

PAKISTAN


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

	IND	PSO	APL	SHEL	HASCOL
MS	603	257	49	57	35
HSD	545	278	47	30	32
FO	91	13	24	-	-
Others	58	51	3	1	0
Total	1,296	599	123	89	67

Source: OCAC, Foundation Research, June 2023

YoY Growth

	IND	PSO	APL	SHEL	HASCOL
MS	-24%	-33%	-28%	-36%	535%
HSD	-36%	-40%	-34%	-55%	1072%
FO	-80%	-96%	-67%	N/A	N/A
Others	-10%	-8%	11%	-55%	-66%
Total	-40%	-51%	-42%	-45%	699%

Source: OCAC, Foundation Research, June 2023

Market share

	PSO	APL	SHEL	HASCOL
MS	43%	8%	10%	6%
HSD	51%	9%	6%	6%
FO	14%	27%	0%	0%
Others	88%	6%	2%	0%
Total	46%	10%	7%	5%

Source: OCAC, Foundation Research, June 2023

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Oil Marketing Companies

No respite in declining sales trend

Event

▪ POL sales witnessed a continuation of the 11 month downtrend with domestic sales down by 40% on YoY basis (up by 11% MoM) to 1.3mn tons in May'23 taking 11MFY23 decline to 26% YoY 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 24/36/80% YoY was recorded in MS/HSD/FO sales during May'23. Company wise analysis reveals that PSO/APL/SHEL volumes were down by 51/42/45% YoY during May'23.

Impact

▪ **Downtrend in volumes continues:** Domestic petroleum sales (ex-non Energy) declined by 40% YoY (up by 11% MoM) in May'23. Product-wise analysis reveals that during May'23, volumetric slowdown was seen in MS/HSD of 24/36% YoY (up by 4/18% 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 (Rs276/273/liter in May'23).

▪ In black oil segment, FO sales declined to 91KT, down by 80% YoY (up 26% 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 ~Rs23/unit is higher compared to average fuel price of Rs10/unit.

▪ **PSO sales fell:** In May'23, sales volume of PSO clocked in at 599KT down by 51% YoY. MS/HSD sales declined by 33/40% YoY due to elevated prices and demand slowdown amid high inflation and high interest rates. Whereas, FO sales fell by 96% YoY. Sequentially, sales increased by 4% given 11/139% incline in HSD/FO whereas MS was down 4%.

▪ Thus, PSO's overall market share declined by 9.8ppt YoY to 46% while market share for MS/HSD/FO declined by 6/3/54/ppts YoY to 43/51/14% in May'23.

▪ **APL tumbled:** APL recorded an overall decline of 42% YoY (up 3% MoM) during May'23 as its petroleum sales were 123KT. Product wise analysis reveals that sales of MS/HSD/FO decreased by 28/34/67% YoY. Moreover, APL's market share in MS/HSD was flat YoY at 8/9%. Whereas, market share of FO was up 11ppt YoY to stand at 27% in May'23.

▪ **SHEL also declined:** During May'23, SHEL's volumes clocked in at 89KT, down by 45% YoY (down 1% MoM). MS/HSD sales declined by 36/55% YoY. Shell market share of MS/HSD down 2/2ppt YoY to 10/6%.

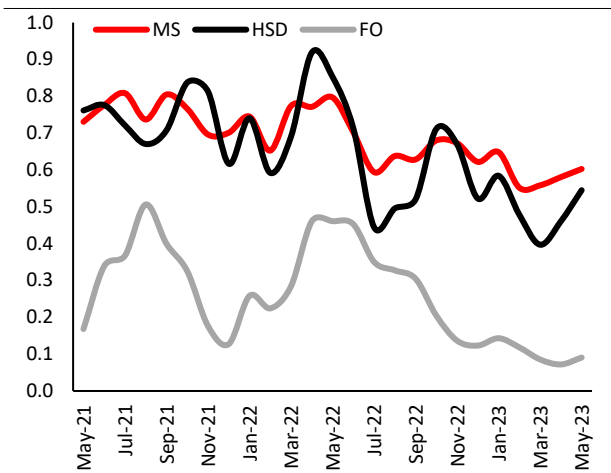
▪ **HASCOL bucked the trend:** HASCOL sales were up by a whopping 8.0x YoY (up 89% MoM) in May'23 with volume of 67k tons given 6.4/11.7x YoY incline in MS/HSD sales. Its market share rose by 4.8ppts YoY to 5% in May'23.

Outlook

▪ We expect the sharp decline in demand for petroleum products seen during FY23 to continue in 1HFY24 given protracted economic slowdown and elevated domestic retail product prices.

