

PAKISTAN



January 2023: Pakistan's Oil Sales

Sales (000 tons)

	IND	PSO	APL	SHEL	HASCOL
MS	648	316	54	72	14
HSD	584	315	49	42	12
FO	143	13	34	-	-
Others	68	60	3	2	0
Total	1,443	704	140	115	26

Source: OCAC, Foundation Research, Feb 2023

YoY Growth

	IND	PSO	APL	SHEL	HASCOL
MS	-13%	1%	-9%	-8%	-36%
HSD	-21%	-23%	-28%	-22%	68%
FO	-45%	-85%	14%	N/A	N/A
Others	15%	24%	-3%	-56%	-37%
Total	-20%	-18%	-13%	-15%	-11%

Source: OCAC, Foundation Research, Feb 2023

Market share

	PSO	APL	SHEL	HASCOL
MS	49%	8%	11%	2%
HSD	54%	8%	7%	2%
FO	9%	24%	0%	0%
Others	89%	4%	3%	0%
Total	49%	10%	8%	2%

Source: OCAC, Foundation Research, Feb 2023

Analyst

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

Foundation Securities (Pvt) Ltd
 Thursday, February 2, 2023

Oil Marketing Companies

Downhill momentum keeps on building

Event

■ In a continuation of the downward trend witnessed for last seven months, domestic petroleum products sales declined by 20% on YoY basis (up by 8% MoM) to 1.4mn tons in Jan'23 due to (1) slowdown in domestic demand and economic activity amid high interest rates and record floods, and (2) elevated prices of MS and HSD. Decline of 13/21/45% YoY was recorded in MS/HSD/FO sales during Jan'23. Company wise analysis reveals that PSO/APL/SHEL volumes declined by 18/13/15% YoY during Jan'23.

Impact

■ **Volumetric decline continues:** Domestic petroleum sales (ex-non Energy) declined by 20% YoY (up by 8% MoM) in Jan'23. Product-wise analysis reveals that during Jan'23, volumetric slowdown was seen in MS/HSD of 13/21% YoY (up by 4/12% MoM) due to (1) slowdown in domestic demand and economic activity amid high interest rates and record floods, and (2) sustained high MS/HSD retail prices. Average prices of MS and HSD during Jan'23 were Rs215/liter and Rs228/liter respectively as Gov't kept the Petroleum Levy rate at Rs50.0/liter for MS and increased it to Rs33.8/liter on MS/HSD.

■ In black oil segment, FO sales fell to 143KT, down by 45% YoY (↑ 16% MoM) depicting lower offtake by power producers amid higher proportion of system gas and nuclear power generation given cost of generating electricity on FO at Rs25.8/unit is higher compared to average tariff of Rs24.8/unit.

■ **PSO remained subdued:** In Jan'23, sales volume of PSO clocked in at 704KT depicting a decrease of 18% YoY. MS sales inclined by 1% YoY while HSD volumes declined by 23% YoY due to increase in prices and demand slowdown amid record floods and high interest rates. Whereas, FO sales fell by 85% YoY. Sequentially, sales were up 13% given 20/5% incline in MS/HSD whereas FO jumped by 4.1x. Thus, PSO's overall market share increased by 1ppt YoY to 49% and MS market share rose by 7ppts YoY to 49% in Jan'23. However, market share for HSD/FO declined by 1/26% YoY to 54/9%.

■ **APL also declined:** APL recorded an overall decline of 13% YoY (↑16% MoM) during Jan'23 as its petroleum sales were 140KT. Product wise analysis reveals that MS/HSD decreased by 9/28% YoY. However, FO sales increased by 14% YoY. Moreover, APL's market share in MS/HSD was flat/fell 1ppt YoY to stand at 8/8% in Jan'23. Whereas, FO rose 12ppts YoY to 24%.

