

PAKISTAN



November 2021: Pakistan's Oil Sales

Sales (000 tons)

	IND	PSO	APL	SHEL	HASCOL
MS	696	287	60	70	16
HSD	813	391	76	66	4
FO	176	101	29	-	-
Others	68	50	4	9	0
Total	1,753	829	169	145	21

Source: OCAC, FSL research, December 2021

YoY Growth

	IND	PSO	APL	SHEL	HASCOL
MS	0%	2%	20%	0%	-6.2%
HSD	1%	0%	50%	6%	-9.1%
FO	3%	86%	-24%	N/A	N/A
Others	38%	42%	12%	135%	-4.4%
Total	2%	9%	19%	7%	-7.8%

Source: OCAC, FSL research, December 2021

Market share

	PSO	APL	SHEL	HASCOL
MS	41%	9%	10%	2%
HSD	48%	9%	8%	1%
FO	57%	16%	0%	0%
Others	73%	5%	13%	0%
Total	47%	10%	8%	1%

Source: OCAC, FSL research, December 2021

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Oil Marketing Companies

Petroleum sales depict subdued growth

Event

Domestic petroleum products sales increased by a mere 2% YoY in Nov'21 but were down by 12% MoM. This cumulated into 5MFY22 growth of 18% YoY. Petroleum sales continued displaying YoY growth amid accelerating economic activity with growth recorded across all major products (MS/HSD/FO up by 0.4/1/3% YoY) in Nov'21. Benefit of recent OMC margin revision would be diluted by increase in finance cost.

Impact

Subdued increase in volumes across all major products: Domestic petroleum sales (ex-non Energy) rose by 2% YoY (down 12% MoM) in Nov'21. Product-wise analysis reveals that during Nov'21, volumetric growth was seen in all major products. MS depicted an increase of 0.4% YoY (↓ 9% MoM) to 696KT given (1) higher vehicle sales, up by 76% YoY in 4MFY22 and (2) accelerating economic activity. HSD surged to 813KT, up by 1% YoY (↓ 3% MoM) on the back of (1) accelerating economic activity as evidenced by 5.2% YoY surge in large scale manufacturing (LSM) during 1QFY22 and (2) increase in int'l trade activity (goods exports/imports ↑ 32/66% YoY in 4MFY22).

In black oil segment, FO sales clocked in at 176KT, up by 3% YoY but fell by 46% MoM depicting lower offtake by power generation companies given their higher inventories amid Gov't payment of 1st installment of existing receivables to IPPs. To note, electricity generation on FO was up 113% to 5,466GWh during 4MFY22. FO sales are projected to remain elevated due to shortage of LNG and improved cash position of FO based IPPs as Gov't has released 2nd installment of receivables to IPP's.

PSO volumes increased: In Nov'21, sales volume of PSO clocked in at 829KT depicting an increase of 9% YoY (↓ 20% MoM). The increase in sales was due to increase in all major products. MS/HSD/FO sales were up by 2/0.3/86% YoY due to accelerating economic activity. Demand for FO showed abnormal increase due to higher offtake from power generation companies and captive power. This translated into PSO's market share remaining flat YoY for MS/HSD at 41/48% but was up by 25ppts YoY to 57% for FO.

APL volumes showed mixed trend: APL recorded an overall rise of 19/3% YoY/MoM during Nov'21 as its petroleum sales clocked in at 169KT. Product wise analysis reveals that MS/HSD inclined by 20/50% YoY. Whereas, FO volumes declined by 24% YoY. Moreover, APL's market share in MS/HSD inclined by 1/3ppts YoY to stand at 9/9%. On the other hand, market share of FO declined by 6ppts YoY to 6%.

