

## PAKISTAN



## March 2022: Pakistan's Oil Sales

Sales (000 tons)

	IND	PSO	APL	SHEL	HASCOL
MS	774	338	61	84	8
HSD	691	378	59	55	4
FO	285	177	39	-	-
Others	74	61	4	5	0
<b>Total</b>	<b>1,823</b>	<b>953</b>	<b>162</b>	<b>143</b>	<b>13</b>

Source: OCAC, FSL research, April 2022

## YoY Growth

	IND	PSO	APL	SHEL	HASCOL
MS	13%	17%	18%	8%	-58%
HSD	29%	55%	46%	13%	-78%
FO	33%	50%	20%	N/A	N/A
Others	40%	47%	19%	29%	-56%
<b>Total</b>	<b>23%</b>	<b>38%</b>	<b>27%</b>	<b>11%</b>	<b>-68%</b>

Source: OCAC, FSL research, April 2022

## Market share

	PSO	APL	SHEL	HASCOL
MS	44%	8%	11%	1%
HSD	55%	8%	8%	1%
FO	62%	14%	0%	0%
Others	83%	5%	6%	0%
<b>Total</b>	<b>52%</b>	<b>9%</b>	<b>8%</b>	<b>1%</b>

Source: OCAC, FSL research, April 2022

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Monday, April 4, 2022

# Oil Marketing Companies

## Robust sales growth continues

## Event

Domestic petroleum products sales increased by 23% YoY in Mar'22 (vs 10% YoY in Feb'22) and were up by 19% MoM. This cumulated into 9MFY22 growth of 15% YoY. Petroleum sales continued displaying robust growth amid accelerating economic activity and price cap on MS/HSD prices. Growth of 13/29/33% YoY was recorded in MS/HSD/FO sales. Playerwise analysis reveals that PSO/APL/SHEL sales evidenced growth of 38/27/11% YoY during the month.

## Impact

**Upsurge in MS and HSD volumes:** Domestic petroleum sales (ex-non Energy) rose by 23% YoY (up 19% MoM) in Mar'22. Product-wise analysis reveals that during Mar'22, volumetric growth was seen in MS and HSD on the back of (1) accelerating economic activity given LSM ↑7.6% in 7MFY22 and exports/imports ↑26/48% YoY in 8MFY22, (2) MoM decline in MS/HSD prices given Gov't price cap, (3) increasing vehicle sales (up 56% YoY in 8MFY22). MS depicted an increase of 13% YoY (↑19% MoM) to 774KT. HSD surged to 691KT, up by 29% YoY (↑17% MoM).

Govt decision to cap MS/HSD prices at Rs149.86/144.15 per liter till Jun'22 by reducing PDL/GST, and giving additional subsidy (Price Differential Claims) to OMCs would shrink Gov't revenues. Impact of PDL reduction is ~Rs115bn in FY22.

In black oil segment, FO sales clocked in at 285KT, up by 33% YoY (↑27% MoM) depicting higher offtake by power generation companies. To note, electricity generation on FO was up 96% YoY to 7,729GWh during 8MFY22. 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 2<sup>nd</sup> installment of receivables to IPP's.

**PSO volumes increased:** In Mar'22, sales volume of PSO clocked in at 953KT depicting an increase of 38% YoY (↑28% MoM). MS/HSD/FO sales were up by 17/55/50% YoY (↑22/28/53% MoM) due to accelerating economic activity. Thus, PSO's market share increased by 1/9/7ppts YoY for MS/HSD/FO to 44/55/62%.

**APL climbed:** APL recorded an overall rise of 27% YoY (↑9% MoM) during Mar'22 as its petroleum sales clocked in at 162KT. Product wise analysis reveals that MS/HSD inclined by 18/46% YoY. Whereas, FO volumes increased by 20% YoY. Moreover, APL's market share in MS/HSD/FO changed by 0/1/-2ppts YoY to stand at 8/8/14%.

