

PAKISTAN



October 2021: Pakistan's Oil Sales

Sales (000 tons)	IND	PSO	APL	SHEL	HASCOL
MS	766	352	60	81	16
HSD	837	444	63	73	7
FO	325	194	37	-	1
Others	60	45	3	6	0
Total	1,988	1,036	164	160	23

Source: OCAC, FSL research, November 2021

YoY Growth

	IND	PSO	APL	SHEL	HASCOL
MS	12%	32%	16%	11%	-66%
HSD	25%	46%	27%	38%	-83%
FO	12%	23%	-42%	N/A	N/A
Others	14%	20%	-14%	26%	-59%
Total	17%	35%	-3%	22%	-73%

Source: OCAC, FSL research, November 2021

Market share

	PSO	APL	SHEL	HASCOL
MS	46%	8%	11%	2%
HSD	53%	8%	9%	1%
FO	60%	11%	0%	0%
Others	76%	5%	10%	0%
Total	52%	8%	8%	1%

Source: OCAC, FSL research, November 2021

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Oil Marketing Companies

Petroleum sales maintain robust trend

Event

Domestic petroleum products sales increased by 17% YoY in October'21 (up 1% MoM). This was the 5th consecutive month that sales were above 1.9mn tons. To highlight, petroleum sales displayed robust YoY growth amid accelerating economic activity with growth recorded across all major products (MS/HSD/FO up by 12/25/12% YoY) in October'21. Playerwise analysis reveals that PSO/SHEL sales recorded growth of 35/22% YoY during the month. Whereas APL/HASCOL witnessed decline of 3/73% YoY during October'21. We maintain outperform stance on the sector with PSO and APL as our preferred player.

Impact

Volumes increased across all major products: Domestic petroleum sales (ex-non Energy) rose by 17% YoY (up 1% MoM) in October'21. Product-wise analysis reveals that during the month of October'21, volumetric growth was seen in all major products. MS depicted an increase of 12% YoY (↓ 5% MoM) to 766KT given (1) higher vehicle sales, up by 84% YoY in 1QFY22 and (2) accelerating economic activity. HSD surged to 837KT, up by 25% YoY (↑ 18% MoM) on the back of (1) accelerating economic activity as evidenced by 7.3% YoY surge in large scale manufacturing (LSM) during 2MFY22 and (2) increase in international trade activity (3M-moving average of goods exports/imports ↑4/8% 3M-o-3M). In black oil segment, FO sales rose by 12% YoY (↓ 19% MoM) to clock in at 325KT due to increasing mix of FO in power generation given constrained supply of gas and RLNG.

PSO volumes continued glistering streak: In October'21, sales volume of PSO clocked in at 1,036KT depicting an increase of 35% YoY (↑ 5% MoM). The increase in sales was due to increase in all major products. MS/HSD/FO sales were up by 32/46/23% YoY due to (1) accelerating economic activity and (2) higher demand in power generation. This translated into PSO's market share increasing by 7/8/5ppts YoY in MS/HSD/FO to 46/53/60%.

APL volumes showed mixed trend: APL recorded an overall decline of 3/20% YoY/MoM during October'21 as its petroleum sales clocked in at 164KT. Product wise analysis reveals that MS/HSD inclined by 16/27% YoY. Whereas, FO volumes declined by 42% YoY. Moreover, APL's market share in MS/HSD remained flat YoY to stand at 8/8%. On the other hand, market share of FO declined by 11ppts YoY to 11%.

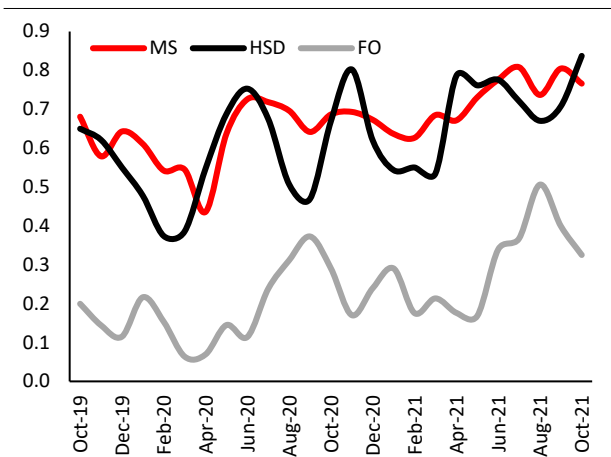
SHEL volumes surged: During October'21, SHEL's volumes clocked in at 160KT and were up by 22/10% YoY/MoM. Product wise breakdown shows MS/HSD were up by 11/38% YoY. The company's market share in MS/HSD remained flat/inclined by 1% YoY to stand at 11/9%.

HASCOL volumes on downward path: HASCOL's volumes decreased by 73% YoY (↓ 20% MoM) to clock in at 23KT with decline recorded in MS/HSD of 66/83% YoY. The company sold 0.7KT of FO during the month (market share 0.2%). The company's market share declined by 5/5ppts YoY in MS/HSD to 2/1%.

Outlook

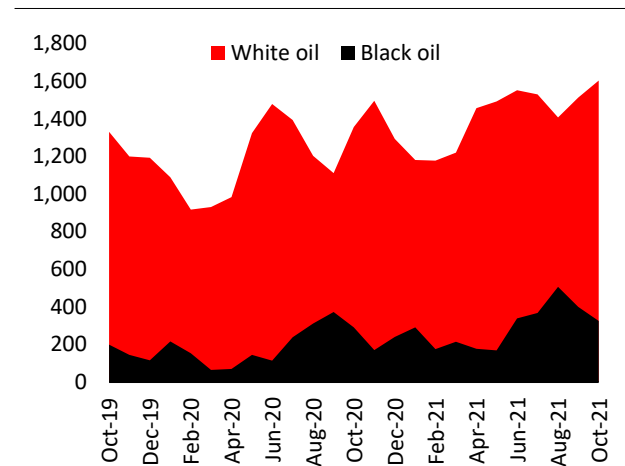
We have an outperform stance on the sector due to (1) accelerating economic growth, (2) boom in construction sector and (3) resolution of circular debt given renegotiation of IPP agreements which would improve cashflow situation of PSO. Our top picks in the sector are PSO and APL.

