

PAKISTAN



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

	IND	PSO	APL	SHEL	HASCOL
MS	771	339	62	81	6
HSD	919	522	69	73	3
FO	461	315	39	-	-
Others	61	53	3	2	0
Total	2,212	1,229	173	156	9

Source: OCAC, FSL research, May 2022

YoY Growth

	IND	PSO	APL	SHEL	HASCOL
MS	15%	13%	24%	12%	-69%
HSD	17%	40%	39%	25%	-77%
FO	161%	314%	23%	N/A	N/A
Others	59%	88%	-17%	-40%	-47%
Total	32%	58%	28%	16%	-72%

Source: OCAC, FSL research, May 2022

Market share

	PSO	APL	SHEL	HASCOL
MS	44%	8%	11%	1%
HSD	57%	8%	8%	0%
FO	68%	9%	0%	0%
Others	87%	4%	3%	0%
Total	56%	8%	7%	0%

Source: OCAC, FSL research, May 2022

Analyst

Zeeshan Azhar zeeshan@fs.com.pk
 +92 213 5612290 Ext 331

Foundation Securities (Pvt) Ltd

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Oil Marketing Companies

Record HSD sales during April

Event

Domestic petroleum products sales recorded growth of 32% YoY in Apr'22 (up 21% MoM) on the back of record HSD sales of 919KT during the month. This cumulated into 10MFY22 growth of 17% YoY. Petroleum sales continued displaying robust growth given accelerating economic activity amid price cap on MS/HSD prices. Growth of 15/17/161% YoY was recorded in MS/HSD/FO sales in Apr'22. Playerwise analysis reveals that PSO/APL/SHEL sales witnessed growth of 58/28/16% YoY during Apr'22.

Impact

Upsurge in MS and HSD volumes: Domestic petroleum sales (ex-non Energy) rose by 32% YoY (up 21% MoM) in Apr'22. Product-wise analysis reveals that during Apr'22, volumetric growth was seen in MS and HSD on the back of (1) accelerating economic activity given LSM ↑ 7.8% in 8MFY22 and exports/imports ↑ 25/40% YoY in 9MFY22, (2) higher agricultural consumption given harvesting of wheat, and (3) increasing vehicle sales (up 52% YoY in 9MFY22). MS depicted an increase of 15% YoY (flat MoM) to 771KT. HSD surged to record 919KT, up by 17% YoY (↑ 33% MoM).

Govt decision to cap MS/HSD prices at Rs149.86/144.15 per liter till Jun'22 by reducing PDL/GST would shrink Gov't revenues. Cost of giving additional subsidy (Price Differential Claims or PDC) to OMCs is ~Rs160bn from Mar'1, 2022 to May'15, 2022.

In black oil segment, FO sales surged to 461KT, up by 161% YoY (↑ 62% MoM) depicting higher offtake by power generation companies. To note, electricity generation on FO was up 112% YoY to 8,835GWh during 10MFY22. 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.

Upsurge in HSD/FO volumes pushed up PSO sales: In Apr'22, sales volume of PSO clocked in at 1,229KT depicting an increase of 58% YoY (↑ 29% MoM). MS/HSD/FO sales were up by 13/40/314% YoY (↑ 0/38/78% MoM) due to accelerating economic activity. Thus, PSO's market share increased by 9/25ppts YoY for HSD/FO to 57/68%. Whereas, declined by 1ppt for MS to 44%.

APL increased: APL recorded an overall rise of 28% YoY (↑ 6% MoM) during Apr'22 as its petroleum sales clocked in at 173KT. Product wise analysis reveals that MS/HSD/FO inclined by 24/39/23% YoY. Moreover, APL's market share in MS/HSD/FO changed by 1/1/-10ppt YoY to stand at 8/8/9%.

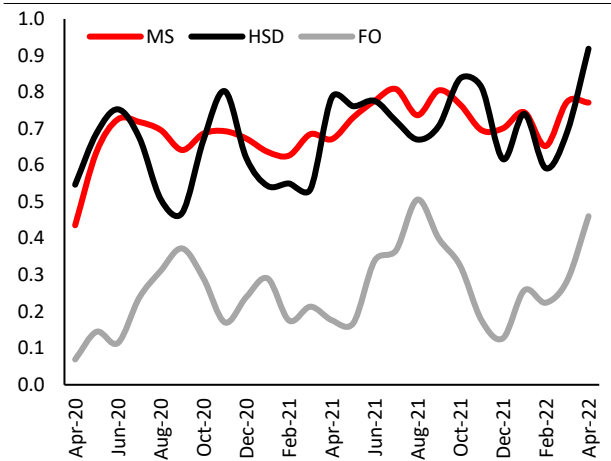
SHEL surged: During Apr'22, SHEL's volumes clocked in at 156KT and were up by 16% YoY (↑ 9% MoM). Product wise breakdown shows MS/HSD inclined by 12/25% YoY. The company's market share in MS/HSD remained flat YoY at 11/8%.

HASCOL volumes fell: HASCOL's volumes during Apr'22 decreased by 72/27% YoY/MoM to clock in at 9KT with decline recorded in MS/HSD of 69/77% YoY.