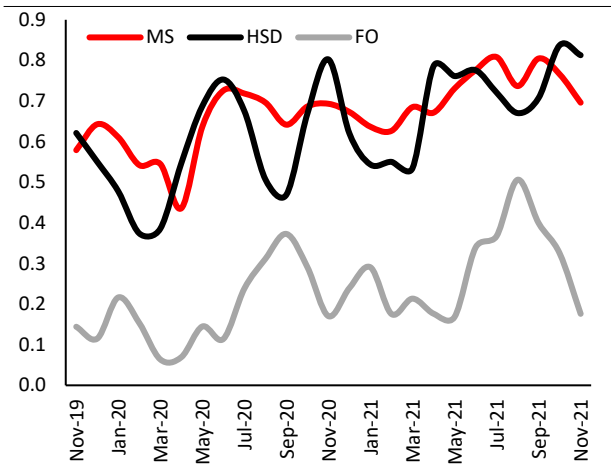
SHEL volumes surged: During Nov'21, SHEL's volumes clocked in at 145KT and were up/down by 7/9% YoY/MoM. Product wise breakdown shows MS/HSD were up by 0.1/6% YoY. The company's market share in MS/HSD remained flat YoY at 10/8%.

Benefit of revision in OMC margins would be diluted by higher oil prices: Gov't has increased OMC margin by 23% which would translate into annualized EPS impact Rs9.2/8.4 on PSO/APL. However, this would be diluted by increase in finance cost of Rs6.0/6.5/sh for PSO/APL due to increase in oil prices, as per our calculations.

Outlook

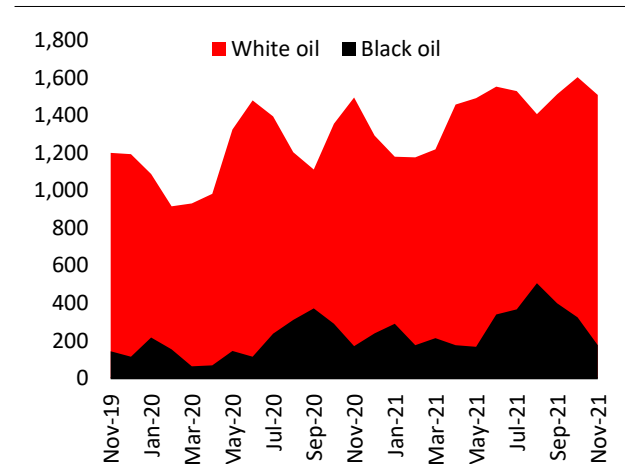
We have an outperform stance on the sector due to (1) accelerating economic growth, (2) boom in construction sector and (3) resolution of circular debt given renegotiation of IPP agreements which would improve cashflow situation of PSO. Our top picks in the sector are PSO and APL.

Fig 1: OMC sales trending downwards (mn ton)



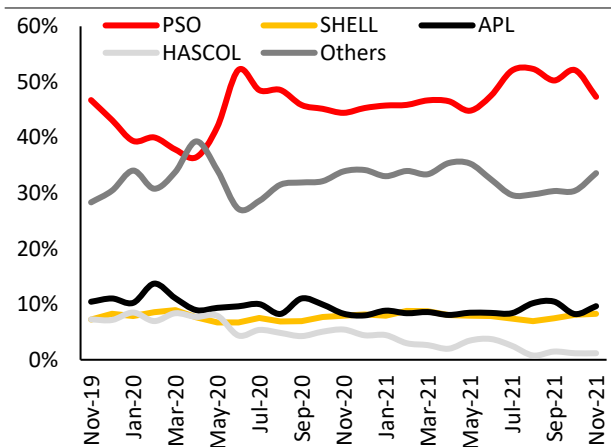
Source: OCAC, Foundation Research, Dec 2021

Fig 2: White oil still the major contributor (000 ton)



