

PAKISTAN



June 2021: Pakistan's Oil Sales

Sales (000 tons)	IND	PSO	APL	SHEL	HASCOL
MS	776	322	56	82	39
HSD	776	355	58	65	33
FO	339	212	44	-	-
Others	41	28	4	5	0
Total	1,932	918	163	152	72

Source: OCAC, FSL research, July 2021

YoY Growth

	IND	PSO	APL	SHEL	HASCOL
MS	7%	-10%	7%	19%	2%
HSD	3%	-20%	6%	73%	2%
FO	197%	581%	-3%	N/A	N/A
Others	82%	110%	70%	113%	99%
Total	20%	9%	5%	40%	2%

Source: OCAC, FSL research, July 2021

Market share

	PSO	APL	SHEL	HASCOL
MS	41%	7%	11%	5%
HSD	46%	8%	8%	4%
FO	63%	13%	0%	0%
Others	69%	10%	13%	1%
Total	47%	8%	8%	4%

Source: OCAC, FSL research, July 2021

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Oil Marketing Companies

Economic growth pushes FY21 petroleum volumes up by 18%

Event

Domestic petroleum products sales increased by 20% YoY in June 2021 (up by 14% MoM) which pushed FY21 volumetric growth to 18% YoY. To highlight, petroleum sales remained robust and posted strong YoY growth on the back of (1) lower base effect given COVID related lockdowns last year and (2) accelerating economic growth with growth recorded across all major products (MS/HSD/FO up by 7/3/197% YoY). Playerwise analysis reveals that PSO/APL/SHEL/HASCOL sales recorded growth of 9/5/40/2% YoY during the month. We maintain outperform stance on the sector with PSO and APL as our preferred player.

Impact

Volumes rose across all major products: Domestic petroleum sales (Ex-non Energy) rose by 20% YoY (up 14% MoM) in June 2021 that pushed FY21 volumetric sales growth to 18% YoY. During the month, all major products recorded an increase in volumes. MS depicted an increase of 7% YoY (↑ 6% MoM) to 776KT given (1) higher vehicle sales, (2) less restrictive COVID related measures and (3) accelerating economic activity. HSD surged to 776KT, up by 3% YoY (↑ 2% MoM) due to (1) accelerating economic activity as evident by 12.8% YoY increase in large scale manufacturing during 10MFY21, (2) uptick in international trade (goods exports/imports ↑ 10/18% YoY during 11MFY21), and (3) strict action against smuggled petroleum products. In black oil segment, FO sales rose by a 197% YoY (up 102% MoM) to clock in at 339KT due to increasing mix of FO in power generation given lower availability of gas due to annual field turnarounds, lower imports of LNG and LNG terminal closure on last 2 days of June.

Higher FO volumes drove PSO overall volumes higher: In June 2021, PSO's sales volume clocked in at 918KT depicting an increase of 9/21% YoY/MoM. This increase in sales was primarily a result of FO sales surging by 5.8x YoY due to higher demand in power generation whereas MS/HSD sales declined by 10/20% YoY. This translated into PSO's market share decreasing by 2/3ppts YoY in MS/HSD to 41/46%. Whereas company's FO market share increased by a whopping 31ppts to 63%.

APL recorded growth in white oil volumes: APL recorded a growth of 5/14% YoY/MoM as its petroleum sales clocked in at 163KT. Product wise analysis reveals that MS/HSD inclined by 7/6% YoY whereas FO volumes decreased by 3% YoY. However, APL's market share in MS remained flat YoY and in HSD inclined by 1ppts YoY to stand at 7/8%. Company's market share in FO declined by 9ppts to 13%.

