

Pakistan OMCs

Jun'23 Oil sales down by 31% YoY

In Jun'23, Pakistan oil sales fell by 31% YoY to clock in at 1.34mn tons against 1.94mn tons in SPLY. The decline in oil sales is 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. Whereas on MoM basis, oil sales increased by 4% mainly driven by MS sales (↑7%). In FY23, oil sales fell by 26% YoY to clock in at 16.6mn tons compared to 22.6mn tons in SPLY.

Downward trend continues

Furnace oil (FO) sales witnessed a major decline of 78% YoY to clock in at 100k tons in Jun'23. The decline is primarily attributable to lower FO based power generation during the month due to availability of cheaper sources of power generation. Similarly, HSD sales in Jun'23 recorded a decline of 24% YoY to clock in at 544k tons mainly due to higher price, influx of smuggled Iranian diesel and slowdown in economic activities. Moreover, MS sales also fell by 8% YoY to clock in at 642k tons.

Company wise analysis

Amongst the listed companies, PSO sales recorded the highest decline of 38% YoY in Jun'23, followed by SHEL (↓37%), CENERGY (↓32%) and APL (↓25%) YoY. Whereas, HASCOL made a significant improvement by increasing its sales by ~3x YoY, albeit low base effect. HASCOL strengthened its market share from 1.2% in FY22 to 2.5% in FY23, followed by APL which recorded an increase of 0.25ppt in its market share. On the flip side, market share of CENERGY declined to 2.2% from 3.0% in FY22.

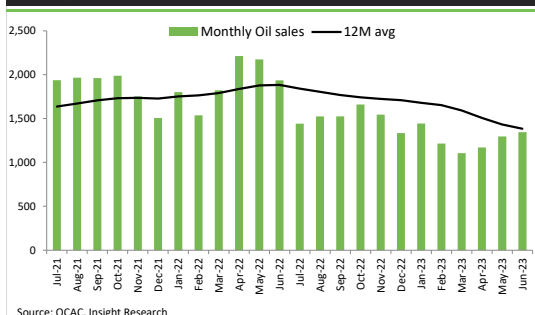
PDL raised to PKR55/ltr

In recent development, Government has increased the Petroleum Development Levy (PDL) on petrol to PKR55/ltr. Previously, there was a cap on the PDL limit, which was set at PKR50/ltr. However, in FY24 federal budget, this cap was increased to PKR60/ltr. Government has set the target of collecting PKR869bn through PDL in FY24. Whereas for FY23, we expect Government PDL collection to reach PKR635bn in FY23.

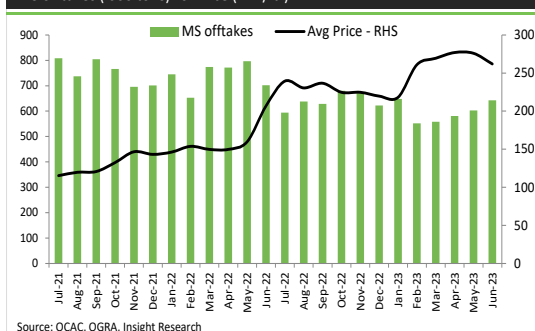
Outlook

Recent appreciation of PKR/USD will likely to reduce ex-refinery prices of retail fuels, potentially resulting in lower prices for consumers. However, this positive impact maybe offset by the increase in PDL to PKR60/ltr. Moreover, the decline in ex-refinery prices could lead to inventory losses for OMCs. On the demand front, we expect an improvement in oil sales, particularly in retail sales, due to an uptick in economic activity and a slowdown in smuggled petroleum products.

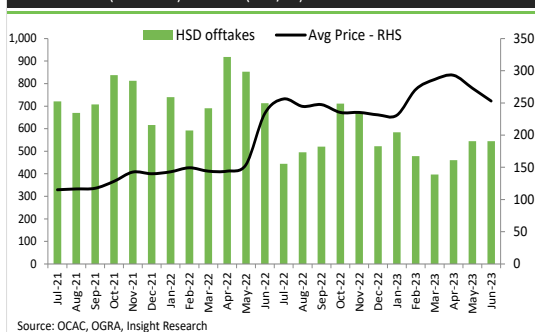
Monthly Oil Sales ('000 tons)



MS offtakes ('000 tons) vs. Price (PKR/ltr)



HSD offtakes ('000 tons) vs. Price (PKR/ltr)



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	37	23	60
Mar-23	38	21	59
Apr-23	39	28	67
May-23	41	33	73
Jun-23	43	33	76
Total	425	210	635

Source: OGRA, Insight Research

OMC sales for Jun'23

000' tons	Jun-23	Jun-22	May-23	YoY	MoM	FY23	FY22	YoY
Industry								
MS	642	702	603	-8%	7%	7,418	8,954	-17%
HSD	544	713	545	-24%	0%	6,372	8,872	-28%
FO	100	453	91	-78%	10%	2,056	4,043	-49%
Others	59	68	58	-14%	2%	765	728	5%
Total	1,345	1,936	1,296	-31%	4%	16,611	22,597	-26%
Company Wise								
PSO	646	1,036	599	-38%	8%	8,303	11,615	-29%
MS	290	315	257	-8%	13%	3,306	3,975	-17%
HSD	296	378	278	-22%	6%	3,456	4,596	-25%
FO	9	289	13	-97%	-28%	879	2,468	-64%
Others	51	54	51	-6%	0%	662	577	15%
APL	150	201	123	-25%	22%	1,589	2,105	-24%
MS	56	60	49	-7%	14%	626	731	-14%
HSD	49	62	47	-20%	5%	549	752	-27%
FO	42	76	24	-45%	72%	370	583	-37%
Others	3	3	3	12%	2%	45	39	16%
SHEL	95	152	89	-37%	7%	1,259	1,742	-28%
MS	61	77	57	-20%	7%	780	953	-18%
HSD	32	69	30	-53%	7%	451	727	-38%
FO	-	-	-	NM	NM	4	-	NM
Others	2	6	1	-73%	22%	25	61	-59%
CENERGY	25	36	20	-32%	24%	357	683	-48%
MS	7	13	6	-47%	22%	79	206	-62%
HSD	4	10	2	-62%	109%	87	277	-69%
FO	14	13	12	5%	14%	191	260	-27%
Others	0	1	0	-98%	NM	1	3	-74%
HASCOL	60	21	67	186%	-10%	419	275	52%
MS	37	11	35	232%	5%	269	157	72%
HSD	24	9	32	150%	-26%	149	82	81%
FO	-	-	-	NM	NM	-	33	NM
Others	0	1	0	-98%	NM	1	3	-74%

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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Insight Securities (Pvt.) Limited

Suite 509, Business and Finance Centre,

I. I. Chundrigar Road , Karachi, Pakistan

+92-21-32462541-44