

PAKISTAN


January 2022: Pakistan's Oil Sales
 Sales (000 tons)

	IND	PSO	APL	SHEL	HASCOL
MS	745	312	60	78	22
HSD	740	408	68	53	7
FO	258	92	30	-	-
Others	59	49	3	4	0
Total	1,802	860	160	136	29

Source: OCAC, FSL research, February 2022

YoY Growth

	IND	PSO	APL	SHEL	HASCOL
MS	17%	22%	15%	10%	-49%
HSD	36%	64%	57%	13%	-71%
FO	-11%	-42%	-16%	N/A	N/A
Others	32%	53%	-22%	57%	-85%
Total	19%	24%	20%	13%	-57%

Source: OCAC, FSL research, February 2022

Market share

	PSO	APL	SHEL	HASCOL
MS	42%	8%	10%	3%
HSD	55%	9%	7%	1%
FO	36%	11%	0%	0%
Others	82%	4%	7%	0%
Total	48%	9%	8%	2%

Source: OCAC, FSL research, February 2022

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Oil Marketing Companies

Petroleum sales roaring during January

Event

Domestic petroleum products sales increased by 19% YoY in Jan'22 and were up by 20% MoM. This cumulated into 7MFY22 growth of 15% YoY. Petroleum sales continued displaying growth amid accelerating economic activity with growth recorded in MS/HSD (up by 17/36% YoY) in Jan'22. Whereas, FO depicted decline of 11% YoY in Jan'22. Playerwise analysis reveals that PSO/APL/SHEL sales recorded growth of 24/20/13% YoY during the month. Whereas HASCOL witnessed decline of 57% YoY. We maintain outperform stance on the sector with PSO and APL as our preferred players.

Impact

MS and HSD volumes increase: Domestic petroleum sales (ex-non Energy) rose by 19% YoY (up 20% MoM) in Jan'22. Product-wise analysis reveals that during Jan'22, volumetric growth was seen in MS and HSD. MS depicted an increase of 17% YoY (↑ 6% MoM) to 745KT given (1) higher vehicle sales, up by 57% YoY in 1HFY22 and (2) accelerating economic activity. HSD surged to 740KT, up by 36% YoY (↑ 20% MoM) on the back of (1) accelerating economic activity as evidenced by 3.3% YoY surge in large scale manufacturing (LSM) during 5MFY22 and (2) increase in int'l trade activity (goods exports/imports ↑ 27/54% YoY in 1HFY22).

In black oil segment, FO sales clocked in at 258KT, down by 11% YoY (↑ 103% MoM) depicting lower offtake by power generation companies given their higher inventories amid Gov't payment of 2nd installment of existing receivables to IPPs. To note, electricity generation on FO was up 106% to 5,964GWh during 1HFY22. 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 jumped: In Jan'22, sales volume of PSO clocked in at 860KT depicting an increase of 24% YoY (↑ 25% MoM). The increase in sales was led by increase in MS and HSD. MS/HSD sales were up by 22/64% YoY (↑ 7/35% MoM) due to accelerating economic activity. However, FO was down by 42% YoY (↑ 109% MoM). This translated into PSO's market share increasing by 2/9ppts YoY for MS/HSD at 42/55% but was down by 18ppts YoY to 36% for FO.

APL volumes surged: APL recorded an overall rise of 20/11% YoY/MoM during Jan'22 as its petroleum sales clocked in at 160KT. Product wise analysis reveals that MS/HSD inclined by 15/57% YoY. Whereas, FO volumes declined by 16% YoY. Moreover, APL's market share in MS remained flat YoY and inclined by 1ppt YoY for HSD to stand at 8/9%. On the other hand, market share of FO declined by 1ppts YoY to 11%.

