

PAKISTAN



June 2023: Pakistan's Oil Sales

Sales (000 tons)

	IND	PSO	APL	SHEL	HASCOL
MS	642	290	56	61	37
HSD	544	296	49	32	24
FO	100	9	42	-	-
Others	59	51	3	2	0
Total	1,345	646	150	95	60

Source: OCAC, Foundation Research, July 2023

YoY Growth

	IND	PSO	APL	SHEL	HASCOL
MS	-9%	-8%	-7%	-20%	232%
HSD	-24%	-22%	-21%	-53%	150%
FO	-78%	-97%	-46%	N/A	N/A
Others	-14%	-6%	0%	-74%	-93%
Total	-31%	-38%	-26%	-37%	192%

Source: OCAC, Foundation Research, July 2023

Market share

	PSO	APL	SHEL	HASCOL
MS	45%	9%	10%	6%
HSD	54%	9%	6%	4%
FO	9%	42%	0%	0%
Others	87%	6%	3%	0%
Total	48%	11%	7%	4%

Source: OCAC, Foundation Research, July 2023

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Oil Marketing Companies

FY23 sales declined to lowest level in 16 years barring covid

Event

▪ POL sales witnessed decline of 26% YoY during FY23 to clock in at 16.6mn tons due to (1) slowdown in domestic demand and economic activity amid high interest rates and record inflation, (2) elevated prices of MS and HSD, and (3) lower power generation on FO.

▪ Product wise breakdown depicts decline of 17/28/49% YoY in MS/HSD/FO sales during FY23. Company wise analysis reveals that PSO/APL/SHEL volumes were down by 29/24/28% YoY during FY23.

Impact

▪ **Volumes fell during FY23:** Domestic petroleum sales (ex-non Energy) declined by 26% YoY in FY23. Product-wise analysis reveals that during FY23, volumetric slowdown was seen in MS/HSD of 17/28% YoY due to (1) slowdown in domestic demand and economic activity amid high interest rates and record inflation, and (2) sustained high MS/HSD retail prices (avg. of Rs243.8/253.2/liter in FY23).

▪ In black oil segment, FO sales clocked at 2.1mn tons during FY23, down by 49% YoY depicting lower offtake by power producers amid higher proportion of system gas and nuclear power generation given that cost of generating electricity on FO at ~Rs25.4/unit was higher compared to average fuel price of Rs8.3/unit.

▪ **Across the board decline in PSO sales:** In FY23, sales volume of PSO clocked in at 8.3mn tons, down by 29% YoY. MS/HSD sales volume clocked in at 3.3/3.5mn tons declined by 17/25% YoY in FY23 due to elevated prices and demand slowdown amid record inflation and high interest rates. Whereas, FO sales fell by 64% YoY during FY23.

▪ Thus, PSO's overall market share declined by 1.4ppt YoY to 50% while market share for MS/HSD/FO declined by 0.2/2.4/18.3ppts YoY to 45/54/43% in FY23.

▪ **APL also posted negative growth:** APL recorded an overall decline of 25% YoY during FY23 as its petroleum sales clocked in at 1.6mn tons. Product wise analysis reveals that sales of MS/HSD/FO decreased by 14/27/37% YoY in FY23. Moreover, APL's market share in MS/HSD/FO was up by 0.3/0.2/3.5ppts YoY to 8/9/18% in FY23.

▪ **SHEL tumbled:** During FY23, SHEL's volumes clocked in at 1.3mn tons, down by 28% YoY. MS/HSD sales declined by 18/38% YoY. Whereas, Shell's market share of MS/HSD dropped by 0.1/1.1ppts to 11/7% in FY23.

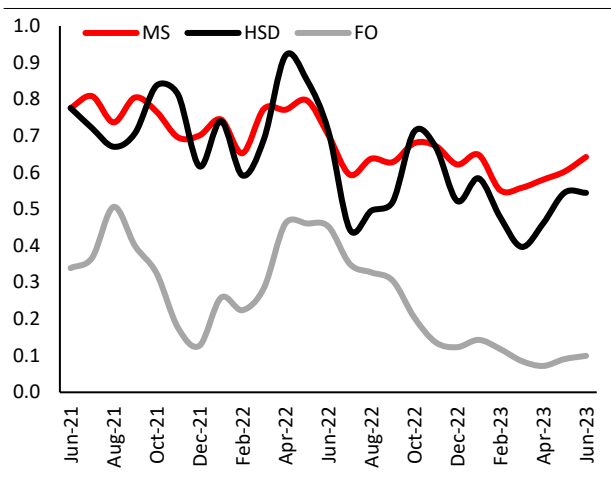
▪ **HASCOL bucked the trend:** HASCOL sales were up by 53% YoY in FY23 with volume of 419K tons given 72/81% YoY incline in MS/HSD sales. It's market share of MS/HSD rose by 1.9/1.4ppts YoY to 4/2% in FY23.

