

PAKISTAN


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

	IND	PSO	APL	SHEL	HASCOL
MS	628	275	54	69	19
HSD	520	267	48	43	8
FO	305	208	27	-	-
Others	72	56	11	2	0
Total	1,525	806	141	114	27

Source: OCAC, Foundation Research, Oct 2022

YoY Growth

	IND	PSO	APL	SHEL	HASCOL
MS	-22%	-24%	-13%	-15%	4%
HSD	-26%	-23%	-15%	-28%	-25%
FO	-24%	-12%	-67%	P/A	P/A
Others	41%	40%	267%	-56%	-62%
Total	-22%	-18%	-31%	-22%	-7%

Source: OCAC, Foundation Research, Oct 2022

Market share

	PSO	APL	SHEL	HASCOL
MS	44%	9%	11%	3%
HSD	51%	9%	8%	2%
FO	68%	9%	0%	0%
Others	78%	15%	3%	0%
Total	53%	9%	7%	2%

Source: OCAC, Foundation Research, Oct 2022

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Oil Marketing Companies

Sales continue plummeting amid economic slowdown

Event

■ In a continuation of the downward trend witnessed since Jul'22, domestic petroleum products sales declined by 22% on YoY basis (flat MoM) to 1.5mn tons in Sep'22 due to (1) elevated prices of MS and HSD and (2) slowdown in domestic demand and economic activity amid record floods and high interest rates. Decline of 22/26/24% YoY was recorded in MS/HSD/FO sales during Sep'22. Company wise analysis reveals that PSO/APL/SHEL sales declined by 18/31/22% YoY during Sep'22.

Impact

■ **White oil volumes fell:** Domestic petroleum sales (ex-non Energy) declined by 22% YoY (flat MoM) in Sep'22. Product-wise analysis reveals that during Sep'22, volumetric slowdown was seen in MS/HSD of 22/26% YoY (down/up 1/5% MoM) due to (1) sustained high MS/HSD retail prices and (2) slowdown in domestic demand and economic activity amid record floods and high interest rates. Average prices of MS and HSD during Sep'22 remained elevated at Rs237/liter and Rs247/liter respectively as Gov't increased the Petroleum Levy rate to Rs37.5/7.5 on MS/HSD.

■ In black oil segment, FO sales fell to 305KT, down by 24% YoY (↓ 7% MoM) depicting lower offtake by power producers given higher proportion of hydel generation amid better water flows. However, we believe that FO sales would be elevated due to shortage of LNG and improved cash position of FO based IPPs as Gov't has released 2nd installment of receivables to 2002 based IPP's.

■ **PSO sales down by 18% YoY:** In Sep'22, sales volume of PSO clocked in at 806KT depicting a decrease of 18% YoY. MS/HSD sales were down by 24/23% YoY due to increase in prices and demand slowdown amid record floods and high interest rates. Whereas, sales were up 2% MoM given 15% incline in HSD whereas MS/FO declined by 5/3%. Thus, PSO's market share for HSD/FO increased by 2/9ppts YoY to 51/68% in Sep'22. However, market share for MS declined by 1% YoY to 44%.

■ **APL volumes also tumbled:** APL recorded an overall decline of 31% YoY (↓8% MoM) during Sep'22 as its petroleum sales were 141KT. Product wise analysis reveals that MS/HSD/FO decreased by 13/15/67% YoY. Moreover, APL's market share in MS/HSD rose 1/1ppt YoY to stand at 9/9% in Sep'22. Whereas of FO fell 12ppts YoY to 9%.

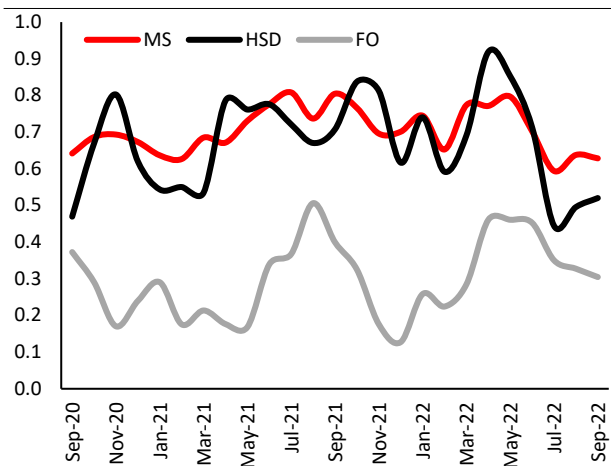
■ **SHEL market share remained intact:** During Sep'22, SHEL's volumes clocked in at 114KT, down by 22% YoY (up 3% MoM). MS/HSD sales declined by 15/28% YoY. Whereas, Shell market share of MS rose 1ppt to 11% and HSD remained intact at 8%.

■ **HASCOL reverted to decline after last months uptick:** HASCOL sales decreased by 7/2% YoY/MoM in Sep'22 with volume of 27k tons amid 4% YoY growth in MS and 25% YoY decline in HSD sales. Its market share remained flat YoY at 2% in Sep'22.

Outlook

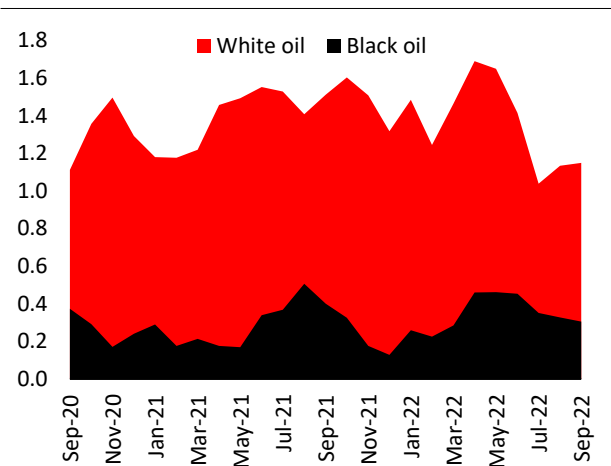
■ We expect decline in petroleum products demand during FY23 given record floods, high interest rates and elevated oil prices amid Ukraine-Russia war. However, we have an outperform stance on the sector due to expected improvement in cashflows of PSO amid (1) likely increase in gas prices and (2) expected resolution of circular debt given implementation of Weighted Average Cost of Gas.

