

## PAKISTAN



## July 2021: Pakistan's Oil Sales

Sales (000 tons)

|        | IND   | PSO   | APL | SHEL | HASCOL |
|--------|-------|-------|-----|------|--------|
| MS     | 808   | 384   | 62  | 84   | 8      |
| HSD    | 721   | 340   | 57  | 54   | 8      |
| FO     | 367   | 255   | 39  | -    | 32     |
| Others | 42    | 29    | 3   | 6    | 0      |
| Total  | 1,938 | 1,008 | 162 | 144  | 49     |

Source: OCAC, FSL research, August 2021

## YoY Growth

|        | IND | PSO  | APL  | SHEL | HASCOL |
|--------|-----|------|------|------|--------|
| MS     | 13% | 17%  | 22%  | 14%  | -83%   |
| HSD    | 7%  | -1%  | 18%  | 9%   | -79%   |
| FO     | 54% | 123% | -37% | N/A  | N/A    |
| Others | 32% | 29%  | -16% | 228% | -23%   |
| Total  | 17% | 25%  | -2%  | 15%  | -45%   |

Source: OCAC, FSL research, August 2021

## Market share

|        | PSO | APL | SHEL | HASCOL |
|--------|-----|-----|------|--------|
| MS     | 48% | 8%  | 10%  | 1%     |
| HSD    | 47% | 8%  | 8%   | 1%     |
| FO     | 69% | 11% | 0%   | 9%     |
| Others | 70% | 8%  | 15%  | 0%     |
| Total  | 52% | 8%  | 7%   | 3%     |

Source: OCAC, FSL research, August 2021

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# Oil Marketing Companies

## Petroleum volumes continue surging on accelerating economic growth

## Event

Domestic petroleum products sales increased by 17% YoY in July 2021 (up by 0.3% MoM). To highlight, petroleum sales remained robust and posted strong YoY growth on the back of accelerating economic activity with growth recorded across all major products (MS/HSD/FO up by 13/7/54% YoY). Playerwise analysis reveals that PSO/SHEL sales recorded growth of 25/15% YoY during the month. Whereas APL/HASCOL witnessed decline of 2/45% YoY during July 21. We maintain outperform stance on the sector with PSO and APL as our preferred player.

## Impact

**Volumes of all major products were up:** Domestic petroleum sales (Ex-non Energy) rose by 17% YoY (up 0.3% MoM) in July 2021. During the month, all major products recorded an increase in volumes. MS depicted an increase of 13% YoY (↑ 4% MoM) to 808KT given (1) higher vehicle sales, (2) less restrictive COVID related measures and (3) accelerating economic activity. HSD surged to 721KT, up by 7% YoY (↓ 7% MoM) due to (1) accelerating economic activity as evidenced by 14.6% YoY surge in large scale manufacturing during 11MFY21, (2) uptick in international trade (goods exports/imports ↑13/18% YoY during FY21), and (3) strict action against smuggled petroleum products. In black oil segment, FO sales rose by a 54% YoY (up 8% MoM) to clock in at 367KT due to increasing mix of FO in power generation given lower availability of gas due to annual field turnarounds and lower imports of LNG.

**Higher FO volumes drove PSO overall volumes higher:** In July 2021, PSO's sales volume clocked in at 1,008KT depicting an increase of 25/10% YoY/MoM. This increase in sales was due to surging FO and MS sales, up by 2.2x and 17% YoY respectively due to higher demand in power generation. Whereas, HSD sales declined by 1% YoY. This translated into PSO's market share increasing/decreasing by 2/4ppts YoY in MS/HSD to 48/47%. Whereas company's FO market share increased by a staggering 22ppts to 69%.

**APL recorded growth in white oil volumes:** APL recorded an overall decline of 2/0.3% YoY/MoM as its petroleum sales clocked in at 162KT. Product wise analysis reveals that MS/HSD inclined by 22/18% YoY whereas FO volumes decreased by 37% YoY. Moreover, APL's market share in MS/HSD inclined by 1/1ppts YoY to stand at 8/8%. Company's market share in FO declined by 16ppts YoY to 11%.

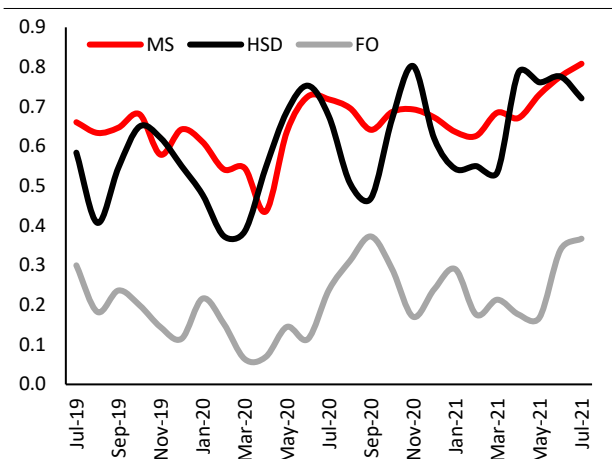
**SHEL volumes rose:** SHEL volumes grew by 15% YoY (down 5% MoM) where MS/HSD were up by 14/9% YoY in July 2021. The company's market share remained stable YoY in MS/HSD market at 10/8%.

**HASCOL volumes fell:** During the month, HASCOL's volumes decreased by 45/33% YoY/MoM to clock in at 49KT with decline recorded in MS/HSD of 83/79% YoY. The company's market share declined by 6/5ppts YoY in MS/HSD to 1/1%.