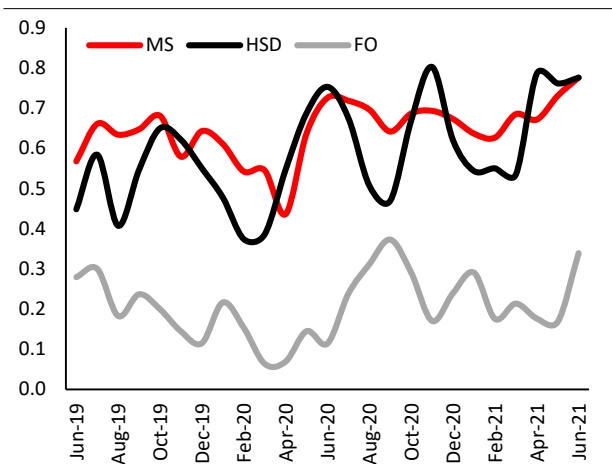
SHEL volumes rose: SHEL volumes grew by 40% YoY (up 13% MoM) where MS/HSD were up by 19/73% YoY in June 2021. The company gained market share YoY in MS/HSD market by 1/1 ppts to 11/8%.

HASCOL volumes recovered: During the month, HASCOL's volumes increased by 2/24% YoY/MoM to clock in at 72KT with incline witnessed in MS/HSD of 2/2% YoY.

Outlook

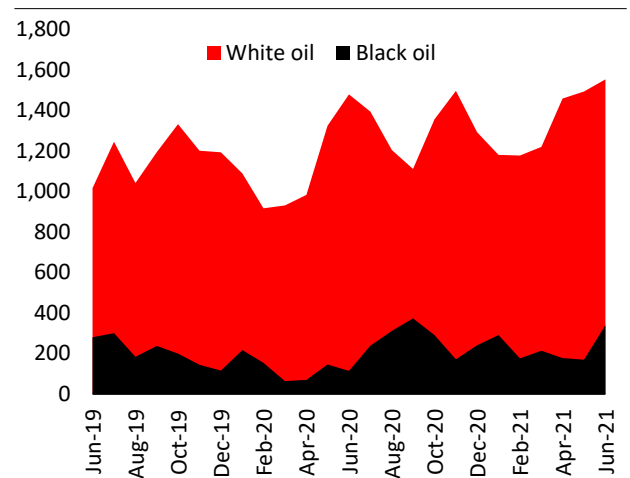
We have an outperform stance on the sector due to (1) accelerating economic growth, (2) boom in construction sector and (3) resolution of circular debt given renegotiation of IPP agreements which would improve cashflow situation of PSO. Our top picks in the sector are PSO and APL.

Fig 01: Multiple factors affecting OMC sales (000 ton)



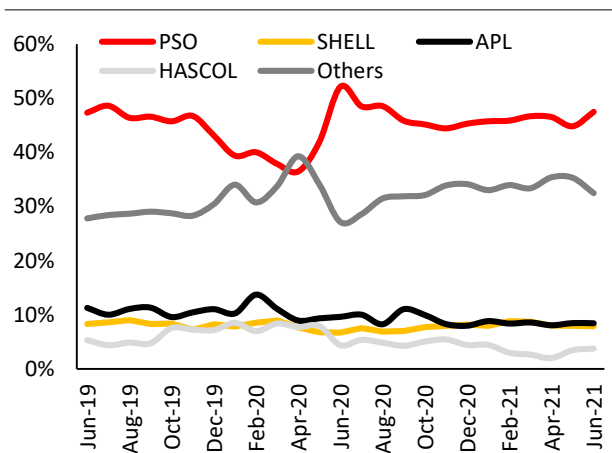
Source: OCAC, Foundation Research, July 2021

Fig 02: White and Black oil sales trend (000 ton)



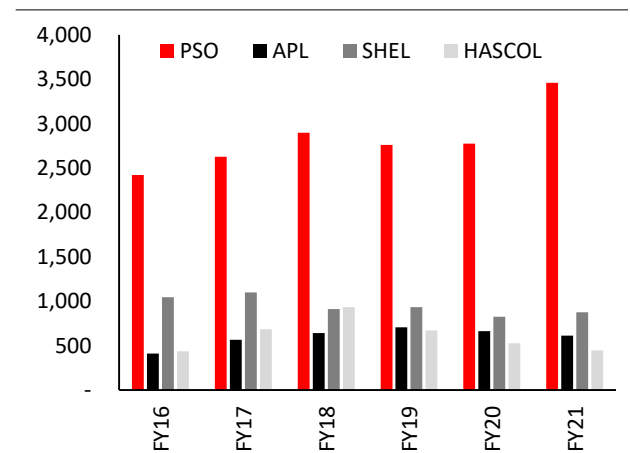
Source: OCAC, Foundation Research, July 2021

