

Pakistan OMCs

Feb'23 Oil sales down by 21% YoY

Pakistan oil sales fell by 21% YoY to clocked in at 1.21mn tons in Feb'23 against 1.54mn tons in SPLY. The decline in oil sales is mainly attributable to i) higher petroleum product prices, ii) slowdown in economic activity, iii) influx of smuggled petroleum products and iv) lower demand of FO for power generation. During the month, prices of MS (Motor Spirit, commonly known as petrol or gasoline) and HSD (High-Speed Diesel) have risen to their peak levels of PKR272/ltr and PKR280/ltr, respectively. Similarly, on MoM basis, oil sales plunged by 16%. Cumulatively in 8MFY23, oil sales fell by 19% YoY to clocked in at 11.69mn tons compared to 14.45mn tons in SPLY.

A downward trajectory

Furnace oil (FO) sales witnessed a major decline of 47%/17% YoY/QoQ to clocked in at 118k tons in Feb'23. The decline is primarily attributable to lower FO based power generation during the month. Likewise, HSD sales in Feb'23 recorded a decline of 19% YoY to clocked in at 478k tons due to slowdown in economic activities, higher prices and influx of smuggled Irani diesel. Similarly, MS sales fell by 15% YoY to clocked in at 648k tons due to higher prices.

Company wise analysis

Amongst the listed companies, CENERGY sales recorded the highest decline of 64% YoY, followed by APL (23%↓), PSO (19%↓) and SHEL (18%↓) YoY. Whereas, HASCOL sales improved by 5% YoY due to lower base.

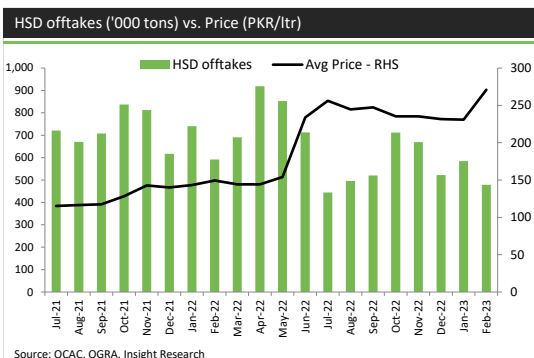
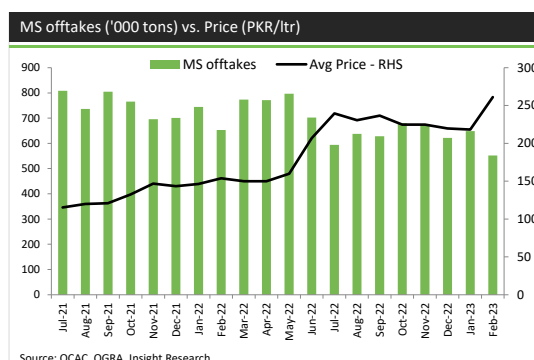
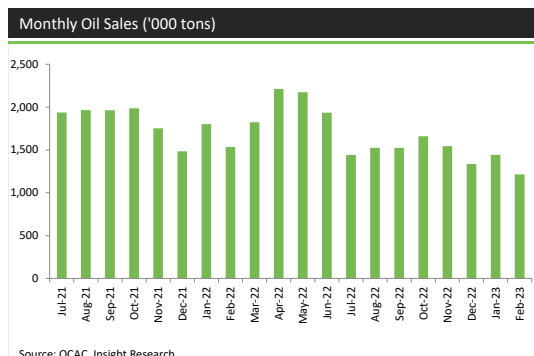
PSO strengthened its market share from 49.7% in 8MFY22 to 50.9% in 8MFY23, followed by HASCOL which improved its market share by 0.3ppt. On the flip side, market share of CENERGY declined to 2.3% in 8MFY23 from 4.8% in 8MFY22, followed by SHEL and APL, whose market share declined by 0.1ppt in 8MY23 as compared to SPLY.

