

Pakistan Oil & Gas Marketing Companies

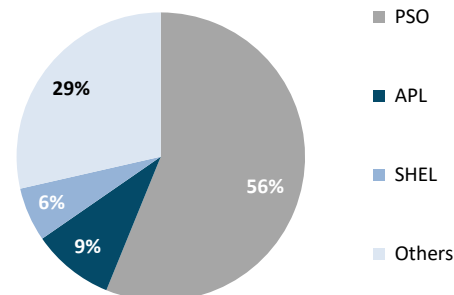
Anti-smuggling drive yields results as petroleum sales recover

Thursday, November 2, 2023

Pakistan’s domestic petroleum sales saw an uptick of 19% MoM to 1.26mn MT because of a number of factors, particularly a notable improvement in HSD sales. Despite the increase, the monthly sales number remained relatively low, coming in 9% below the FY23’s average figure of 1.38 million MT per month and 33% lower than the FY22’s average monthly sales of 1.88 million MT.

- HSD sales rise by 42% MoM to 0.56mn MT:** Domestic HSD sales witnessed a sharp recovery during Oct23, surging by 46% MoM to 0.56mn MT. A number of factors contributed to the surge in the commodity’s demand. The most notable was the crackdown against smuggled petroleum from Iran. Sources estimated that around 1000 pumps dealing with Iranian fuel were responsible for displacing 25-30% of the domestic HSD supply. Moreover, an improvement in economic activity after the relaxation of import restrictions also contributed to the commodity’s rise. PSO emerged as the market leader with a share of 56% during October 2023.

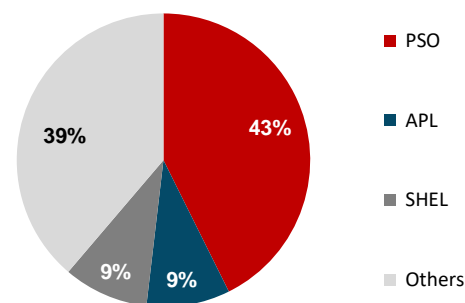
HSD Market Share – Oct’23



Source: OCAC, BMA Research

- MS Sales recover by 12% MoM to 0.58mn MT:** MS sales saw a growth of 12% to 0.58mn MT during Oct23. We think the commodity’s demand likely found support from a sharp reduction in rates, as petroleum prices were reduced by Pkr 40/liter. Cumulative demand during the fiscal year, however, saw a dip of 4% to 2.43mn MT. Record-high petroleum prices and subdued automobile sales (down 44% YoY) likely led to the decline in the commodity’s demand. PSO emerged as the market leader with a share of 43% during October 2023.

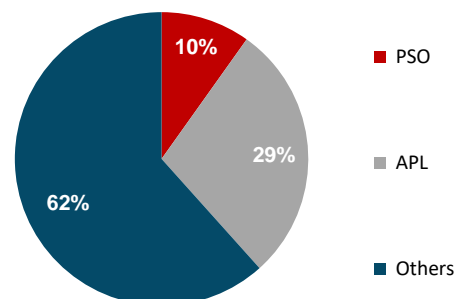
MS Market Share – Oct’23



Source: OCAC, BMA Research

- FO sales stay low at 0.05mn MT:** FO sales stood low at 0.05mn MT, depicting a fall of 37% MoM. Moreover, the cumulative decline registered at 66% YoY to 0.4mn MT during 4MFY24. FO’s demand has been on a continuous decline because of the low operating rates of FO-based power plants. Notably, FO’s contribution towards the country’s energy mix stood at under 3.0%. Going forward, we see the commodity’s demand staying low in the coming months because of the onset of the winter season, during which the demand for electricity eases. Cnergyico emerged as the market leader with a share of 33%.

FO Market Share – Oct’23



Source: OCAC, BMA Research

The sector positioned for notable improvements: We believe the sector is well positioned for an improvement in its operational performance. Recent efforts to curb the flow of smuggled fuel will likely result in a sharp recovery in OMC’s petroleum sales. The effect of the crackdowns was apparent in recent HSD sales, which saw the commodity’s demand rise by 42% MoM. Moreover, the sector’s improving sales prospects will greatly benefit from the recent 31% increase in OMC margins to Pkr 7.87/liter. PSO particularly is slated to benefit from the energy sector reforms, particularly the gas price hike. The hike is projected to considerably improve the cash flows of Pakistan’s energy chain, and likely allow PSO to clear its backlog of receivables. Any development on this scenario may allow the company to reduce its debt balance and potentially enhance its payouts.

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Pakistan OMC off-take - 4MFY24								
kT	Oct23	Sep23	MoM	Oct22	YoY	4MFY24	4MFY23	YoY
Industry								
MS	580.6	518.2	12%	680.0	-15%	2,426.9	2,540.1	-4%
HSD	560.2	394.2	42%	711.6	-21%	1,997.2	2,171.6	-8%
FO	53.5	84.5	-37%	204.5	-74%	400.0	1,187.3	-66%
PSO								
MS	247.6	238.1	4%	289.4	-14%	1,131.0	1,111.7	2%
HSD	314.6	206.4	52%	394.4	-20%	1,101.7	1,126.2	-2%
FO	5.3	11.7	-55%	110.4	-95%	87.7	757.8	-88%
APL								
MS	53.5	49.7	8%	53.8	-1%	216.8	213.7	1%
HSD	51.6	45.7	13%	48.9	6%	193.8	187.4	3%
FO	15.3	24.8	-39%	32.2	-53%	106.3	153.2	-31%
SHEL								
MS	54.4	51.3	6%	73.5	-26%	226.8	274.8	-17%
HSD	34.0	26.4	28%	53.3	-36%	126.7	168.3	-25%
FO	0.0	0.0	n.m	0.0	n.m	0.0	0.0	n.m
HASCOL								
MS	32.7	18.5	77%	21.4	53%	103.5	73.2	41%
HSD	7.9	5.5	43%	12.7	-38%	40.1	37.1	8%
FO	0.0	0.0	n.m	0.0	n.m	0.0	0.0	n.m

Source: OCAC, BMA Research

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Old rating system

Valuation Methodology

To arrive at our period end target prices, BMA Capital uses different valuation methodologies including

- Discounted cash flow (DCF, DDM)
- Relative Valuation (P/E, P/B, P/S etc.)
- Equity & Asset return based methodologies (EVA, Residual Income etc.)