

## PAKISTAN



## October 2022: Pakistan's Oil Sales

Sales (000 tons)

	IND	PSO	APL	SHEL	HASCOL
MS	680	289	54	73	21
HSD	712	394	49	53	13
FO	204	110	32	-	-
Others	65	57	3	2	0
<b>Total</b>	<b>1,661</b>	<b>851</b>	<b>138</b>	<b>129</b>	<b>34</b>

Source: OCAC, Foundation Research, Nov 2022

## YoY Growth

	IND	PSO	APL	SHEL	HASCOL
MS	-11%	-18%	-11%	-10%	35%
HSD	-15%	-11%	-23%	-27%	88%
FO	-37%	-43%	-12%	N/A	N/A
Others	9%	26%	1%	-69%	-5%
<b>Total</b>	<b>-16%</b>	<b>-18%</b>	<b>-16%</b>	<b>-20%</b>	<b>46%</b>

Source: OCAC, Foundation Research, Nov 2022

## Market share

	PSO	APL	SHEL	HASCOL
MS	43%	8%	11%	3%
HSD	55%	7%	7%	2%
FO	54%	16%	0%	0%
Others	88%	5%	3%	0%
<b>Total</b>	<b>51%</b>	<b>8%</b>	<b>8%</b>	<b>2%</b>

Source: OCAC, Foundation Research, Nov 2022

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Foundation Securities (Pvt) Ltd  
 Wednesday, November 2, 2022

# Oil Marketing Companies

## Downward trajectory of sales amid protracted slowdown

### Event

■ In a continuation of the downward trend witnessed since Jul'22, domestic petroleum products sales declined by 16% on YoY basis (up by 9% MoM) to 1.7mn tons in Oct'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 11/15/37% YoY was recorded in MS/HSD/FO sales during Oct'22. Company wise analysis reveals that PSO/APL/SHEL sales declined by 18/16/20% YoY during Oct'22.

### Impact

■ **Volumetric decline continues:** Domestic petroleum sales (ex-non Energy) declined by 16% YoY (up by 9% MoM) in Oct'22. Product-wise analysis reveals that during Oct'22, volumetric slowdown was seen in MS/HSD of 11/15% YoY (up by 8/37% 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 Oct'22 remained elevated at Rs225/liter and Rs235/liter respectively as Gov't increased the Petroleum Levy rate to Rs39.8/9.9 on MS/HSD.

■ In black oil segment, FO sales fell to 204KT, down by 37% YoY (↓ 33% 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 2<sup>nd</sup> installment of receivables to 2002 based IPP's.

■ **PSO remained lacklustre:** In Oct'22, sales volume of PSO clocked in at 851KT depicting a decrease of 18% YoY. MS/HSD sales were down by 18/11% YoY due to increase in prices and demand slowdown amid record floods and high interest rates. Whereas, sales were up 6% MoM given 5/48% incline in MS/HSD whereas FO declined by 47%. Thus, PSO's market share for HSD increased by 2ppts YoY to 55% in Oct'22. However, market share for MS/FO declined by 3/6% YoY to 43/54%.

■ **APL also declined:** APL recorded an overall decline of 16% YoY (↓2% MoM) during Oct'22 as its petroleum sales were 138KT. Product wise analysis reveals that MS/HSD/FO decreased by 11/23/12% YoY. Moreover, APL's market share in MS/HSD was flat/fell 1ppt YoY to stand at 8/7% in Oct'22. Whereas, FO rose 5ppts YoY to 16%.

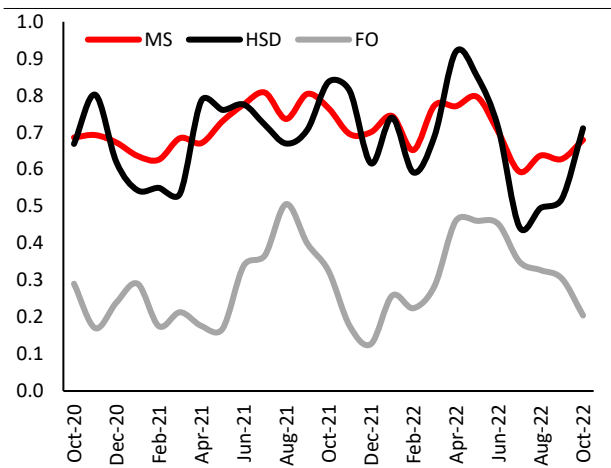
■ **SHEL tumbled:** During Oct'22, SHEL's volumes clocked in at 129KT, down by 20% YoY (up 13% MoM). MS/HSD sales declined by 10/27% YoY. Shell market share of MS remained intact YoY at 11% and HSD fell 1% YoY to 7%.

