

PAKISTAN



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

	IND	PSO	APL	SHEL	HASCOL
MS	580	267	52	58	28
HSD	461	252	39	28	7
FO	72	5	26	-	-
Others	58	52	3	2	-
Total	1,171	576	120	88	35

Source: OCAC, Foundation Research, May 2023

YoY Growth

	IND	PSO	APL	SHEL	HASCOL
MS	-25%	-21%	-16%	-29%	390%
HSD	-50%	-52%	-44%	-61%	112%
FO	-84%	-98%	-33%	N/A	N/A
Others	-5%	-3%	4%	-27%	N/A
Total	-47%	-53%	-31%	-44%	278%

Source: OCAC, Foundation Research, May 2023

Market share

	PSO	APL	SHEL	HASCOL
MS	46%	9%	10%	5%
HSD	55%	8%	6%	2%
FO	8%	36%	0%	0%
Others	89%	5%	3%	0%
Total	49%	10%	8%	3%

Source: OCAC, Foundation Research, May 2023

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Oil Marketing Companies

Sales in the doldrums

Event

▪ POL sales witnessed a continuation of the 10 month downtrend with domestic sales down by 47% on YoY basis (up by 6% MoM) to 1.2mn tons in Apr'23 due to (1) slowdown in domestic demand and economic activity amid high interest rates and high inflation, and (2) elevated prices of MS and HSD. Decline of 25/50/84% YoY was recorded in MS/HSD/FO sales during Apr'23. Company wise analysis reveals that PSO/APL/SHEL volumes were down by 53/31/44% YoY during Apr'23.

Impact

▪ **Volumetric reduction continues:** Domestic petroleum sales (ex-non Energy) declined by 47% YoY (up by 6% MoM) in Apr'23. Product-wise analysis reveals that during Apr'23, volumetric slowdown was seen in MS/HSD of 25/50% YoY (up by 4/16% MoM) due to (1) slowdown in domestic demand and economic activity amid high interest rates and high inflation, and (2) sustained high MS/HSD retail prices. Average prices of MS and HSD during Apr'23 were Rs277/liter and Rs293/liter respectively as Gov't passed on the impact of Rupee devaluation.

▪ In black oil segment, FO sales declined to 72KT, down by 84% YoY (down 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 ~Rs21/unit is higher compared to average fuel price of Rs9.89/unit.

▪ **PSO sales tumbled:** In Apr'23, sales volume of PSO clocked in at 576KT down by 53% YoY. MS/HSD sales declined by 21/52% YoY due to increase in prices and demand slowdown amid high inflation and high interest rates. Whereas, FO sales fell by 98% YoY. Sequentially, sales increased by 8% given 6/21% incline in MS/HSD whereas FO was down 66%.

▪ Thus, PSO's overall market share declined by 6.4ppt YoY to 49% while MS market share was up by 2.1ppts YoY to 46% in Apr'23. However, market share for HSD/FO declined by 2/61ppts YoY to 55/8%.

▪ **APL declined:** APL recorded an overall decline of 31% YoY (up 6% MoM) during Apr'23 as its petroleum sales were 120KT. Product wise analysis reveals that MS/HSD/FO decreased by 16/44/33% YoY. Moreover, APL's market share in MS/HSD/FO was up 1/1/28ppt YoY to stand at 9/8/36% in Apr'23.

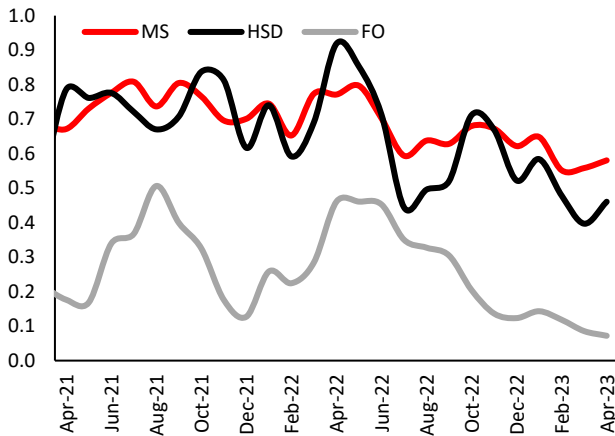
▪ **SHEL also fell:** During Apr'23, SHEL's volumes clocked in at 88KT, down by 44% YoY (down 2% MoM). MS/HSD sales declined by 29/61% YoY. Shell market share of MS/HSD down 1/2ppt YoY to 10/6%.

