

PAKISTAN


February 2023: Pakistan's Oil Sales
 Sales (000 tons)

	IND	PSO	APL	SHEL	HASCOL
MS	552	261	48	60	16
HSD	478	258	43	37	11
FO	118	20	20	-	-
Others	68	58	4	7	0
Total	1,216	598	114	105	27

Source: OCAC, Foundation Research, Mar 2023

YoY Growth

	IND	PSO	APL	SHEL	HASCOL
MS	-15%	-6%	-15%	-14%	5%
HSD	-19%	-13%	-19%	-27%	6%
FO	-47%	-82%	-46%	N/A	N/A
Others	0%	9%	11%	17%	-86%
Total	-21%	-19%	-23%	-18%	5%

Source: OCAC, Foundation Research, Mar 2023

Market share

	PSO	APL	SHEL	HASCOL
MS	47%	9%	11%	3%
HSD	54%	9%	8%	2%
FO	17%	17%	0%	0%
Others	86%	5%	11%	0%
Total	49%	9%	9%	2%

Source: OCAC, Foundation Research, Mar 2023

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Oil Marketing Companies

Descent dynamics continue to build

Event

■ In a continuation of the downward trend witnessed for last eight months, domestic petroleum products sales declined by 21% on YoY basis (down by 16% MoM) to 1.2mn tons in Feb'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 15/19/47% YoY was recorded in MS/HSD/FO sales during Feb'23. Company wise analysis reveals that PSO/APL/SHEL volumes down by 19/23/18% YoY during Feb'23.

Impact

■ **Volumetric decline continues:** Domestic petroleum sales (ex-non Energy) declined by 21% YoY (down by 16% MoM) in Feb'23. Product-wise analysis reveals that during Feb'23, volumetric slowdown was seen in MS/HSD of 15/19% YoY (down by 15/18% 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 Feb'23 were Rs261/liter and Rs262/liter respectively as Gov't passed on the impact of Rupee devaluation.

■ In black oil segment, FO sales fell to 118KT, down by 47% YoY (↓ 17% 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 ~Rs29.0/unit is higher compared to average tariff of Rs24.8/unit.

■ **PSO remained suppressed:** In Feb'23, sales volume of PSO clocked in at 598KT depicting a decrease of 19% YoY. MS/HSD sales declined by 6/13% YoY due to increase in prices and demand slowdown amid record floods and high interest rates. Whereas, FO sales fell by 82% YoY. Sequentially, sales were down 15% given 17/18% decline in MS/HSD whereas FO jumped by 50%. Thus, PSO's overall market share marginally increased by 0.4ppt YoY to 49% while MS market share down by 1ppt YoY to 47% in Feb'23. However, market share for FO inclined by 8% YoY to 17%. While HSD remain flat.

■ **APL declined the most:** APL recorded an overall decline of 23% YoY (↓18% MoM) during Feb'23 as its petroleum sales were 114KT. Product wise analysis reveals that MS/HSD/FO decreased by 15/19/46% YoY. Moreover, APL's market share in MS/HSD was flat/up 1ppt YoY to stand at 9/9% in Feb'23. Whereas, FO down 7ppts YoY to 17%.

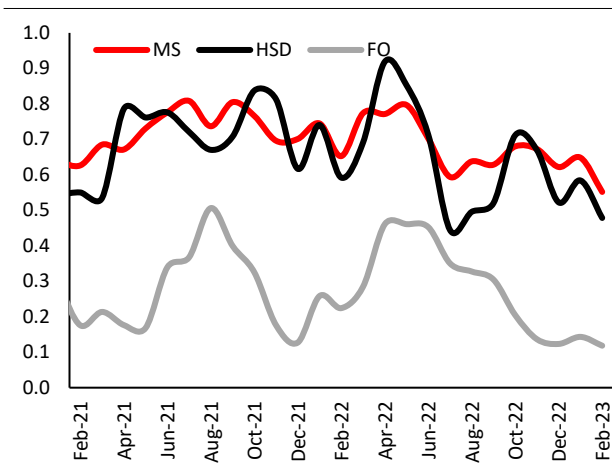
■ **SHEL tumbled:** During Feb'23, SHEL's volumes clocked in at 105KT, down by 18% YoY (↓ 9% MoM). MS/HSD sales declined by 14/27% YoY. Shell market share of HSD rose 1ppt YoY to 8% and MS remained intact YoY at 11%.

■ **HASCOL gone up due to white oil segment:** HASCOL sales up by 5% YoY (↑ 4% MoM) in Feb'23 with volume of 27k tons given 5/6% YoY inclined in MS/HSD sales. Its market share rose by 0.5ppt YoY to 2% in Feb'23.