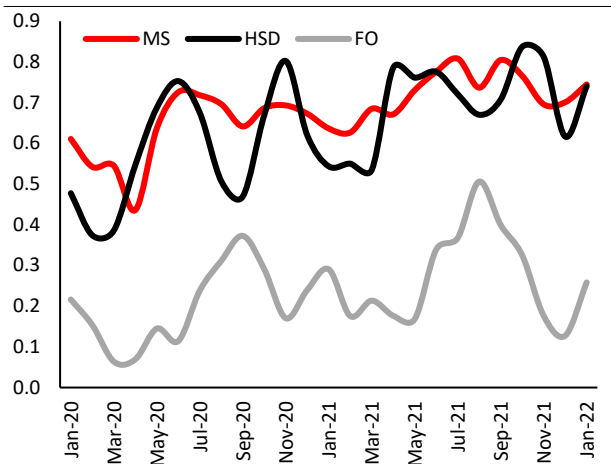
SHEL volumes rose: During Jan'22, SHEL's volumes clocked in at 136KT and were up by 13/1% YoY/MoM. Product wise breakdown shows MS/HSD inclined by 10/13% YoY. The company's market share in MS/HSD declined by 1/1p ppts YoY at 10/7%.

HASCOL volumes on downward path: HASCOL's volumes during Jan'22 decreased by 57% YoY (↓ 4% MoM) to clock in at 29KT with decline recorded in MS/HSD of 49/71% YoY. The company's market share declined by 4/3ppts YoY in MS/HSD to 3/1%.

Outlook

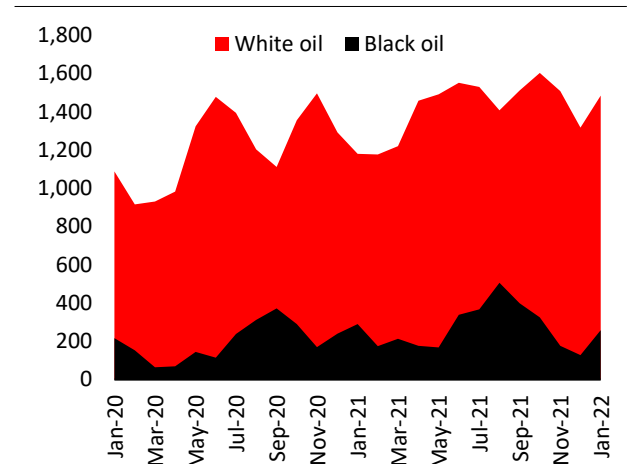
We have an outperform stance on the sector due to (1) accelerating economic growth, (2) boom in construction sector and (3) resolution of circular debt given renegotiation of IPP agreements which would improve cashflow situation of PSO. Our top picks in the sector are PSO and APL.

Fig 1: OMC sales rose sharply in Jan'22 (mn ton)



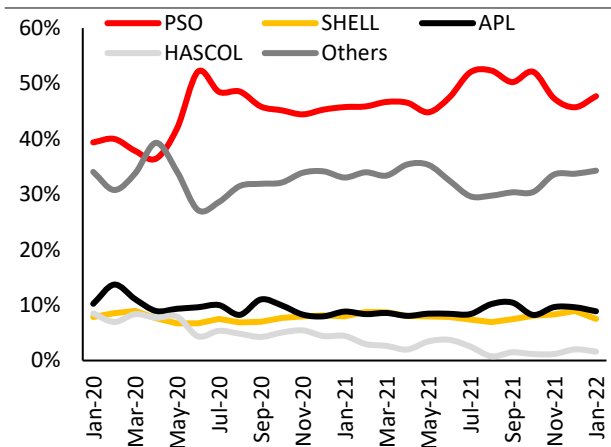
Source: OCAC, Foundation Research, Feb 2022