Fig 03: Market share of OMC companies



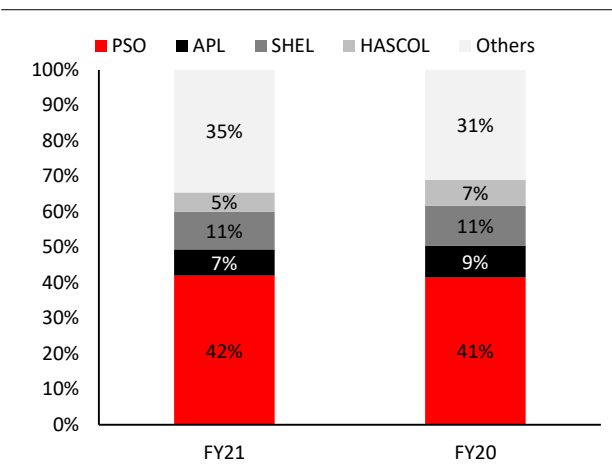
Source: OCAC, Foundation Research, July 2021

Fig 04: MS volumes (000 tons) over the years...



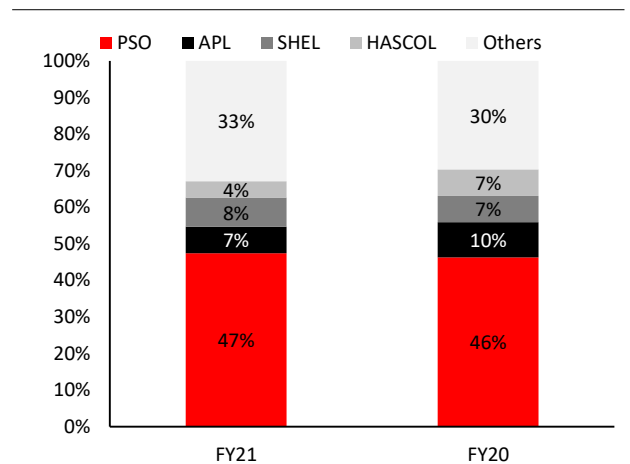
Source: OCAC, Foundation Research, July 2021

Fig 05: PSO share in MS segment ↑ by 1ppts



Source: OCAC, FSL Research, July 2021

Fig 06: PSO share in HSD segment ↑ by 1ppts



Source: OCAC, Foundation Research, July 2021

Fig 1: FY21 Pakistan's Oil Sales

	Sales (000 tons)					YoY					Market share			
	IND	PSO	SHEL	APL	HAS	IND	PSO	SHEL	APL	HAS	PSO	SHEL	APL	HAS
MS	8,235	3,459	873	611	446	12%	19%	7%	-7%	-17%	42%	11%	7%	5%
HSD	7,695	3,649	613	554	343	17%	20%	29%	-12%	-28%	47%	8%	7%	4%
FO	2,986	1,523	-	508	2	54%	86%	N/A	29%	-97%	51%	0%	17%	0%
Others	526	360	43	48	8	-11%	30%	137%	29%	151%	69%	8%	9%	1%
Total	19,442	8,991	1,529	1,720	798	18%	23%	17%	0%	-26%	46%	8%	9%	4%

Source: OCAC, Foundation Research, July 2021

Acronyms

MS	Motor Spirit (also known as gasoline or petrol)
HSD	High Speed Diesel
FO	Furnace Oil
CNG	Compressed Natural Gas
YoY	Year-on-year
MoM	Month-on-Month
OMC	Oil Marketing Companies

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Recommendations definitions

If	
Expected return >+10%	Outperform.
Expected return from -10% to +10%	Neutral.
Expected return <-10%	Underperform.