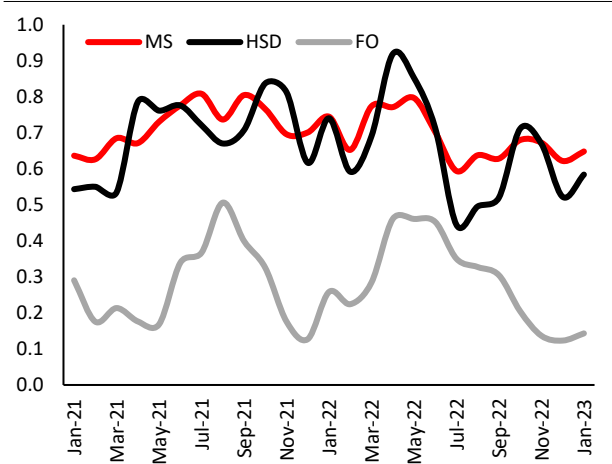
■ **SHEL tumbled:** During Jan'23, SHEL's volumes clocked in at 115KT, down by 15% YoY (up 4% MoM). MS/HSD sales declined by 8/22% YoY. Shell market share of HSD remained intact YoY at 7% and MS rose 1% YoY to 11%.

■ **HASCOL down:** HASCOL sales fell by 11% YoY (↑ 2% MoM) in Jan'23 with volume of 26k tons amid 36% YoY decline in MS and 68% YoY incline in HSD sales. Its market share remained flat YoY at 2% in Jan'23.

Outlook

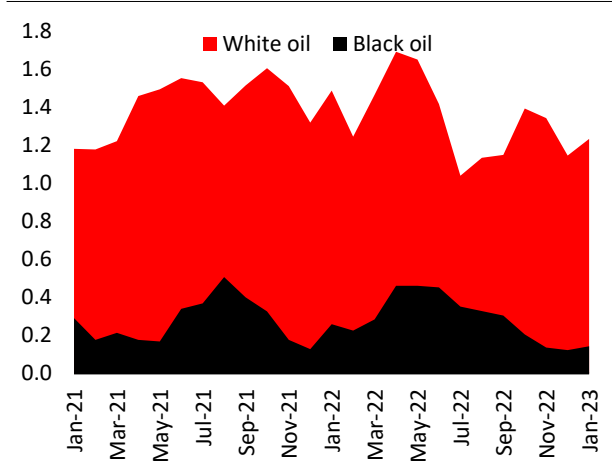
■ We expect decline in petroleum products demand during FY23 given economic slowdown, record floods and elevated oil prices amid Ukraine-Russia war. However, we have an outperform stance on the sector due to expected improvement in cashflows of PSO amid (1) likely increase in gas prices and (2) expected resolution of circular debt given IMF program conditionality.

Fig 1: MS/HSD sales ↑ MoM during Jan'23 (mn ton)



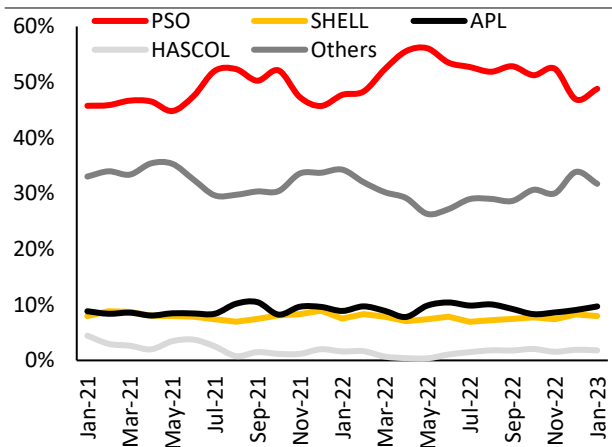
Source: OCAC, Foundation Research, Feb 2023

Fig 2: White oil trended upwards (mn ton)



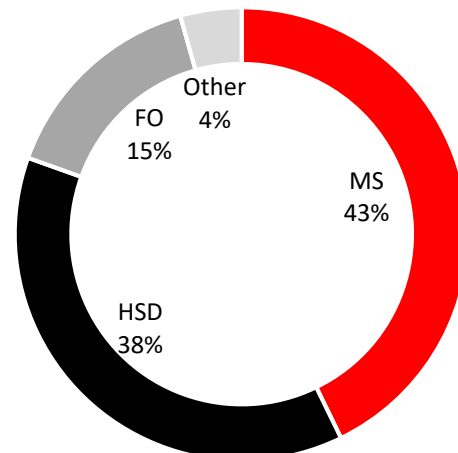
Source: OCAC, Foundation Research, Feb 2023

Fig 3: PSO dominating market share...