Outlook

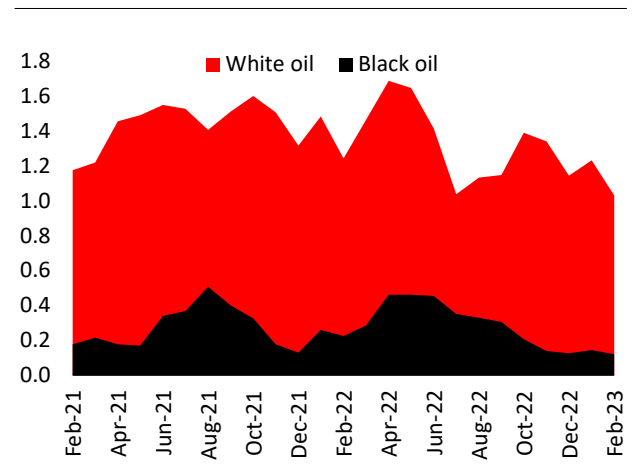
■ We expect decline in petroleum products demand during FY23 given economic slowdown, record floods and elevated oil prices amid Ukraine-Russia war. However, we have an outperform stance on the sector due to expected improvement in cashflows of PSO amid (1) increase in gas prices, (2) likely increase in electricity prices and (3) expected resolution of circular debt given IMF program conditionality.

Fig 1: MS/HSD sales ↓ MoM during Feb'23 (mn ton)



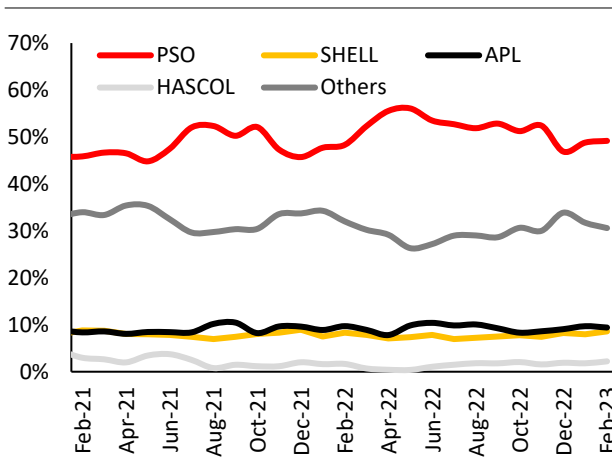
Source: OCAC, Foundation Research, Mar 2023

Fig 2: White oil trended downwards (mn ton)



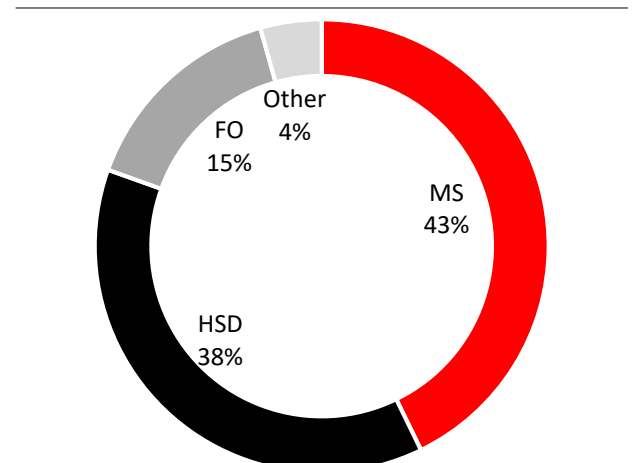
Source: OCAC, Foundation Research, Mar 2023

Fig 3: PSO dominating market share...



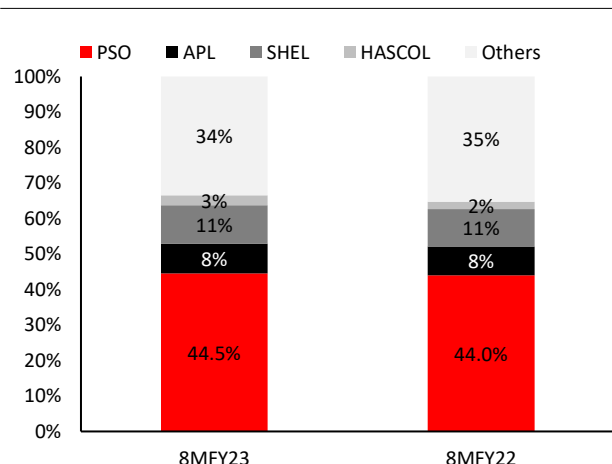
Source: OCAC, Foundation Research, Mar 2023

Fig 4: Product wise breakdown during 8MFY23...



