

Pakistan OMCs

Jul'23 Oil sales down by 6% YoY

Pakistan oil sales fell by 6% YoY to clock in at 1.35mn tons in Jul'23 against 1.44mn tons in SPLY. The decline in oil sales is mainly attributable to lower demand of Furnace Oil (FO) for power generation. Excluding FO, oil sales are up by 10% YoY due to low base amidst Eid holidays in Jul'22 and flooding across the country. Whereas on MoM basis, oil sales remained flattish. We expect oil sales to remain suppressed due to lower demand of FO along with recent increase in prices of retail fuel which will further dent the demand in the coming months.

Black oil offtakes led the decline

Furnace oil (FO) sales witnessed a major decline of 59% YoY to clock in at 144k tons in Jul'23. The decline is primarily attributable to lower FO based power generation during the month due to availability of cheaper sources of power generation. On the flipside, HSD sales in Jul'23 recorded an increase of 11% YoY to clock in at 494k tons mainly due to low base amidst Eid holidays and flood across the country. The same is down by 9% MoM possibly driven by seasonal factor and monsoon season. Furthermore, MS sales increased by 10% YoY to clock in at 656k tons due to aforementioned reason.

Company wise analysis

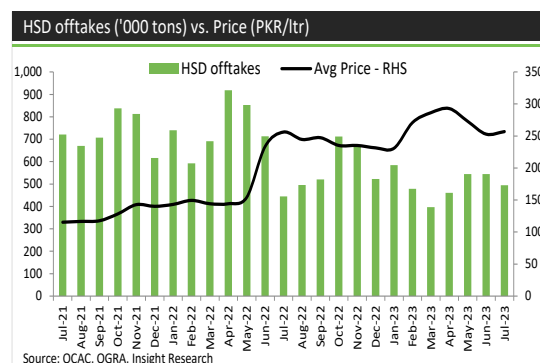
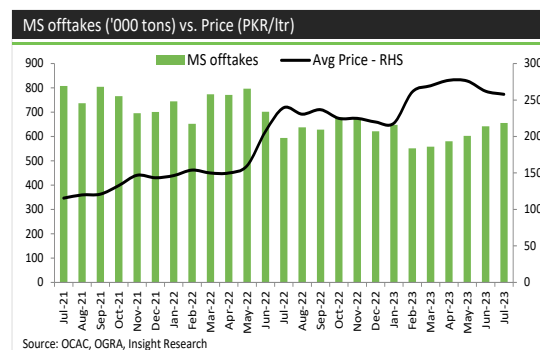
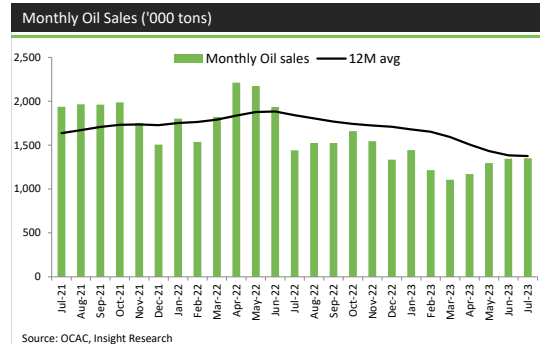
Amongst the listed companies, CENERGY sales recorded the highest decline of 33% YoY in Jul'23, followed by PSO (11%↓), APL (7%↓) and SHEL (7%↓) YoY. Whereas, HASCOL made a significant improvement by increasing its sales by 103% YoY, albeit low base effect. HASCOL strengthened its market share from 1.5% in Jul'22 to 3.2% in Jul'23. On the flip side, market share of CENERGY declined from 2.9% in Jul'22 to 2.0% in Jul'23.

Hike in retail prices

Government has increased of MS and HSD by PKR19.95/ltr and PKR19.90/ltr due to increase in global oil prices and decline in PKR/USD parity. Currently, Government is collecting PDL of PKR55/ltr and PKR50/ltr on MS and HSD, respectively. However, their target is to increase PDL to PKR60/ltr for both retail fuels. We expect fuel prices to show upward trend which will dampen the demand of retail fuels. This will impact the PDL budgeted collection target of PKR869bn due to lower offtakes.

Outlook

Global oil prices are depicting an upward trend amid OPEC's production cuts and decline in US oil inventories. As a result, price of Brent crude oil has risen to ~US\$85.9/bbl compared to an average of US\$74.9/bbl in Jun'23. This upward trend, combined with the increase in PKR/USD exchange rate, poses a risk of higher fuel prices, which may lead to a potential decrease in oil sales in the coming months. However, impact is likely to be mitigated by inventory gains.



OMC sales for Jul'23

000' tons	Jul-23	Jul-22	Jun-23	YoY	MoM
Industry					
MS	656	594	642	10%	2%
HSD	494	444	544	11%	-9%
FO	144	350	100	-59%	45%
Others	56	53	59	4%	-5%
Total	1,350	1,442	1,345	-6%	0%
Company Wise					
PSO	678	760	646	-11%	5%
MS	313	259	290	21%	8%
HSD	275	233	296	18%	-7%
FO	41	224	9	-82%	333%
Others	49	44	51	11%	-4%
APL	132	142	150	-7.2%	-12%
MS	56	51	56	10%	0%
HSD	43	48	49	-9%	-12%
FO	30	41	42	-26%	-27%
Others	2	3	3	-7%	-27%
SHEL	94	100	95	-6.5%	-1%
MS	61	63	61	-4%	0%
HSD	31	33	32	-7%	-4%
FO	-	-	-	NM	NM
Others	2	4	2	-54%	0%
CENERGY	28	41	25	-33%	11%
MS	7	11	7	-36%	-4%
HSD	4	4	4	-12%	3%
FO	17	26	14	-36%	20%
Others	0	0	0	-40%	NM
HASCOL	44	21	60	103%	-27%
MS	24	15	37	58%	-34%
HSD	19	6	24	220%	-18%
FO	-	-	-	NM	NM
Others	0	0	0	-40%	NM

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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