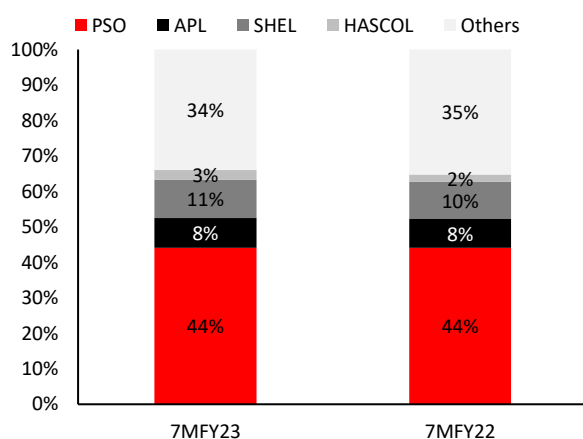
Source: OCAC, Foundation Research, Feb 2023

Fig 4: Product wise breakdown during 7MFY23...



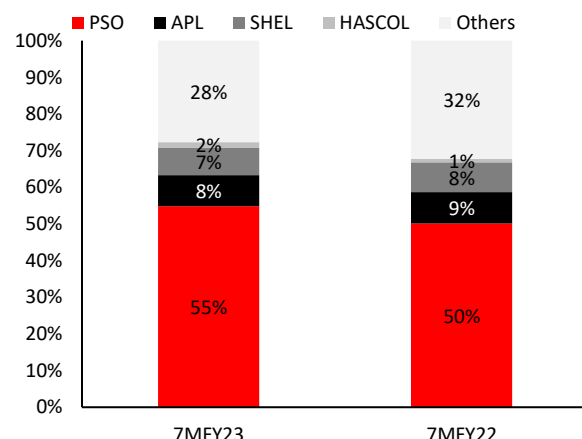
Source: OCAC, Foundation Research, Feb 2023

Fig 5: PSO share in MS flat YoY in 7MFY23



Source: OCAC, FSL Research, Feb 2023

Fig 6: PSO share in HSD ↑ 5ppts YoY in 7MFY23



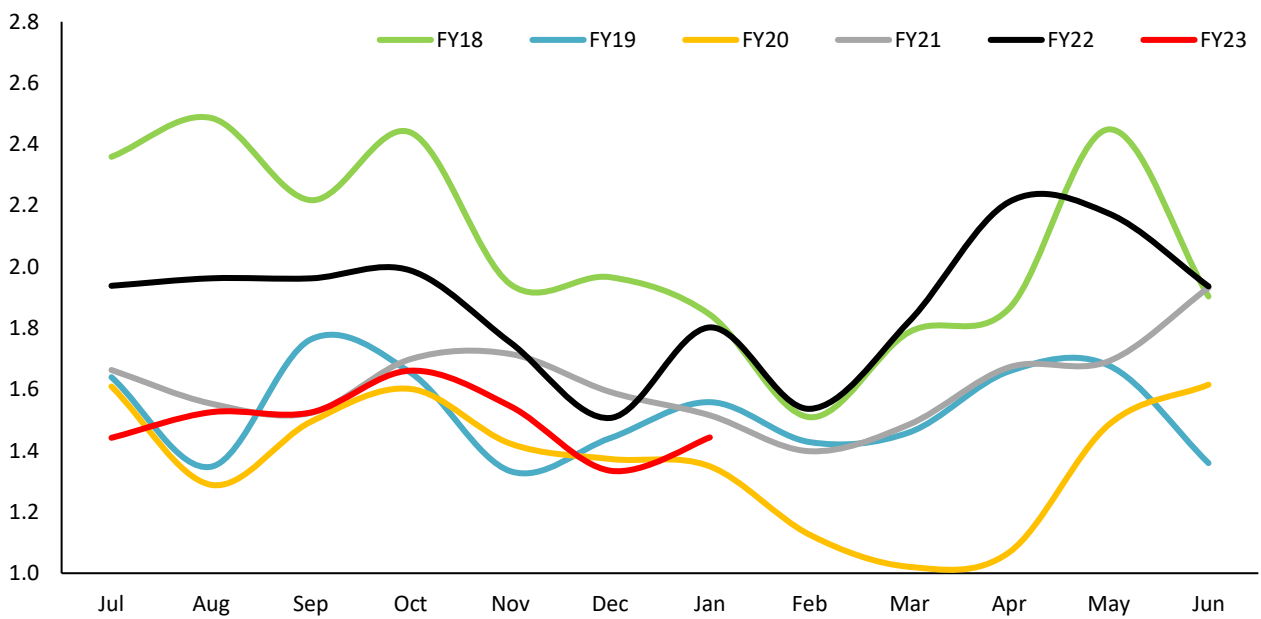
Source: OCAC, Foundation Research, Feb 2023