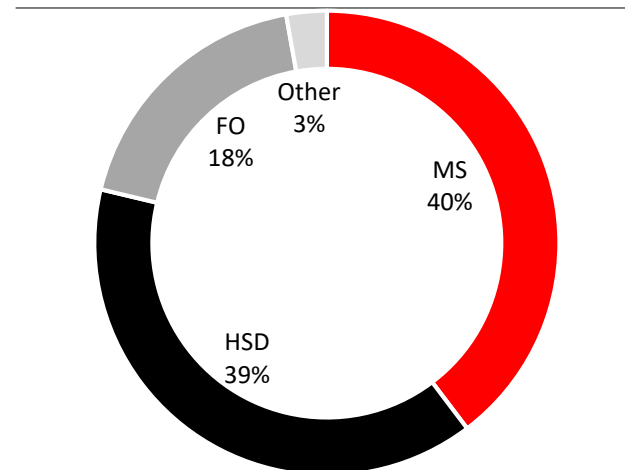
Source: OCAC, Foundation Research, Dec 2021

Fig 3: PSO market share trending downwards...



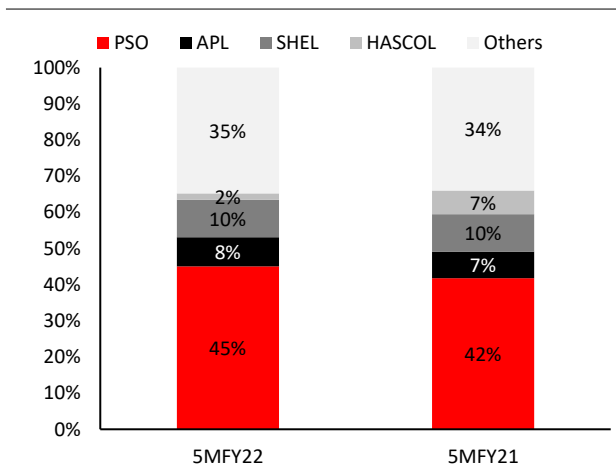
Source: OCAC, Foundation Research, Dec 2021

Fig 4: Product wise breakdown during 5MFY22...



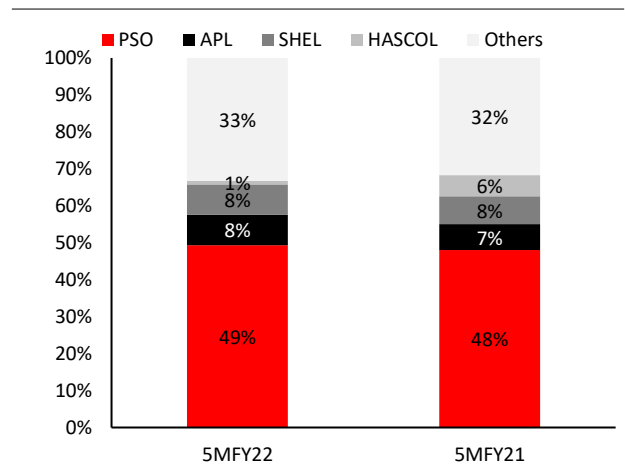
Source: OCAC, Foundation Research, Dec 2021

Fig 5: PSO share in MS ↑ 3ppts YoY in 5MFY22



Source: OCAC, FSL Research, Dec 2021

Fig 6: PSO share in HSD ↑ 1ppt YoY in 5MFY22



Source: OCAC, Foundation Research, Dec 2021

Fig 7: 5MFY22 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	3,812	1,716	393	308	68	11%	19%	11%	23%	-70%	45%	10%	8%	2%
HSD	3,749	1,849	307	309	36	20%	23%	31%	40%	-80%	49%	8%	8%	1%
FO	1,774	1,122	-	267	33	28%	58%	N/A	-5%	1431%	63%	0%	15%	2%
Others	269	200	32	17	1	27%	40%	117%	-28%	-26%	74%	12%	6%	0%
Total	9,604	4,887	732	900	138	18%	29%	21%	16%	-66%	51%	8%	9%	1%

Source: OCAC, Foundation Research, December 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.