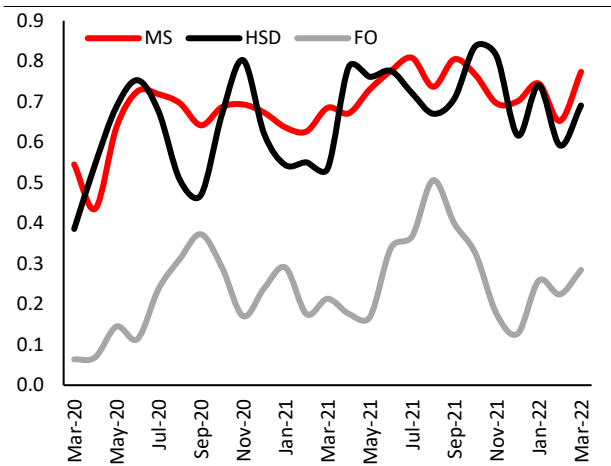
**SHEL depicted uptick:** During Mar'22, SHEL's volumes clocked in at 143KT and were up by 11% YoY (↑12% MoM). Product wise breakdown shows MS/HSD inclined by 11/8% YoY. The company's market share in MS remained flat YoY at 11% whereas declined by 1ppt to 8% for HSD.

**HASCOL volumes declined:** HASCOL's volumes during Mar'22 decreased by 68/50% YoY/MoM to clock in at 13KT with decline recorded in MS/HSD of 58/78% YoY.

## Outlook

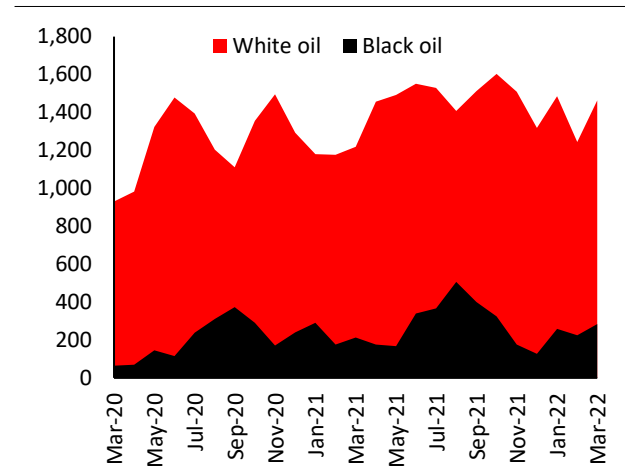
We have an outperform stance on the sector due to (1) accelerating economic growth, (2) boom in construction sector and (3) expected improvement in cashflow situation of PSO amid resolution of circular debt given implementation of Weighted Average Cost of Gas and renegotiation of IPP agreements. However, if the Price Differential Claims are not received by OMCs in a timely fashion, it would result in buildup of receivables from Gov't. Our top picks in the sector are PSO and APL.

**Fig 1: OMC sales inclined MoM in Mar'22 (mn ton)**



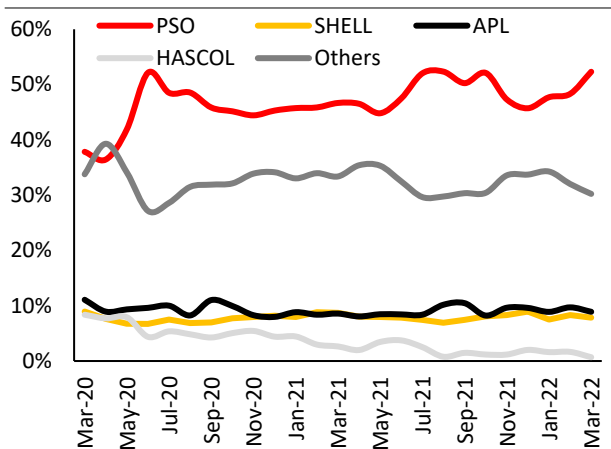
Source: OCAC, Foundation Research, Apr 2022