Table 1: 7MFY23 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	4,483	1,979	485	374	123	-15%	-15%	-12%	-12%	11%	44%	11%	8%	3%
HSD	3,947	2,164	293	335	62	-23%	-15%	-29%	-24%	20%	55%	7%	8%	2%
FO	1,590	815	-	231	-	-26%	-35%	N/A	-28%	-100%	51%	0%	15%	0%
Others	457	391	16	29	1	17%	30%	-60%	27%	-55%	86%	3%	6%	0%
Total	10,477	5,349	793	969	186	-19%	-17%	-21%	-20%	-6%	51%	8%	9%	2%

Source: OCAC, Foundation Research, February 2023

Fig 7: Marked seasonality observed in OMC sales volumes



Source: OCAC, Foundation Research, February 2023

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:

Disclaimer: This report has been prepared by FSL. The information and opinions contained herein have been compiled or arrived at based upon information obtained from sources believed to be reliable and in good faith. Such information has not been independently verified and no guaranty, representation or warranty, express or implied is made as to its accuracy, completeness or correctness. All such information and opinions are subject to change without notice. This document is for information purposes only. Descriptions of any company or companies or their securities mentioned herein are not intended to be complete and this document is not, and should not be construed as, an offer, or solicitation of an offer, to buy or sell any securities or other financial instruments. FSL may, to the extent permissible by applicable law or regulation, use the above material, conclusions, research or analysis before such material is disseminated to its customers. Not all customers will receive the material at the same time. FSL, their respective directors, officers, representatives, employees, related persons may have a long or short position in any of the securities or other financial instruments mentioned or issuers described herein at any time and may make a purchase and/or sale, or offer to make a purchase and/or sale of any such securities or other financial instruments from time to time in the open market or otherwise, either as principal or agent. FSL may make markets in securities or other financial instruments described in this publication, in securities of issuers described herein or in securities underlying or related to such securities. FSL may have recently underwritten the securities of an issuer mentioned herein. This document may not be reproduced, distributed or published for any purposes.

Research Dissemination Policy: Foundation Securities (Pvt.) Ltd. endeavors to make all reasonable efforts to disseminate research to all eligible clients in a timely manner through either physical or electronic distribution such as mail, fax and/or email. Nevertheless, not all clients may receive the material at the same time.

Target price risk disclosures: Any inability to compete successfully in their markets may harm the business. This could be a result of many factors which may include geographic mix and introduction of improved products or service offerings by competitors. The results of operations may be materially affected by global economic conditions generally, including conditions in financial markets. The company is exposed to market risks, such as changes in interest rates, foreign exchange rates and input prices. From time to time, the company will enter into transactions, including transactions in derivative instruments, to manage certain of these exposures.

Analyst certification: The views expressed in this research accurately reflect the personal views of the analyst(s) about the subject securities or issuers and no part of the compensation of the analyst(s) was, is, or will be directly or indirectly related to the inclusion of specific recommendations or views in this research. The analyst principally responsible for the preparation of this research receives compensation based on overall revenues of Foundation Securities and has taken reasonable care to achieve and maintain independence and objectivity in making any recommendations.

Recommendations definitions

If	
Expected return >+10%	Outperform.
Expected return from -10% to +10%	Neutral.
Expected return <-10%	Underperform.