Current pace indicating shortfall in PDL collection

As per our estimates, government is likely to collect PKR371bn in 8MFY23 on account of Petroleum Development Levy (PDL). In March, the government raised the PDL on HSD by PKR 5/ltr, bringing it to PKR 45/PKR. Despite this increase, the current rate of PDL collection suggests a shortfall in achieving the budgeted target of PKR855bn. The ongoing decrease in retail fuel sales (8MFY23 retail sales down by 19%) is a major concern for government's tax collection target. Even if the maximum PDL limit (PKR50/ltr) is applied on both MS and HSD, the target seems unachievable.

Outlook

Going forward, we expect oil sales to remain under pressure due to higher prices, slowdown in economic activities and decline in automobile sales coupled with challenges on agriculture front. However, OMCs will reap the benefits of higher margins and APL remains our top pick in this sector (TP : PKR440/sh).



Estimated PDL collection (PKRbn)

	MS	HSD	Total
Jul-22	8	3	11
Aug-22	17	6	23
Sep-22	32	5	37
Oct-22	37	8	45
Nov-22	46	10	56
Dec-22	42	17	59
Jan-23	44	24	68
Feb-23	44	28	72
Total	271	101	371

Source: OGRA, Insight Research

OMC sales for Feb'23

000' tons	Feb-23	Feb-22	Jan-23	YoY	MoM	8MFY23	8MFY22	YoY
Industry								
MS	552	653	648	-15%	-15%	5,035	5,910	-15%
HSD	478	592	584	-19%	-18%	4,426	5,698	-22%
FO	118	224	143	-47%	-17%	1,708	2,384	-28%
Others	68	68	68	0%	0%	524	460	14%
Total	1,216	1,536	1,443	-21%	-16%	11,693	14,452	-19%
Company Wise								
PSO	598	742	704	-19%	-15%	5,946	7,178	-17%
MS	261	277	316	-6%	-17%	2,241	2,598	-14%
HSD	258	296	315	-13%	-18%	2,422	2,854	-15%
FO	20	116	13	-82%	53%	835	1,373	-39%
Others	58	54	60	9%	-3%	449	353	27%
APL	114	149	140	-23%	-18%	1,083	1,355	-20%
MS	48	57	54	-15%	-11%	422	481	-12%
HSD	43	52	49	-19%	-14%	378	491	-23%
FO	20	37	34	-46%	-41%	251	356	-30%
Others	4	3	3	11%	40%	33	26	24%
SHEL	105	128	115	-18%	-9%	898	1,130	-21%
MS	60	70	72	-14%	-16%	545	621	-12%
HSD	37	51	42	-27%	-10%	330	463	-29%
FO	4	-	-	NM	NM	4	-	NM
Others	3	6	2	-44%	85%	19	46	-58%
CENERGY	35	98	34	-64%	4%	274	693	-60%
MS	6	12	3	-51%	85%	54	154	-65%
HSD	8	23	6	-66%	41%	74	219	-66%
FO	22	14	25	58%	-15%	146	196	-26%
Others	0	0	0	-86%	-55%	1	1	-51%
HASCOL	27	26	26	5%	4%	213	223	-5%
MS	16	15	14	5%	15%	139	126	10%
HSD	11	10	12	6%	-10%	73	62	17%
FO	-	-	-	NM	NM	-	33	NM
Others	0	0	0	-86%	-55%	1	1	-51%

Source: OCAC, Insight research

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- Discounted cash flow (DCF)
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Frequently Used Acronyms

TP	Target Price	DCF	Discounted Cash Flows	FCF	Free Cash Flows
FCFE	Free Cash Flows to Equity	FCFF	Free Cash Flows to Firm	DDM	Dividend Discount Model
SOTP	Sum of the Parts	P/E	Price to Earnings ratio	P/Bv	Price to Book ratio
P/S	Price to Sales	EVA	Economic Valued Added	BVPS	Book Value per Share
EPS	Earnings per Share	DPS	Dividend per Share	DY	Dividend Yield
ROE	Return on Equity	ROA	Return on Assets	CAGR	Compounded Annual Growth Rate

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