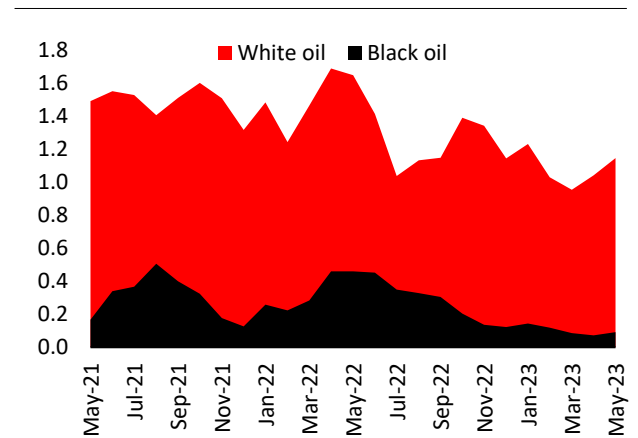
▪ However, we have an outperform stance on the sector due to expected improvement in cashflows of PSO amid (1) increase in gas and electricity prices, and (2) expected resolution of circular debt given IMF program conditionality.

Fig 1: MS/HSD/FO vol. ↑ MoM in May'23 (mn ton)



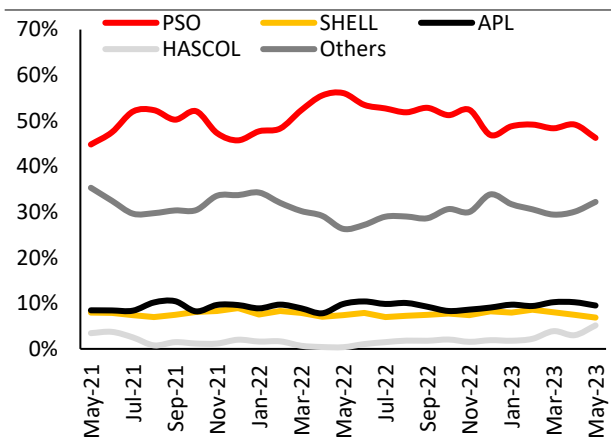
Source: OCAC, Foundation Research, Jun 2023

Fig 2: White oil dominates the mix (mn ton)



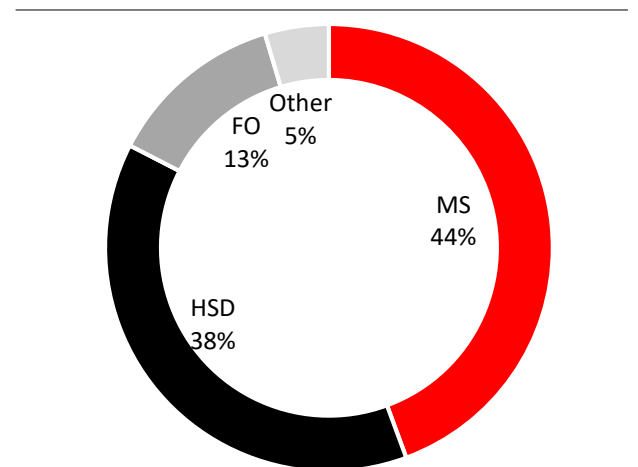
Source: OCAC, Foundation Research, Jun 2023

Fig 3: PSO dominating market share...



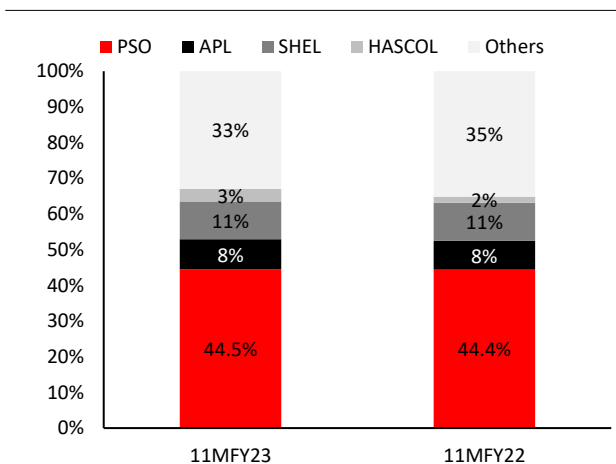
Source: OCAC, Foundation Research, Jun 2023

Fig 4: Product wise breakdown during 11MFY23...