▪ **HASCOL sales mark the high jump:** HASCOL sales were up by 3.8x YoY (down 18% MoM) in Apr'23 with volume of 35k tons given 4.9/2.1x YoY incline in MS/HSD sales. Its market share rose by 2.6ppts YoY to 3% in Apr'23.

Outlook

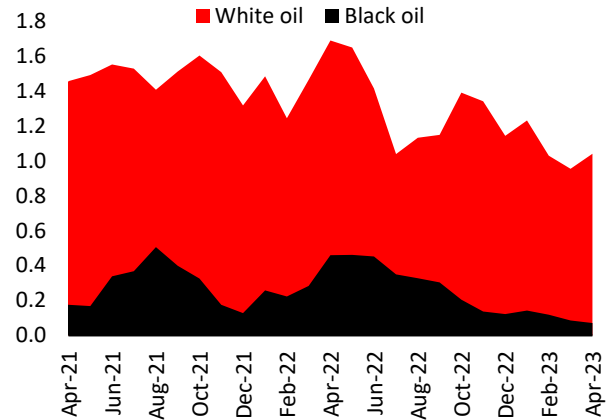
▪ We expect a sharp decline in demand for petroleum products during FY23 given protracted economic slowdown, record floods and elevated oil prices amid Ukraine-Russia war. However, we have an outperform stance on the sector due to expected improvement in cashflows of PSO amid (1) increase in gas and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

Fig 1: Vol. of MS & HSD ↑ MoM in Apr'23 (mn ton)



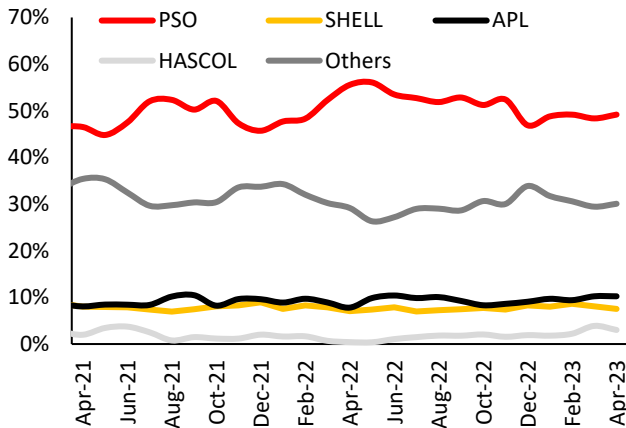
Source: OCAC, Foundation Research, May 2023

Fig 2: Black oil trended downwards (mn ton)



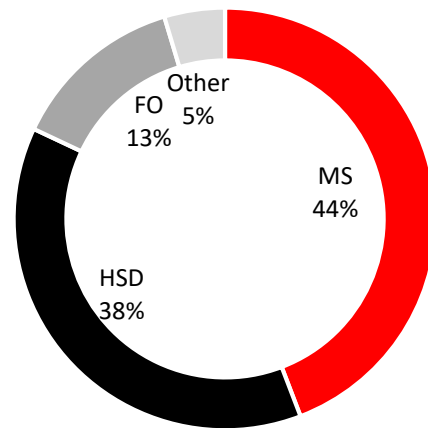
Source: OCAC, Foundation Research, May 2023

Fig 3: PSO dominating market share...



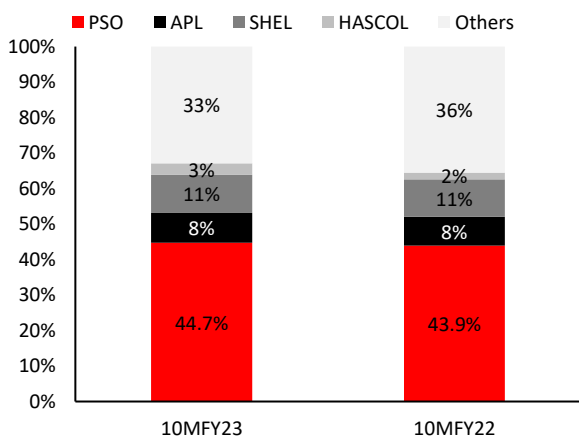
Source: OCAC, Foundation Research, May 2023

Fig 4: Product wise breakdown during 10MFY23...



