

PAKISTAN



February 2022: Pakistan's Oil Sales

Sales (000 tons)

	IND	PSO	APL	SHEL	HASCOL
MS	653	277	57	70	15
HSD	592	296	52	51	10
FO	224	116	37	-	-
Others	68	54	3	6	0
Total	1,537	742	149	128	26

Source: OCAC, FSL research, March 2022

YoY Growth

	IND	PSO	APL	SHEL	HASCOL
MS	4%	7%	13%	1%	-35%
HSD	8%	14%	25%	4%	-44%
FO	28%	28%	73%	N/A	N/A
Others	48%	68%	-10%	42%	-76%
Total	10%	16%	27%	4%	-40%

Source: OCAC, FSL research, March 2022

Market share

	PSO	APL	SHEL	HASCOL
MS	43%	9%	11%	2%
HSD	50%	9%	9%	2%
FO	52%	17%	0%	0%
Others	79%	5%	9%	0%
Total	48%	10%	8%	2%

Source: OCAC, FSL research, March 2022

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Foundation Securities (Pvt) Ltd
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Oil Marketing Companies

Sales momentum continues despite high petroleum prices

Event

Domestic petroleum products sales increased by 10% YoY in Feb'22 (vs 19% YoY in Jan'22) but were down by 15% MoM. This cumulated into 8MFY22 growth of 14% YoY. Petroleum sales continued displaying growth amid accelerating economic activity despite record high MS/HSD prices (up 37/25% YoY) during Feb'22. Growth of 4/8/28% YoY was recorded in MS/HSD/FO sales. Playerwise analysis reveals that PSO/APL/SHEL sales recorded growth of 16/27/4% YoY during the month. 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 10% YoY (down 15% MoM) in Feb'22. Product-wise analysis reveals that during Feb'22, volumetric growth was seen in MS and HSD. MS depicted an increase of 4% YoY (↓ 12% MoM) to 653KT given (1) higher vehicle sales, up by 61% YoY in 7MFY22 and (2) accelerating economic activity. HSD surged to 592KT, up by 8% YoY (↓ 20% MoM) on the back of (1) accelerating economic activity as evidenced by 7.4% YoY surge in large scale manufacturing (LSM) during 1HFY22 and (2) increase in int'l trade activity (goods exports/imports ↑ 26/53% YoY in 7MFY22).

In black oil segment, FO sales clocked in at 224KT, up by 28% YoY (↓ 13% MoM) depicting higher offtake by power generation companies. To note, electricity generation on FO was up 86% YoY to 7,203GWh during 7MFY22. 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 climbed: In Feb'22, sales volume of PSO clocked in at 742KT depicting an increase of 16% YoY (↓ 14% MoM). The increase in sales was led by increase in MS and HSD. MS/HSD sales were up by 7/14% YoY (↓ 11/28% MoM) due to accelerating economic activity. Moreover, FO was also up by 28% YoY (↑ 26% MoM). This translated into PSO's market share increasing by 1/3ppts YoY for MS/HSD at 43/50% and remained flat YoY at 52% for FO.

APL records upsurge: APL recorded an overall rise of 27% YoY (↓ 7% MoM) during Feb'22 as its petroleum sales clocked in at 149KT. Product wise analysis reveals that MS/HSD inclined by 13/25% YoY. Whereas, FO volumes surged by 73% YoY. Moreover, APL's market share in MS/HSD/FO inclined by 1/14ppt YoY to stand at 9/9/17%.

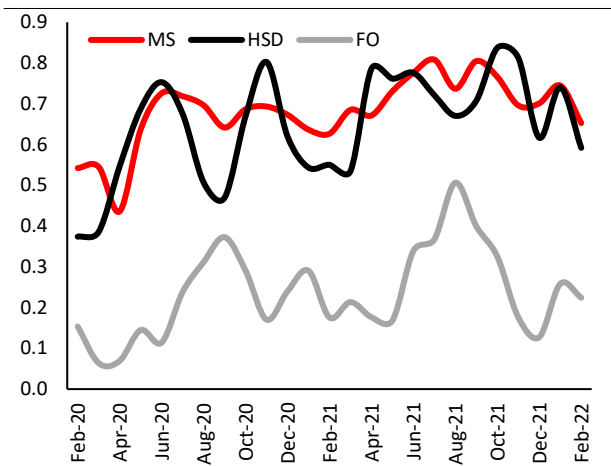
SHEL volumes also increased: During Feb'22, SHEL's volumes clocked in at 128KT and were up by 4% YoY (↓ 6% MoM). Product wise breakdown shows MS/HSD inclined by 1/4% YoY. The company's market share in MS/HSD remained flat YoY at 11/9%.

HASCOL volumes declined: HASCOL's volumes during Feb'22 decreased by 40/12% YoY/MoM to clock in at 26KT with decline recorded in MS/HSD of 35/44% YoY.

Outlook

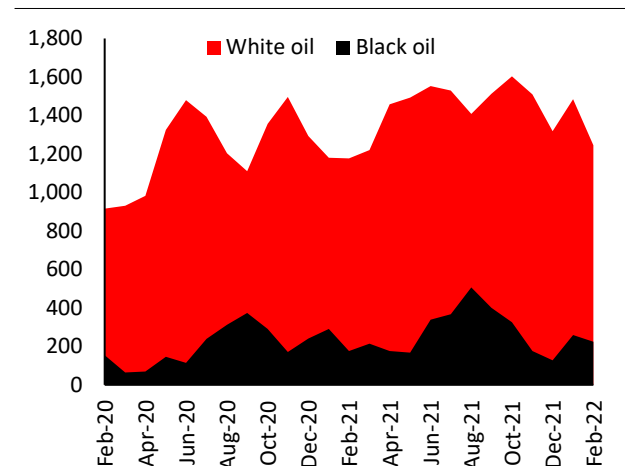
We have an outperform stance on the sector due to (1) accelerating economic growth, (2) boom in construction sector and (3) expected improvement in cashflow situation of PSO amid resolution of circular debt given implementation of Weighted Average Cost of Gas and renegotiation of IPP agreements. Our top picks in the sector are PSO and APL.

