

PAKISTAN



May 2022: Pakistan's Oil Sales

Sales (000 tons)

	IND	PSO	APL	SHEL	HASCOL
MS	797	386	68	90	5
HSD	852	464	71	68	3
FO	461	314	72	-	-
Others	64	55	3	3	0
Total	2,174	1,219	214	160	8

Source: OCAC, Foundation Research, June 2022

YoY Growth

	IND	PSO	APL	SHEL	HASCOL
MS	9%	24%	38%	21%	-83%
HSD	12%	24%	31%	20%	-90%
FO	174%	492%	100%	N/A	N/A
Others	101%	165%	-19%	-24%	-42%
Total	28%	61%	49%	19%	-86%

Source: OCAC, Foundation Research, June 2022

Market share

	PSO	APL	SHEL	HASCOL
MS	48%	9%	11%	1%
HSD	54%	8%	8%	0%
FO	68%	16%	0%	0%
Others	86%	5%	5%	0%
Total	56%	10%	7%	0%

Source: OCAC, Foundation Research, June 2022

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Oil Marketing Companies

Sales continue upward momentum

Event

Domestic petroleum product sales recorded growth of 28% YoY in May'22 (down 2% MoM) on the back of strong growth in FO sales. This cumulated into 11MFY22 growth of 18% YoY. Petroleum sales continued displaying robust growth given accelerating economic activity amid price cap on MS/HSD prices. Growth of 9/12/174% YoY was recorded in MS/HSD/FO sales in May'22. Playerwise analysis reveals that PSO/APL/SHEL sales witnessed growth of 61/49/19% YoY during May'22.

Impact

Upsurge in MS and HSD volumes: Domestic petroleum sales (ex-non Energy) rose by 28% YoY (down 2% MoM) in May'22. Product-wise analysis reveals that during May'22, volumetric growth was seen in MS and HSD on the back of (1) accelerating economic activity showcased by LSM ↑10.4% in 9MFY22 and exports/imports ↑26/38% YoY in 10MFY22, (2) higher agricultural consumption given harvesting of wheat, and (3) increasing vehicle sales (up 50% YoY in 10MFY22). MS depicted an increase of 9% YoY (↑3% MoM) to 797KT. HSD surged to record 852KT, up by 12% YoY (↓7% MoM).

Govt has increased MS/HSD prices on May'27, 2022 after capping them for ~3 months by reducing the subsidy by Rs30/ltr. However, subsidy of Rs39.32/53.05/ltr still remains on MS/HSD which would cost the Gov't ~Rs49bn from Jun'1 to Jun'15.

In black oil segment, FO sales surged to 461KT, up by 174% YoY (flat 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.

PSO sales increased on back of rising FO volumes: In May'22, sales volume of PSO clocked in at 1,219KT depicting an increase of 61% YoY (↓1% MoM). MS/HSD/FO sales were up by 24/24/492% YoY (+14/-11/0% MoM) due to accelerating economic activity. Thus, PSO's market share increased by 6/5/37ppts YoY for MS/HSD/FO to 48/54/68%.

APL surged: APL recorded an overall rise of 49% YoY (↑24% MoM) during May'22 as its petroleum sales clocked in at 214KT. Product wise analysis reveals that MS/HSD/FO inclined by 38/31/100% YoY. Moreover, APL's market share in MS/HSD/FO changed by 2/1/-6ppt YoY to stand at 9/8/16%.

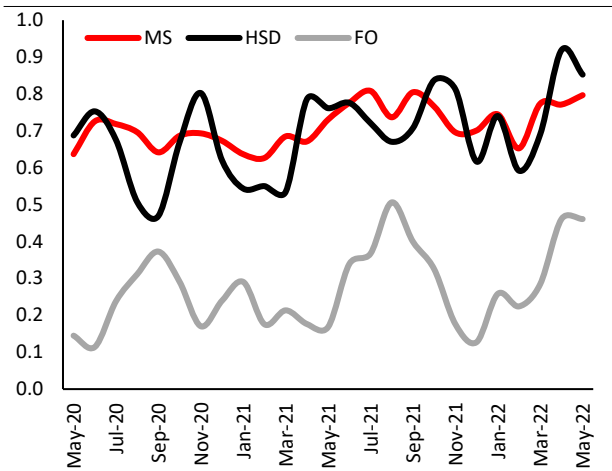
Uptick in SHEL volumes: During May'22, SHEL's volumes clocked in at 160KT and were up by 19% YoY (↑3% MoM). Product wise breakdown shows MS/HSD inclined by 21/20% YoY. The company's market share in MS/HSD was up by 1/1ppts YoY to 11/8%.

HASCOL declined: HASCOL's volumes during May'22 decreased by 86/10% YoY/MoM to clock in at 8KT with decline recorded in MS/HSD of 83/90% YoY.