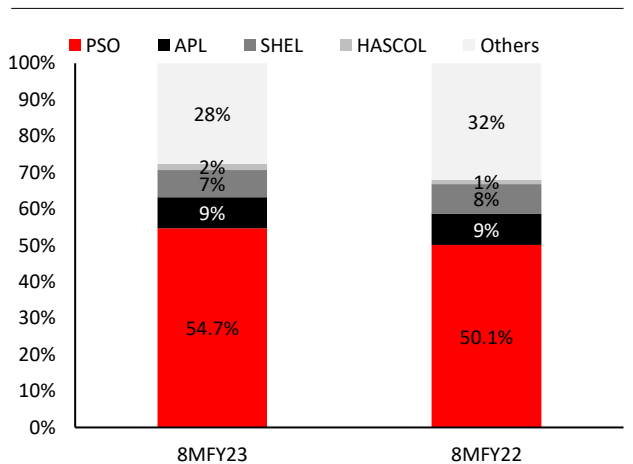
Source: OCAC, Foundation Research, Mar 2023

Fig 5: PSO share in MS ↑0.5ppt YoY in 8MFY23



Source: OCAC, FSL Research, Mar 2023

Fig 6: PSO share in HSD ↑ 4.6ppts YoY in 8MFY23

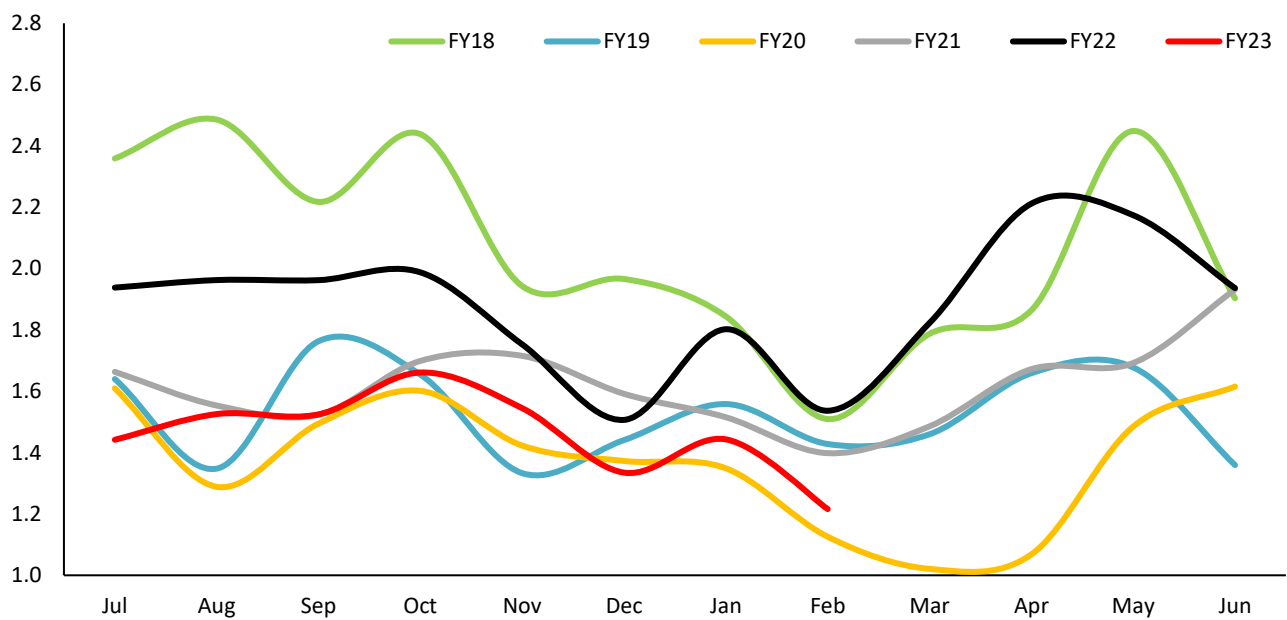


Source: OCAC, Foundation Research, Mar 2023

Table 1: 8MFY23 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	5,035	2,241	545	422	139	-15%	14%	-12%	-12%	11%	45%	11%	8%	3%
HSD	4,426	2,422	330	378	73	-22%	15%	-29%	-23%	18%	55%	7%	9%	2%
FO	1,708	835	-	251	-	-28%	39%	N/A	-30%	100%	49%	0%	15%	0%
Others	524	449	23	33	1	14%	27%	-50%	25%	-60%	86%	4%	6%	0%
Total	11,693	5,946	898	1,083	213	-19%	17%	-21%	-20%	-4%	51%	8%	9%	2%

Source: OCAC, Foundation Research, Mar 2023

Fig 7: Marked seasonality observed in OMC sales volumes

Source: OCAC, Foundation Research, March 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:

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