Outlook

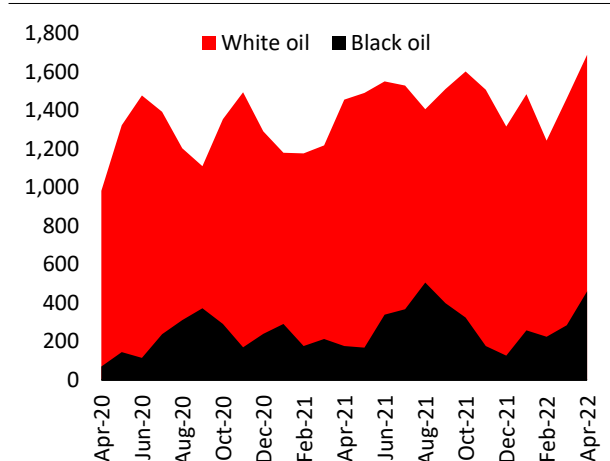
We have an outperform stance on the sector due to expected improvement in cashflow situation of PSO amid resolution of circular debt given implementation of Weighted Average Cost of Gas. Whereas, we expect that demand of petroleum products would moderate when higher oil prices are passed on to the end consumers. Furthermore, delays in receipt of Price Differential Claims by OMCs would result in buildup of receivables from Gov't. Our top picks in the sector are PSO and APL.

Fig 1: HSD/FO upsurged in Apr'22 (mn ton)



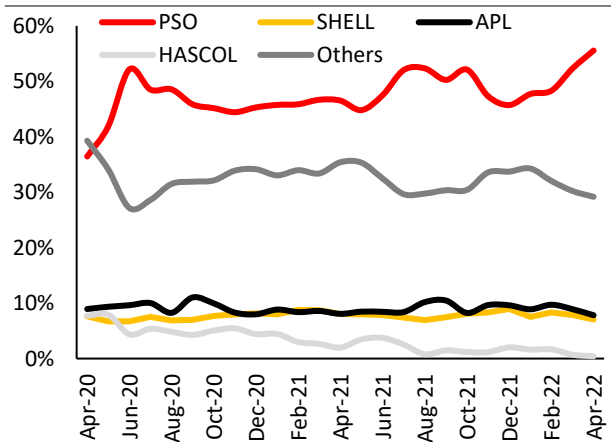
Source: OCAC, Foundation Research, May 2022

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



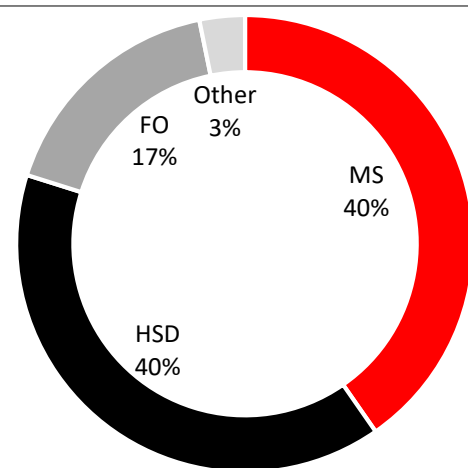
Source: OCAC, Foundation Research, May 2022

Fig 3: PSO market share trending upwards...



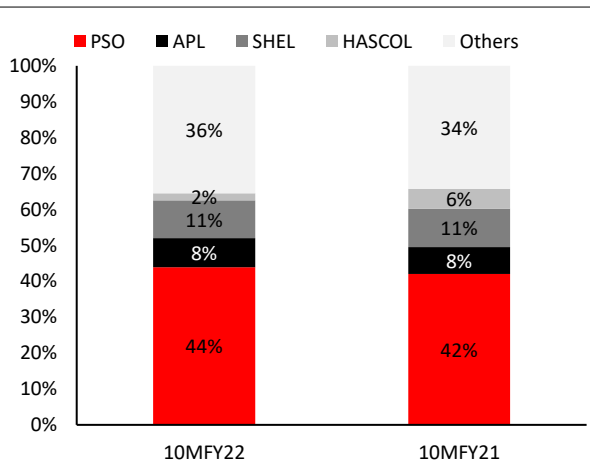
Source: OCAC, Foundation Research, May 2022

Fig 4: Product wise breakdown during 10MFY22...



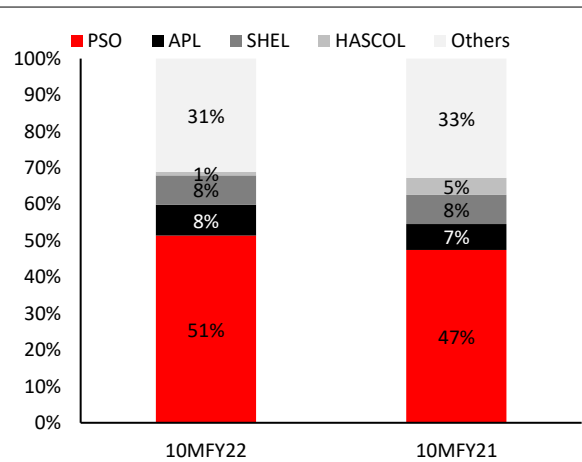
Source: OCAC, Foundation Research, May 2022

Fig 5: PSO share in MS ↑ 2ppts YoY in 10MFY22



Source: OCAC, FSL Research, May 2022

Fig 6: PSO share in HSD ↑ 4ppts YoY in 10MFY22



Source: OCAC, Foundation Research, May 2022

Fig 7: 10MFY22 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	7,455	3,274	787	603	140	11%	16%	10%	19%	-62%	44%	11%	8%	2%
HSD	7,307	3,753	591	619	70	19%	28%	20%	40%	-75%	51%	8%	8%	1%
FO	3,129	1,865	-	435	33	26%	48%	N/A	2%	1431%	60%	0%	14%	1%
Others	593	468	52	33	2	31%	50%	55%	-19%	-71%	79%	9%	6%	0%
Total	18,484	9,360	1,430	1,689	245	17%	28%	15%	19%	-63%	51%	8%	9%	1%

Source: OCAC, Foundation Research, May 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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If	
Expected return >+10%	Outperform.
Expected return from -10% to +10%	Neutral.
Expected return <-10%	Underperform.