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.

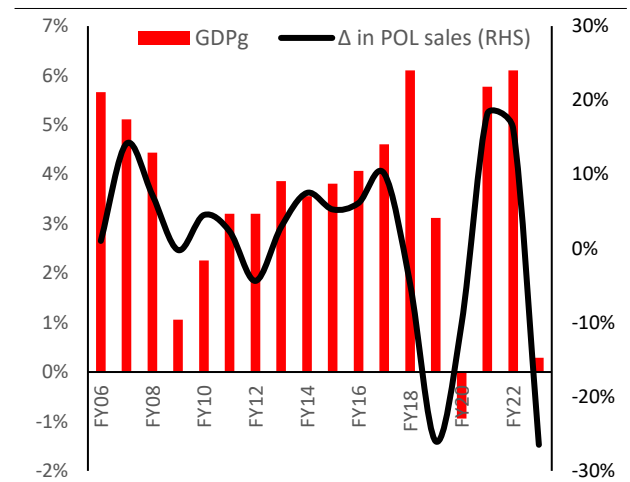
▪ However, we have an outperform stance on the sector due to expected improvement in sector's cashflows amid (1) revision in OMC margins and (2) expected increase in gas and electricity prices given IMF program conditionality.

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



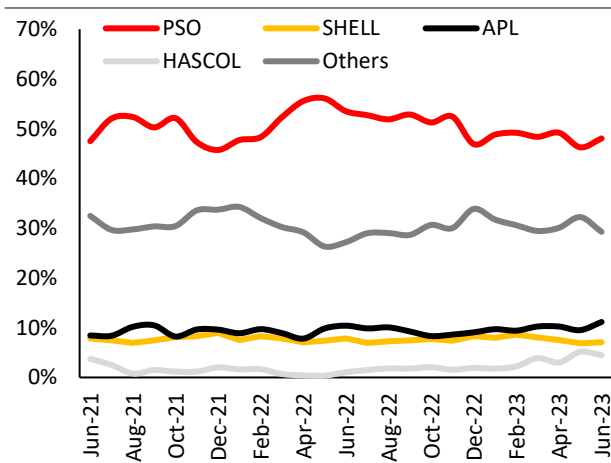
Source: OCAC, Foundation Research, Jul 2023

Fig 2: POL sales and GDP growth show correlation



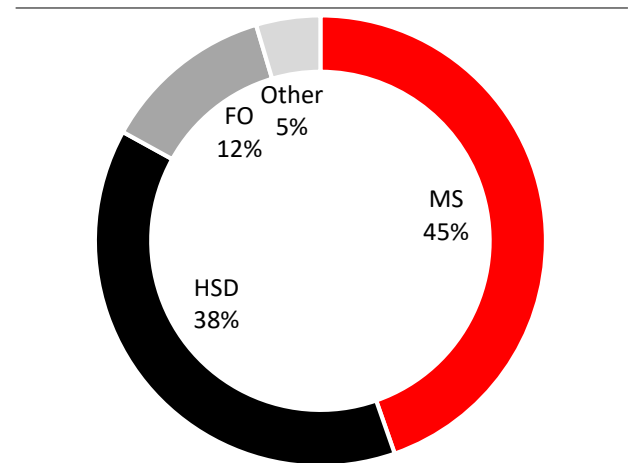
Source: OCAC, Foundation Research, Jul 2023

Fig 3: PSO dominating market share...



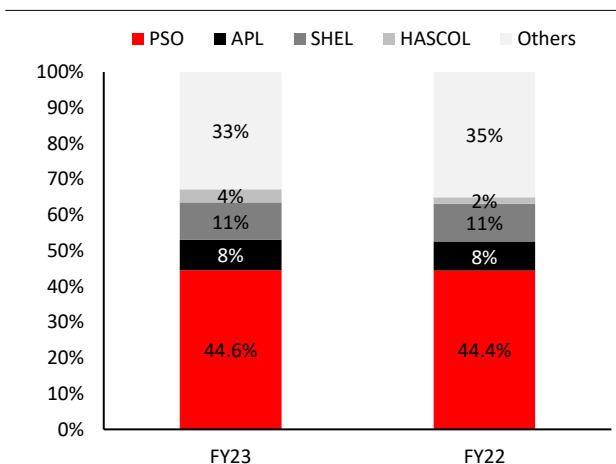
Source: OCAC, Foundation Research, Jul 2023

Fig 4: Product wise breakdown during FY23...