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



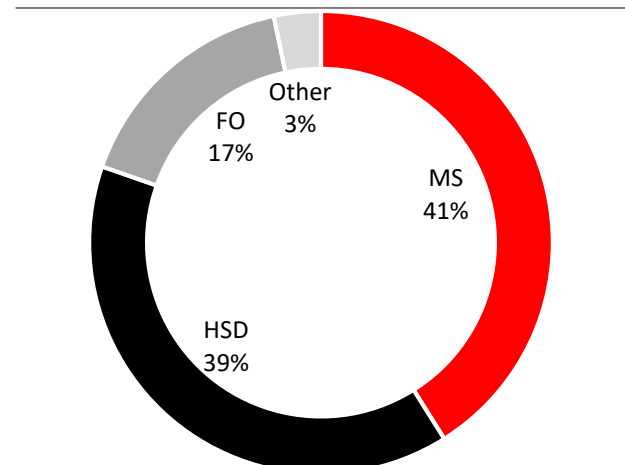
Source: OCAC, Foundation Research, Apr 2022

**Fig 3: PSO market share recovered...**



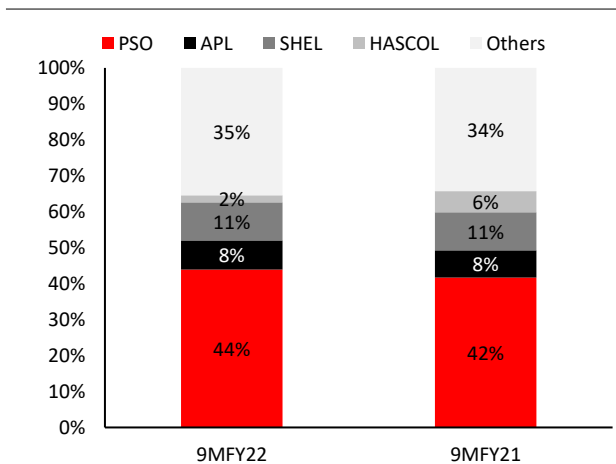
Source: OCAC, Foundation Research, Apr 2022

**Fig 4: Product wise breakdown during 9MFY22...**



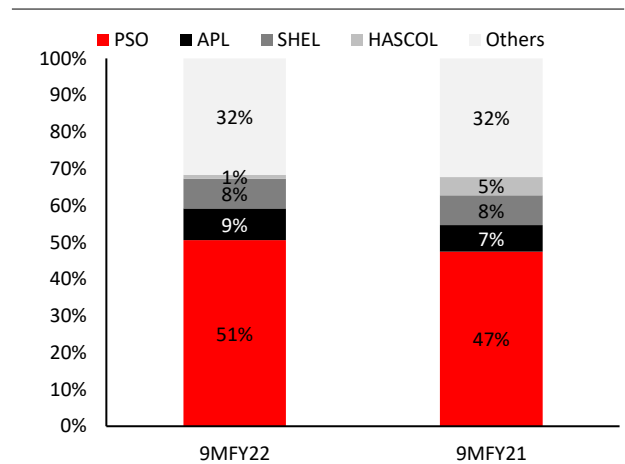
Source: OCAC, Foundation Research, Apr 2022

**Fig 5: PSO share in MS ↑ 2ppts YoY in 9MFY22**



Source: OCAC, FSL Research, Apr 2022

**Fig 6: PSO share in HSD ↑ 4ppts YoY in 9MFY22**



Source: OCAC, Foundation Research, Apr 2022

Table 01: 9MFY22 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	6,684	2,935	705	541	135	10%	16%	9%	19%	-62%	44%	11%	8%	2%
HSD	6,388	3,231	518	550	66	19%	27%	20%	40%	-75%	51%	8%	9%	1%
FO	2,668	1,550	-	395	33	16%	31%	N/A	0%	1431%	58%	0%	15%	1%
Others	532	414	50	30	2	28%	47%	66%	-19%	-72%	78%	9%	6%	0%
<b>Total</b>	<b>16,272</b>	<b>8,131</b>	<b>1,274</b>	<b>1,517</b>	<b>236</b>	<b>15%</b>	<b>24%</b>	<b>15%</b>	<b>19%</b>	<b>-63%</b>	<b>50%</b>	<b>8%</b>	<b>9%</b>	<b>1%</b>

Source: OCAC, Foundation Research, April 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.