■ **HASCOL bucked the downtrend:** HASCOL sales surged by 46/25% YoY/MoM in Oct'22 with volume of 34k tons amid 35% YoY growth in MS and 88% YoY incline in HSD sales. Its market share rose 1ppt YoY to 2% in Oct'22.

### Outlook

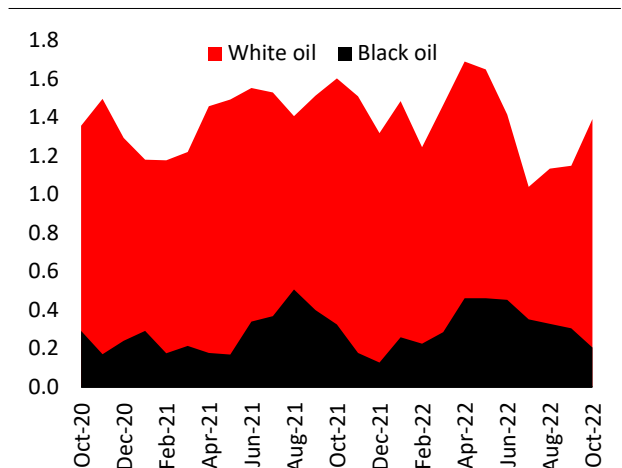
■ We expect decline in petroleum products demand during FY23 given record floods, high interest rates and elevated oil prices amid Ukraine-Russia war. However, we have an outperform stance on the sector due to expected improvement in cashflows of PSO amid (1) likely increase in gas prices and (2) expected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

**Fig 1: MS/HSD sales ↑ MoM during Oct'22 (mn ton)**



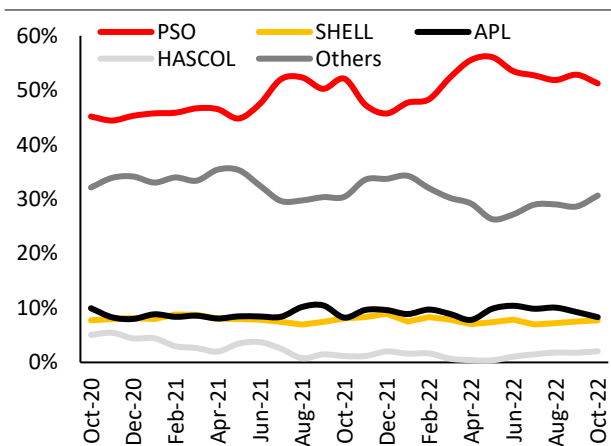
Source: OCAC, Foundation Research, Nov 2022

**Fig 2: White oil trended upwards (mn ton)**



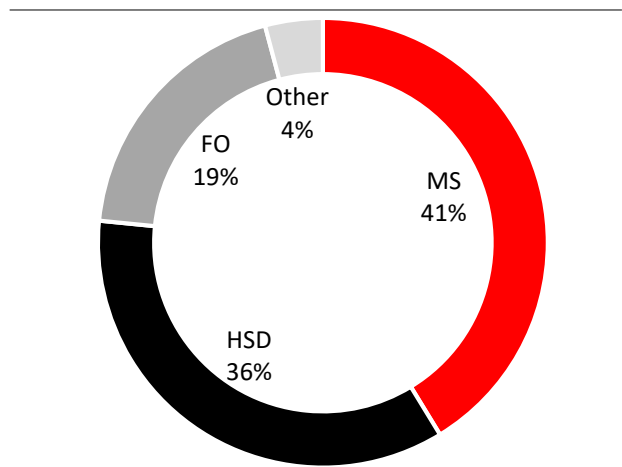
Source: OCAC, Foundation Research, Nov 2022

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



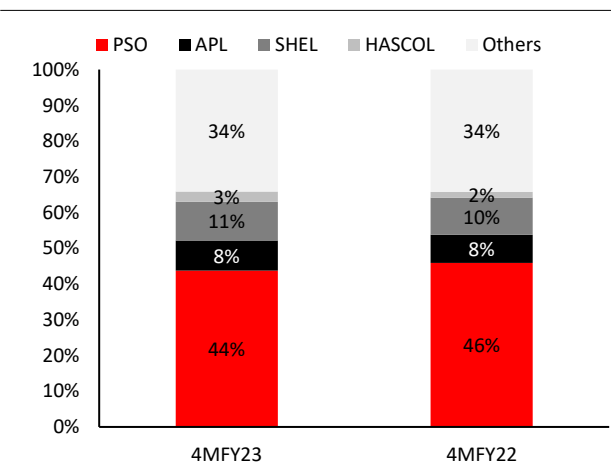
Source: OCAC, Foundation Research, Nov 2022

