPANE	4.95
ISO-BUTANE	0.54
N-BUTANE	1.20
ISO-PENTANE	0.22
N-PENTANE	0.24
HEXANE PLUS	0.23
CO <sub>2</sub>	3.89
N <sub>2</sub>	32.51
H <sub>2</sub> S(ppm)	NIL
TOTAL	100
Avg. BTU/SCF	845

## FINANCIAL HIGHLIGHTS

- ATL has historically been a cash generative business, yielding significant levels of cash up to FY 2010. Cash from operations in these years had been sufficient to fund capex.
- Since 2007, uncertainty prevailed in the LPG industry due to :
  - Price caps enforced by OGRA
  - De-linking of LPG base stock prices from Saudi Aramco Contract Price (CP) and capping of local producer price to October 2007 CP levels.
  - Supply shortages due to reduced production of LPG by the refineries.
- Through vigorous cost control and strong management, the company managed to turn around its business and deliver profits in last 5 years.

### **Financial Summary of Statutory Accounts for last 5 financial years**

	Audited				
	2012-13	2011-12	2010-11	2009-10	2008-09
Metric Ton	21,753.42	14,907.22	18,292.86	23,744.97	18,064.21
<b><u>Rupees '000</u></b>					
Net Sales Proceed	2,137,624	1,287,764	1,303,020	1,341,709	765,212
Cost of Product Sold	(2,063,766)	(1,236,063)	(1,252,805)	(1,304,631)	(750,245)
Operating Gross Profit/(Loss)	73,858	51,701	50,215	37,078	14,967
Other Income	-	-	96	-	-
Administrative Expenses	(6,730)	(5,096)	(4,534)	(3,996)	(3,531)
Financial Expenses	(5,022)	(2,074)	(1,091)	(1,643)	(14)
Operating Profit/(Loss)	62,106	44,531	44,686	31,439	11,422

## ASSETS

- ATL has a cylinder bottling/filling, storage and LPG bulk storage plant at main Shahrah-e-Karakurm, Sultanabad, Gilgit, measuring 100,000 sq.feet.
  - LPG storage and filling plant, constructed as per 58 Standards of NFPA.
  - Bulk storage capacity 100 M.Ton, and proposed expansion is upto 500M.Tons.
  - Plant throughput 60 M.Tons/Shift/day.
  - Bulk handling facilities.
  - Self Power Generator system.
  - Best Safety and security system.
  - Fire fighting equipment is installed covering whole plant.
  - Fire water storage tank capacity.
  - Automatic cylinder filling facilities.
  - Remote control electric panel.
  - Explosion proof lights are installed for illumination of operational areas.

### PLANT EQUIPMENT

- Electric Generator.
- LPG pump.
- Submersible water pump.
- Water pumps.
- Electric Panels.
- Air Compressor.
- Weighing Scales.
- Filling Scale.

### MARKETING EQUIPMENT:

- 45.4 KG capacity cylinder
- 11.8 KG capacity cylinder
- 15 KG capacity cylinder
- 6 KG capacity cylinder
- High / Low Pressure Regulators.
- High Pressure Connectors.
- Miscellaneous Gas fittings.

### BULK STORAGE CAPACITY:

- Storage Capacity at Gilgit Plant is 60 MT
- Storage Capacity at Shaheen Plant is 60 MT
- Storage Capacity at Power Gas Plant is 250 MT



## PEOPLE & BENEFITS

### MANAGEMENT TEAM

Mr.Abdul Hadi Khan	CEO
Mrs.Shahida Hadi	Director

### **ABDUL HADI**

Abdul Hadi Khan is the CEO of ATL having experience of more than 35 years in LPG industry, he is the member of Executive Committee, Chairman of Standing Committee for LPG for the term 2013-14 of FPCCI and also the Chairman of All Pakistan LPG Distributors Association. He had 31% Shares in M/s.Power Gas (Pvt) Ltd.

- There are 5 key members of the Management team. The Finance, Operations, HSSE & Sales Manager report to the General Manager. The Management team is well-versed and experienced in the LPG business, having almost 50 years of combined relevant experience.
- ATL employs 60 staff at its plants and office.

## HEALTH, SAFETY, SECURITY & ENVIRONMENT (HSSE)

- High health & safety capability levels due to the quality of key staff and strong leadership/training
- Excellent safety record with good proactive and reactive measures
- Leading safety standards within LPG industry in Pakistan
- Continuously improving its Road Transport and Haulier HSSE Management System
- Defensive driving training for drivers
- Monitoring of driver health and fitness and rest periods
- Comprehensive safety records and asset integrity programmes are in place

## PREMIERGAS BRAND

- ATL operates the LPG business under the **Premiergas** brand. The visual manifestation of the brand includes its usage and appearance on:
  - Cylinders: brand embossed on the shroud and painted on the cylinder body.
  - Distributor/dealer and points of sale premises: having painted sign boards on which the Premiergas brand figures.
  - Marketing and commercial literature; and
  - Office equipment & stationery.





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