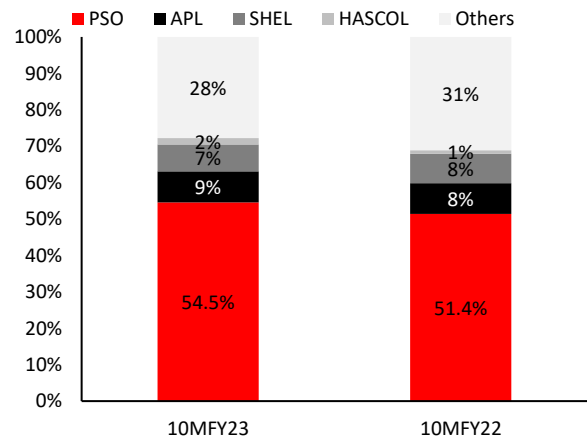
Source: OCAC, Foundation Research, May 2023

Fig 5: PSO share in MS ↑0.8ppt YoY in 10MFY23



Source: OCAC, FSL Research, May 2023

Fig 6: PSO share in HSD ↑3.1ppts YoY in 10MFY23



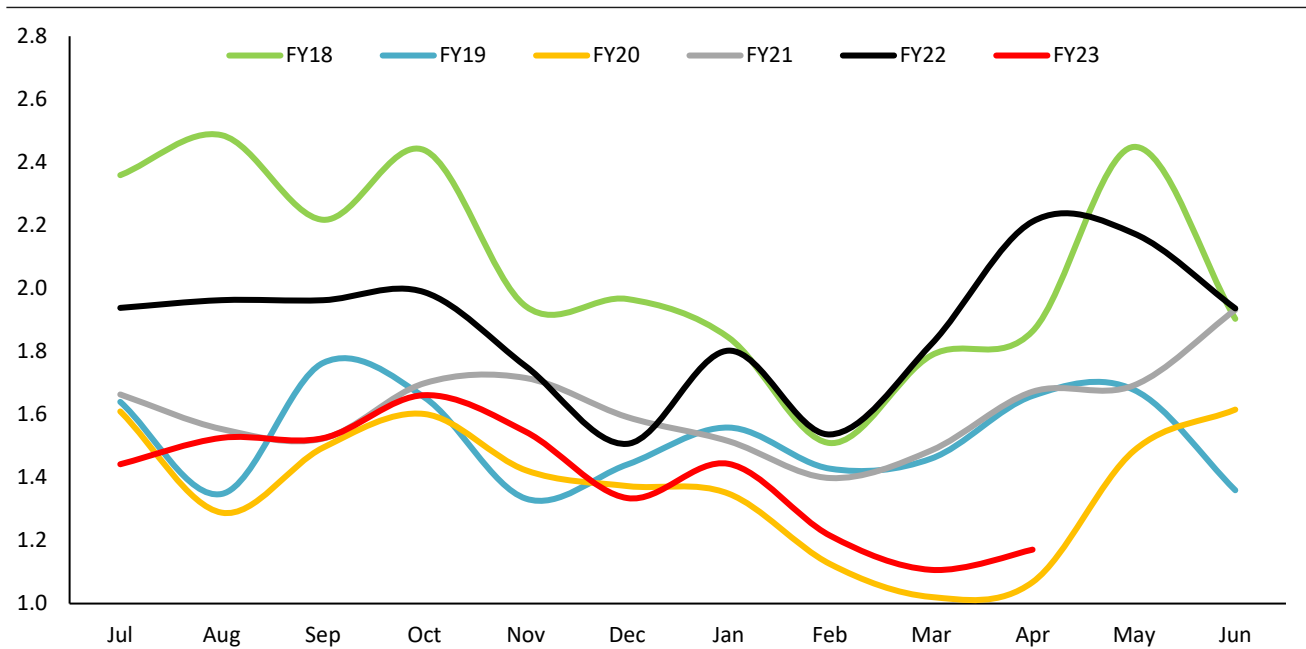
Source: OCAC, Foundation Research, May 2023

Table 1: 10MFY23 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	6,173	2,759	661	521	198	-17%	-16%	-16%	-14%	41%	45%	11%	8%	3%
HSD	5,283	2,882	388	453	93	-28%	-23%	-34%	-27%	34%	55%	7%	9%	2%
FO	1,866	857	-	304	-	-40%	-54%	N/A	-30%	N/A	46%	0%	16%	0%
Others	649	560	26	39	1	9%	20%	-51%	17%	-68%	86%	4%	6%	0%
Total	13,970	7,058	1,075	1,316	292	-24%	-25%	-25%	-22%	19%	51%	8%	9%	2%

Source: OCAC, Foundation Research, May 2023

Fig 7: Marked seasonality observed in OMC sales volumes



Source: OCAC, Foundation Research, May 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

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