**Fig 4: Product wise breakdown during 4MFY23...**



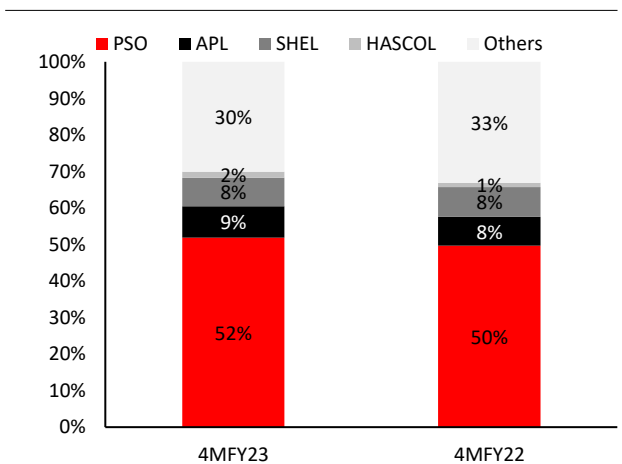
Source: OCAC, Foundation Research, Nov 2022

**Fig 5: PSO share in MS ↓ 2ppts YoY in 4MFY23**



Source: OCAC, FSL Research, Nov 2022

**Fig 6: PSO share in HSD ↑ 2ppts YoY in 4MFY23**



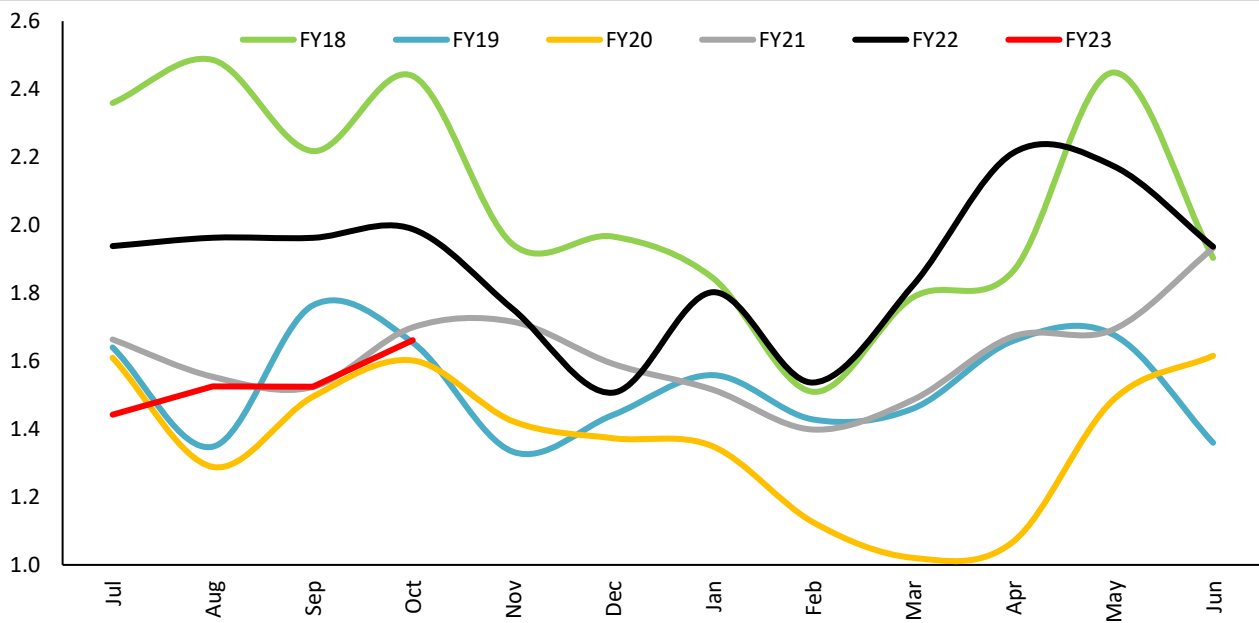
Source: OCAC, Foundation Research, Nov 2022

Table 1: 4MFY23 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	2,540	1,112	275	214	73	-18%	-22%	-15%	-14%	42%	44%	11%	8%	3%
HSD	2,172	1,126	168	187	37	-26%	-23%	-30%	-19%	18%	52%	8%	9%	2%
FO	1,187	758	-	153	-	-26%	-26%	N/A	-36%	-100%	64%	0%	13%	0%
Others	255	213	10	20	0	27%	42%	-55%	56%	-53%	83%	4%	8%	0%
<b>Total</b>	<b>6,154</b>	<b>3,209</b>	<b>453</b>	<b>575</b>	<b>111</b>	<b>-22%</b>	<b>-21%</b>	<b>-23%</b>	<b>-21%</b>	<b>-5%</b>	<b>52%</b>	<b>7%</b>	<b>9%</b>	<b>2%</b>

Source: OCAC, Foundation Research, Nov 2022

Fig 7: Marked seasonality observed in OMC sales volumes



Source: OCAC, Foundation Research, November 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.