## Outlook

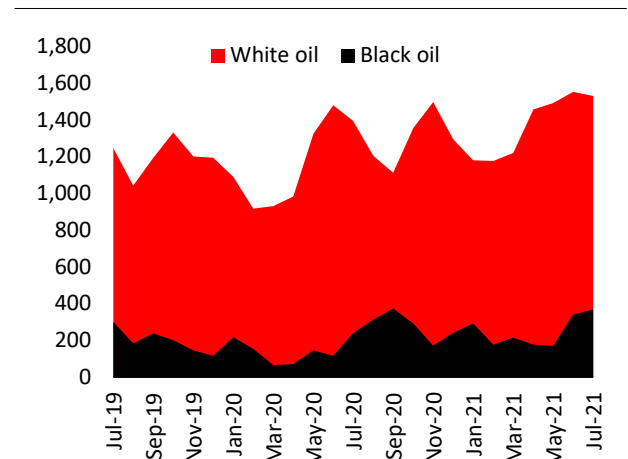
We have an outperform stance on the sector due to (1) accelerating economic growth, (2) boom in construction sector and (3) resolution of circular debt given renegotiation of IPP agreements which would improve cashflow situation of PSO. Our top picks in the sector are PSO and APL.

**Fig 01: Multiple factors affecting OMC sales (mn ton)**



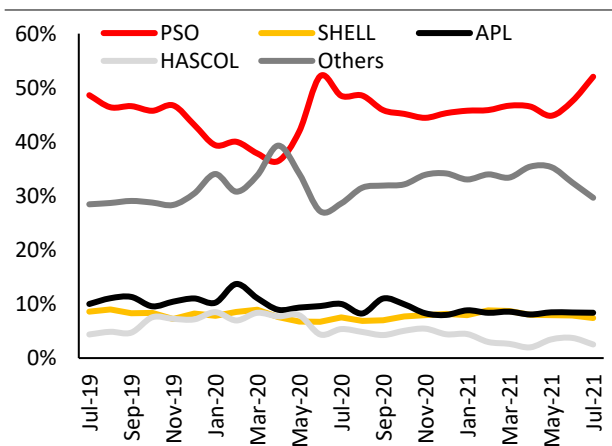
Source: OCAC, Foundation Research, Aug 2021

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



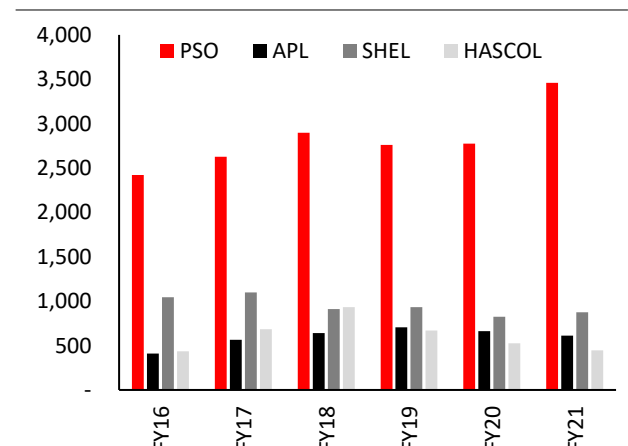
Source: OCAC, Foundation Research, Aug 2021

**Fig 03: Market share of OMC companies**



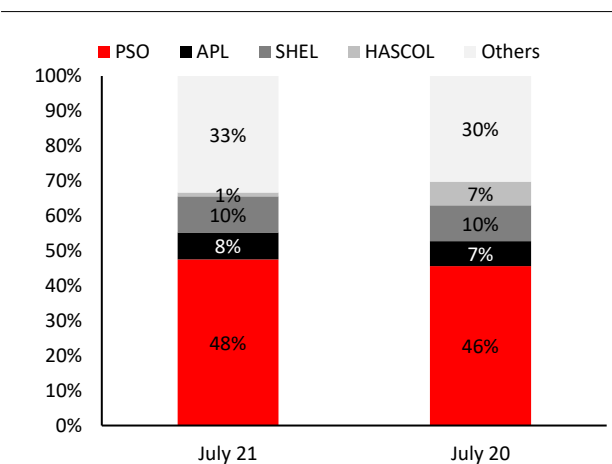
Source: OCAC, Foundation Research, Aug 2021

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



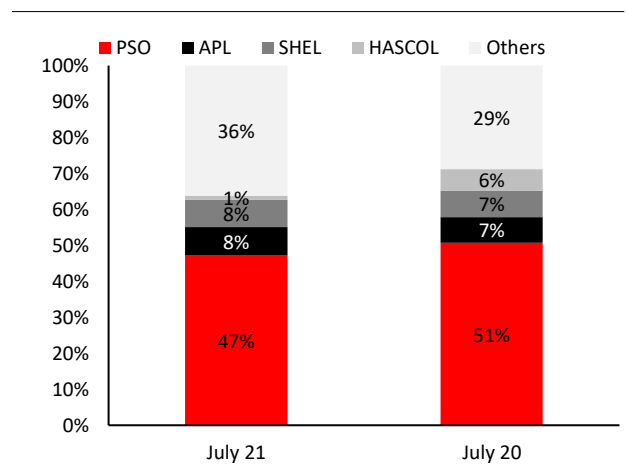
Source: OCAC, Foundation Research, Aug 2021

**Fig 05: PSO share in MS segment ↑ by 2ppts**



Source: OCAC, FSL Research, Aug 2021

**Fig 06: PSO share in HSD segment ↓ by 4ppts**



Source: OCAC, Foundation Research, Aug 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. |