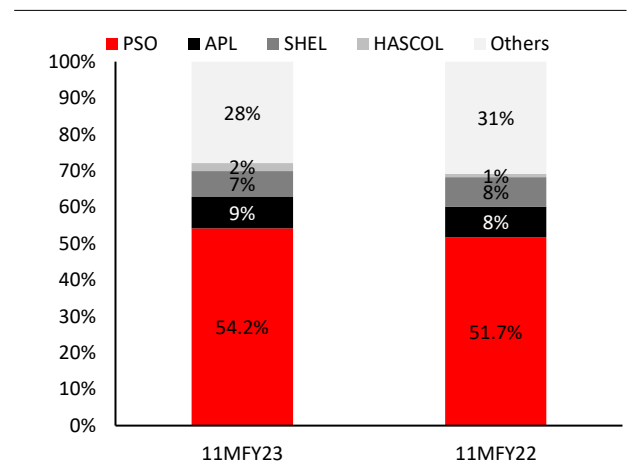
Source: OCAC, Foundation Research, Jun 2023

Fig 5: PSO share in MS ↑16bps YoY in 11MFY23



Source: OCAC, FSL Research, Jun 2023

Fig 6: PSO share in HSD ↑2.5ppts YoY in 11MFY23



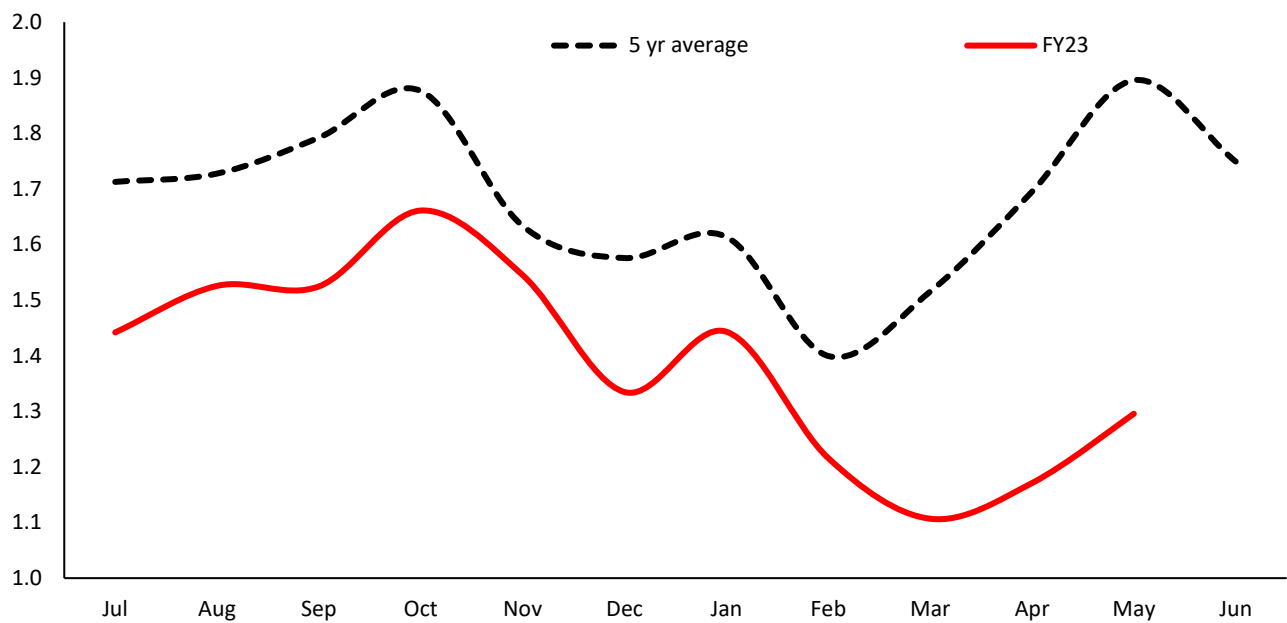
Source: OCAC, Foundation Research, Jun 2023

Table 1: 11MFY23 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	6,776	3,016	719	570	233	-18%	-18%	-18%	-15%	59%	45%	11%	8%	3%
HSD	5,828	3,160	418	499	125	-29%	-25%	-36%	-28%	73%	54%	7%	9%	2%
FO	1,956	870	-	328	-	-46%	-60%	N/A	-35%	-100%	44%	0%	17%	0%
Others	706	611	27	42	1	7%	17%	-51%	17%	-68%	87%	4%	6%	0%
Total	15,266	7,657	1,164	1,439	358	-26%	-28%	-27%	-24%	41%	50%	8%	9%	2%

Source: OCAC, Foundation Research, Jun 2023

Fig 7: FY23 sales volumes remained below previous 5yr (FY18-FY22) average



Source: OCAC, Foundation Research, Jun 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.