Fig 01: OMC sales trending upwards (mn ton)



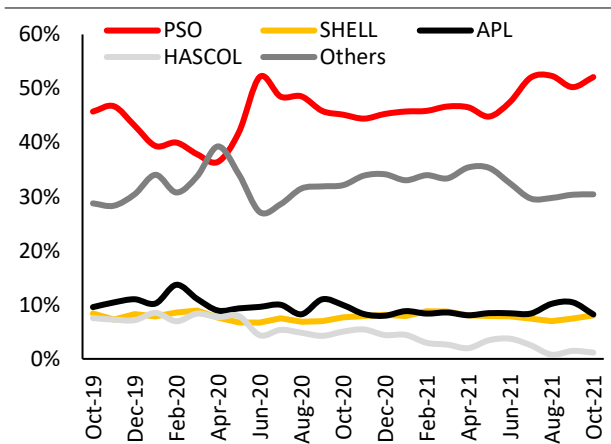
Source: OCAC, Foundation Research, Nov 2021

Fig 02: White oil still the major contributor (000 ton)



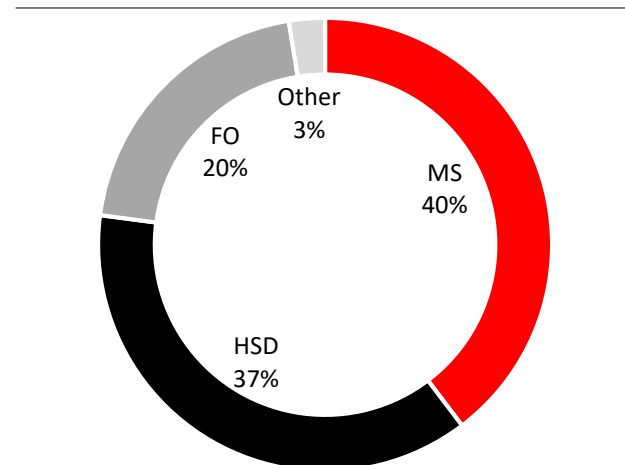
Source: OCAC, Foundation Research, Nov 2021

Fig 03: PSO market share trending upwards...



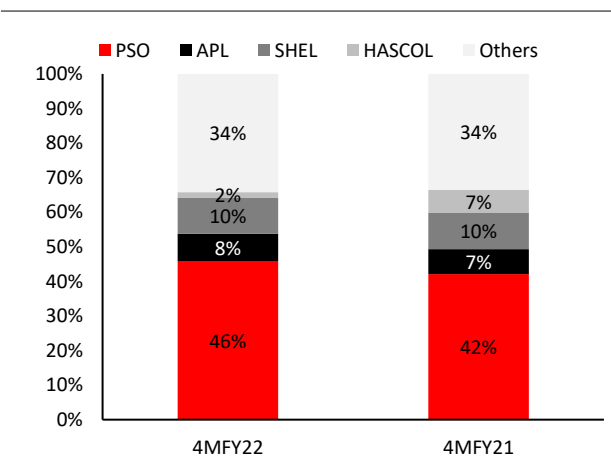
Source: OCAC, Foundation Research, Nov 2021

Fig 04: Product wise share during 4MFY22...



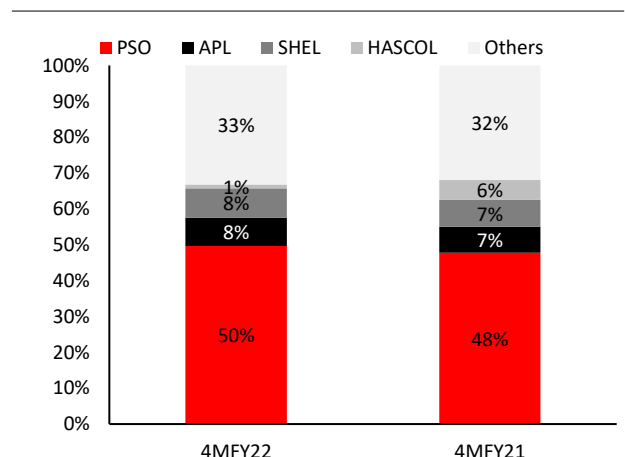
Source: OCAC, Foundation Research, Nov 2021

Fig 05: PSO share in MS ↑ 4ppts YoY in 4MFY22



Source: OCAC, FSL Research, Nov 2021

Fig 06: PSO share in HSD ↑ 2ppts YoY in 4MFY22



Source: OCAC, Foundation Research, Nov 2021

Table 1: 4MFY22 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	3,116	1,429	323	247	52	14%	24%	13%	24%	-72%	46%	10%	8%	2%
HSD	2,936	1,458	240	232	31	26%	31%	39%	37%	-76%	50%	8%	8%	1%
FO	1,598	1,021	-	238	33	32%	56%	N/A	-2%	1431%	64%	0%	15%	2%
Others	201	150	23	13	1	24%	40%	110%	-34%	-19%	75%	12%	6%	0%
Total	7,851	4,058	587	731	117	22%	34%	25%	16%	-63%	52%	7%	9%	1%

Source: OCAC, Foundation Research, November 2021

Acronyms

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

Important disclosures:

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Recommendations definitions

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