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



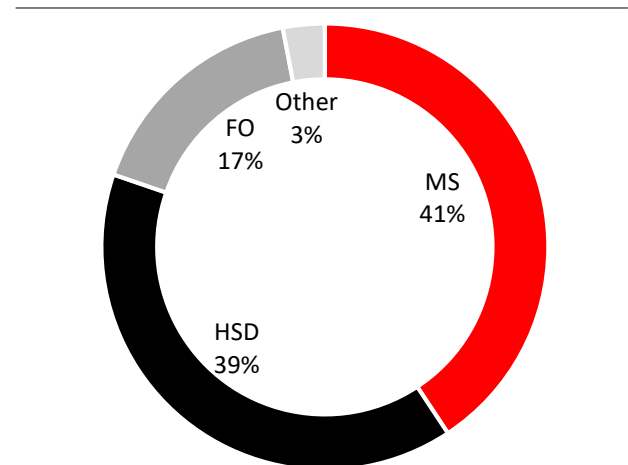
Source: OCAC, Foundation Research, Feb 2022

Fig 3: PSO market share recovering...



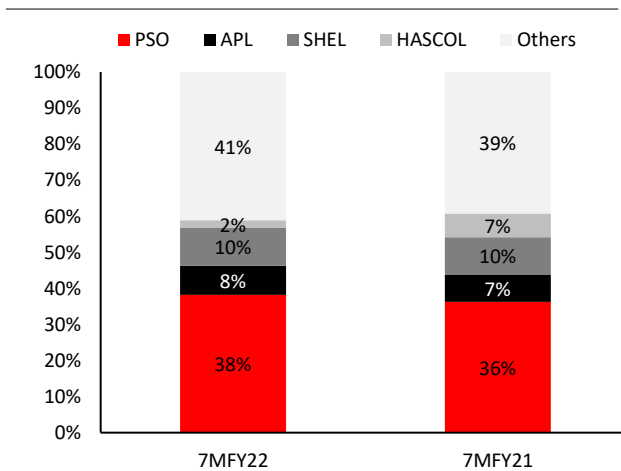
Source: OCAC, Foundation Research, Feb 2022

Fig 4: Product wise breakdown during 7MFY22...



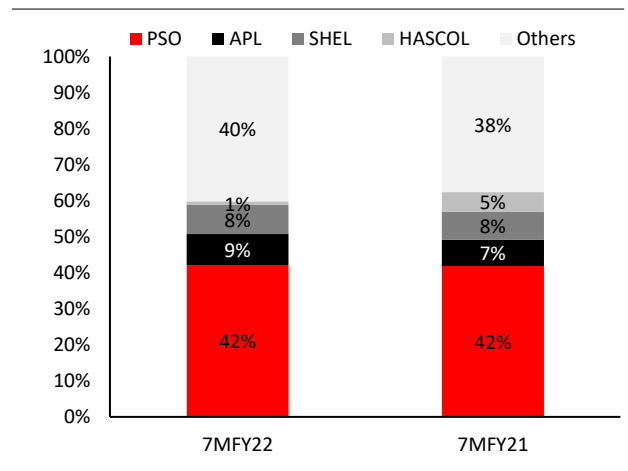
Source: OCAC, Foundation Research, Feb 2022

Fig 5: PSO share in MS ↑ 2ppts YoY in 7MFY22



Source: OCAC, FSL Research, Feb 2022

Fig 6: PSO share in HSD was flat YoY in 7MFY22



Source: OCAC, Foundation Research, Feb 2022

Fig 7: 7MFY22 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	5,257	2,008	551	424	111	11%	17%	11%	20%	-65%	38%	10%	8%	2%
HSD	5,106	2,150	412	439	52	19%	20%	23%	42%	-77%	42%	8%	9%	1%
FO	2,160	1,166	-	319	33	13%	43%	N/A	-6%	1431%	54%	0%	15%	2%
Others	390	251	40	23	1	24%	41%	77%	-25%	-73%	64%	10%	6%	0%
Total	12,913	5,576	1,003	1,205	198	15%	24%	17%	16%	-64%	43%	8%	9%	2%

Source: OCAC, Foundation Research, February 2022

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

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Recommendations definitions

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