Outlook

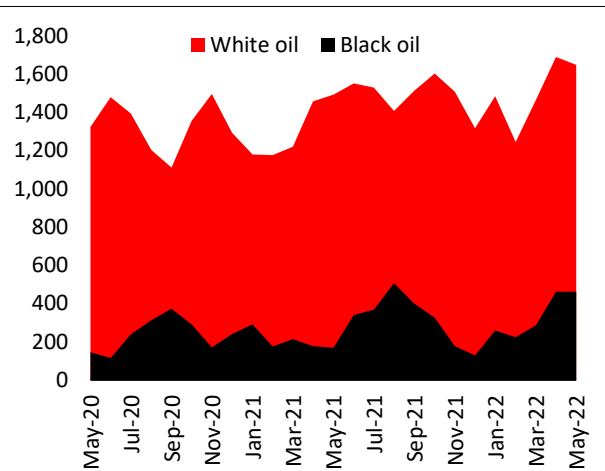
We have an outperform stance on the sector due to expected improvement in cashflow situation of PSO amid resolution of circular debt given implementation of Weighted Average Cost of Gas. Whereas, we expect that demand of petroleum products would moderate as higher oil prices are passed on to the end 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 growth moderated in May'22 (mn ton)



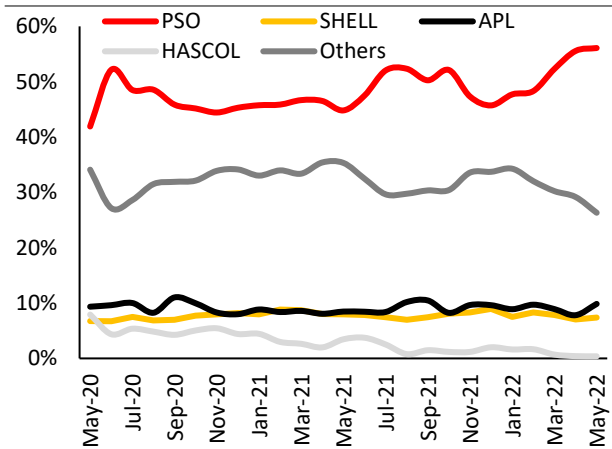
Source: OCAC, Foundation Research, June 2022

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



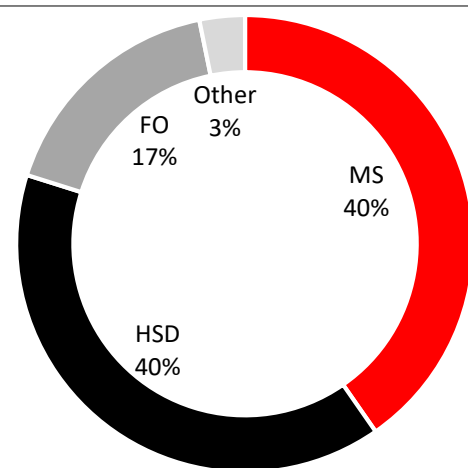
Source: OCAC, Foundation Research, June 2022

Fig 3: PSO market share trending upwards...



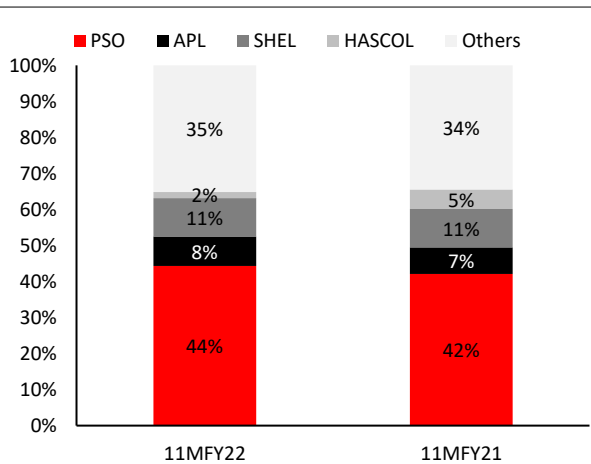
Source: OCAC, Foundation Research, June 2022

Fig 4: Product wise breakdown during 11MFY22...



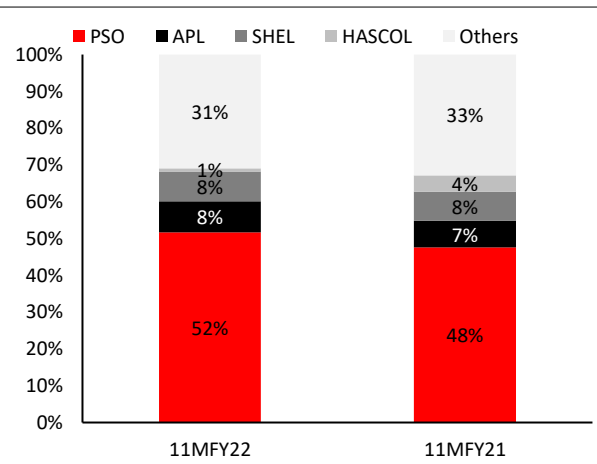
Source: OCAC, Foundation Research, June 2022

Fig 5: PSO share in MS ↑ 2ppts YoY in 11MFY22



Source: OCAC, FSL Research, June 2022

Fig 6: PSO share in HSD ↑ 4ppts YoY in 11MFY22



Source: OCAC, Foundation Research, June 2022

Fig 7: 11MFY22 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	8,252	3,660	876	671	146	11%	17%	11%	21%	-64%	44%	11%	8%	2%
HSD	8,159	4,218	658	690	73	18%	28%	20%	39%	-77%	52%	8%	8%	1%
FO	3,590	2,179	-	507	33	36%	66%	N/A	9%	1431%	61%	0%	14%	1%
Others	657	523	55	36	2	36%	58%	47%	-19%	-70%	80%	8%	5%	0%
Total	20,658	10,579	1,590	1,904	254	18%	31%	15%	22%	-65%	51%	8%	9%	1%

Source: OCAC, Foundation Research, June 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.