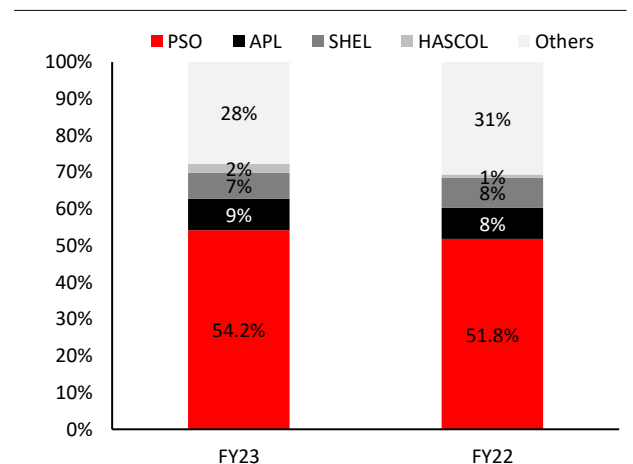
Source: OCAC, Foundation Research, Jul 2023

Fig 5: PSO share in MS ↑18bps YoY in FY23



Source: OCAC, FSL Research, Jul 2023

Fig 6: PSO share in HSD ↑2.4ppts YoY in FY23



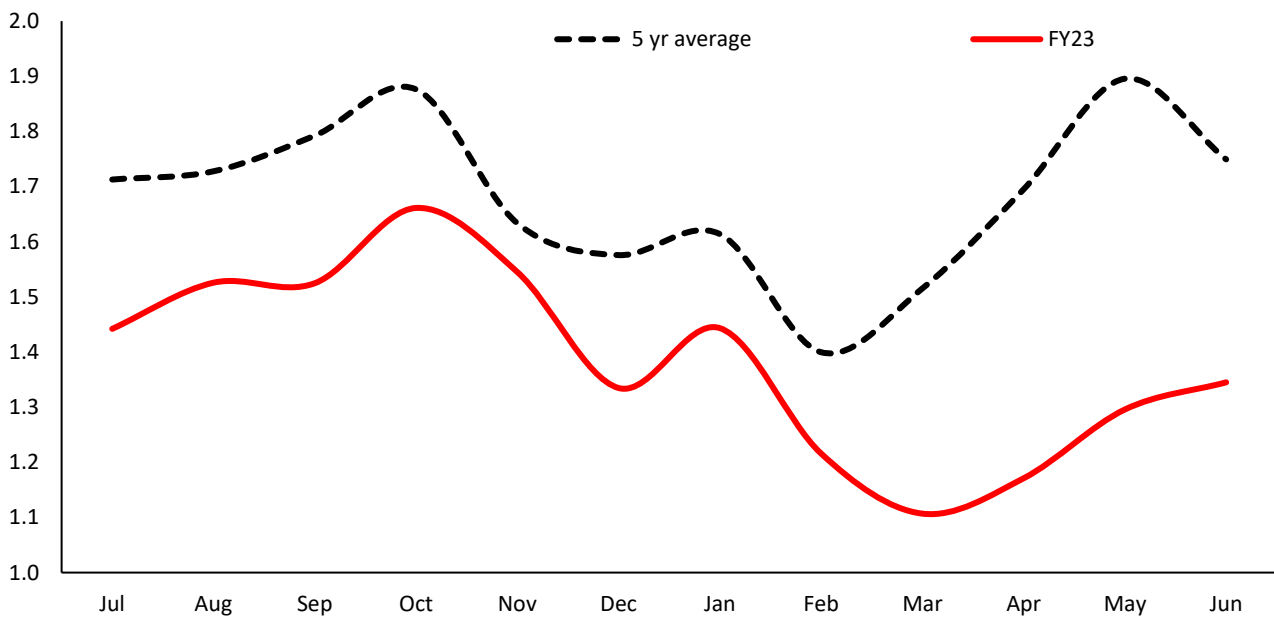
Source: OCAC, Foundation Research, Jul 2023

Table 1: FY23 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	7,418	3,306	780	626	269	-17%	-17%	-18%	-14%	72%	45%	11%	8%	4%
HSD	6,372	3,456	451	549	149	-28%	-25%	-38%	-27%	81%	54%	7%	9%	2%
FO	2,056	879	-	370	-	-49%	-64%	N/A	-37%	-100%	43%	0%	18%	0%
Others	765	662	29	45	1	5%	15%	-54%	15%	-70%	87%	4%	6%	0%
Total	16,611	8,303	1,259	1,589	419	-26%	-29%	-28%	-24%	53%	50%	8%	10%	3%

Source: OCAC, Foundation Research, Jul 2023

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



Source: OCAC, Foundation Research, Jul 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.