Fig 1: Mixed trend in sales during Sep'22 (mn ton)



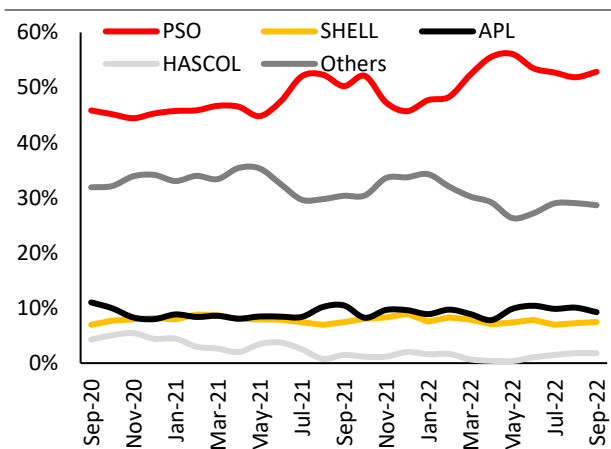
Source: OCAC, Foundation Research, Oct 2022

Fig 2: White oil trended upwards (mn ton)



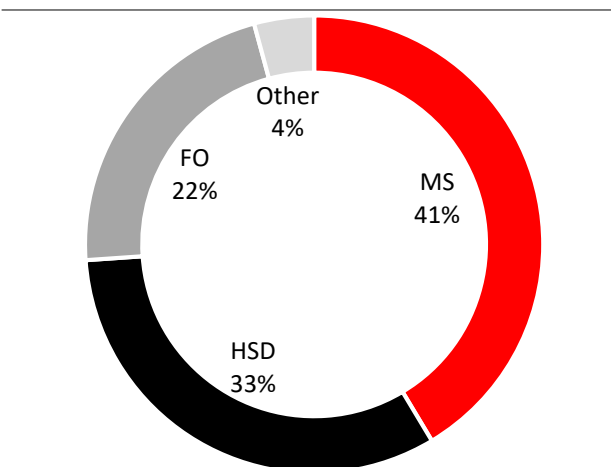
Source: OCAC, Foundation Research, Oct 2022

Fig 3: PSO dominating market share...



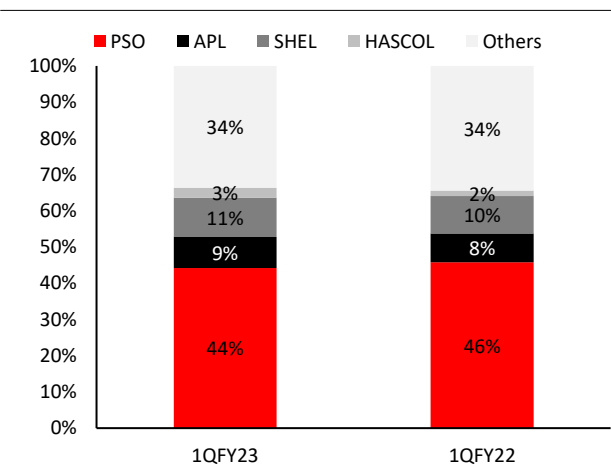
Source: OCAC, Foundation Research, Oct 2022

Fig 4: Product wise breakdown during 1QFY23...



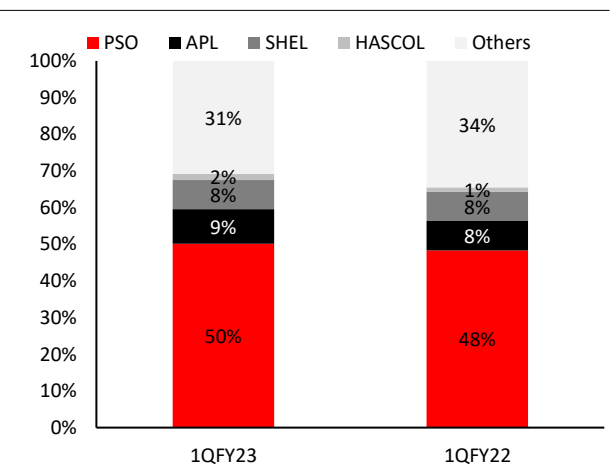
Source: OCAC, Foundation Research, Oct 2022

Fig 5: PSO share in MS ↓ 2ppts YoY in 1QFY23



Source: OCAC, FSL Research, Oct 2022

Fig 6: PSO share in HSD ↑ 2ppts YoY in 1QFY23



Source: OCAC, Foundation Research, Oct 2022

Fig 7: 1QFY23 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	1,860	822	201	160	52	-21%	-24%	-17%	-14%	45%	44%	11%	9%	3%
HSD	1,460	732	115	139	24	-30%	-28%	-31%	-18%	-1%	50%	8%	9%	2%
FO	982	647	-	121	-	-23%	-22%	N/A	-40%	-100%	66%	0%	12%	0%
Others	190	156	9	17	-	34%	48%	-51%	74%	-61%	82%	4%	9%	0%
Total	4,492	2,357	325	437	77	-23%	-22%	-24%	-23%	-18%	52%	7%	10%	2%

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