Fig 1: OMC sales declined MoM in Feb'22 (mn ton)



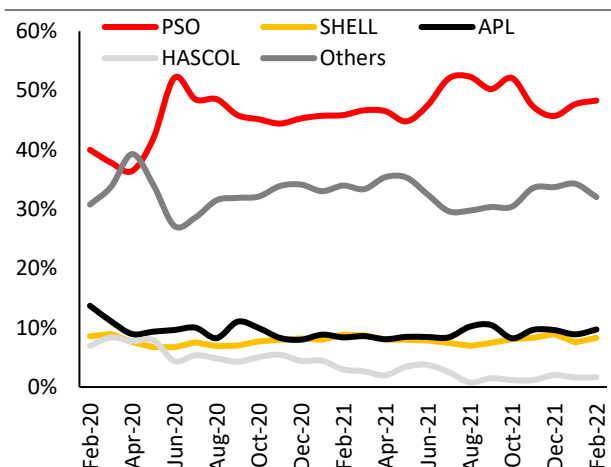
Source: OCAC, Foundation Research, Mar 2022

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



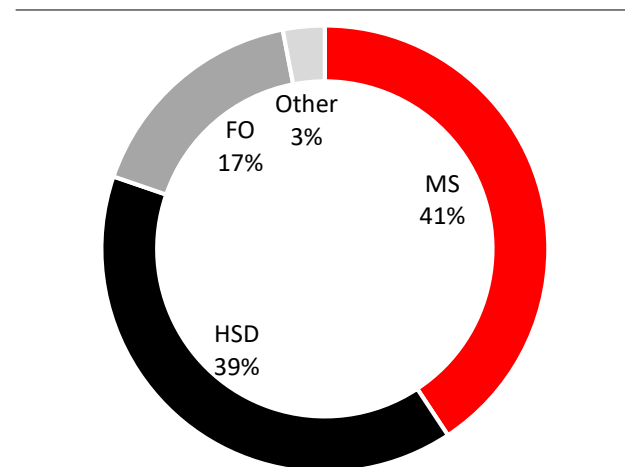
Source: OCAC, Foundation Research, Mar 2022

Fig 3: PSO market share recovering...



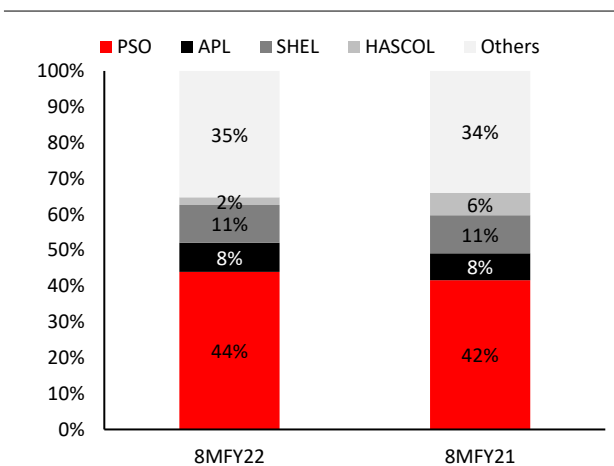
Source: OCAC, Foundation Research, Mar 2022

Fig 4: Product wise breakdown during 8MFY22...



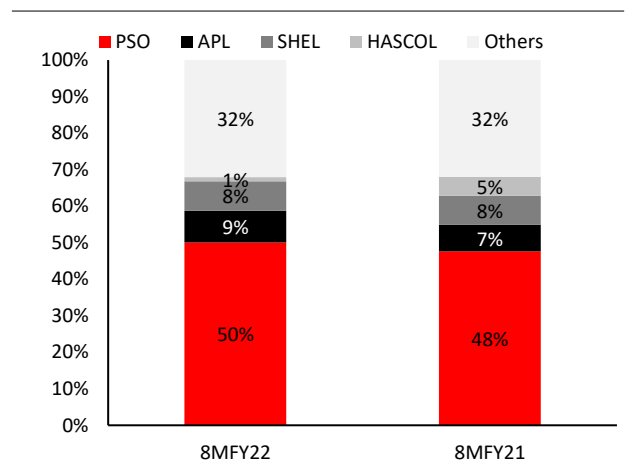
Source: OCAC, Foundation Research, Mar 2022

Fig 5: PSO share in MS ↑ 2ppts YoY in 8MFY22



Source: OCAC, FSL Research, Mar 2022

Fig 6: PSO share in HSD ↑ 2ppts YoY in 8MFY22



Source: OCAC, Foundation Research, Mar 2022

Fig 7: 8MFY22 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	5,910	2,598	621	481	126	10%	16%	9%	19%	-62%	44%	11%	8%	2%
HSD	5,698	2,853	463	491	62	18%	24%	20%	40%	-75%	50%	8%	9%	1%
FO	2,384	1,373	-	356	33	14%	29%	N/A	-2%	1431%	58%	0%	15%	1%
Others	458	354	46	26	2	27%	46%	71%	-23%	-73%	77%	10%	6%	0%
Total	14,450	7,178	1,130	1,354	223	14%	23%	15%	18%	-62%	50%	8%	9%	2%

Source: OCAC, Foundation Research, March 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

Important disclosures:

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Recommendations definitions

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