

Day Break

Tuesday, 03 September 2019

Sector Update

OMC Sales Data for Aug-19

MS Volumes (000' tons)

	Aug-19	YoY	CY19TD	YoY
PSO	266.1	16%	1,950.0	9%
APL	57.8	-7%	458.6	-1%
HASCOL	35.8	-33%	366.9	-37%
SHEL	79.4	6%	639.3	3%
Industry	633.8	5%	4,975.4	3%

HSD Volumes (000' tons)

	Aug-19	YoY	CY19TD	YoY
PSO	183.1	1%	1,891.0	-10%
APL	50.4	-24%	463.3	-14%
HASCOL	22.0	-60%	411.3	-49%
SHEL	35.2	-8%	363.9	-10%
Industry	407.2	-17%	4,453.8	-17%

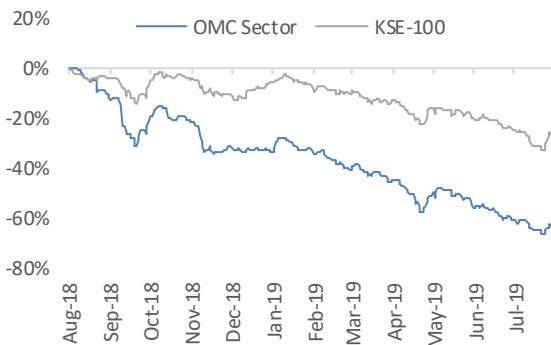
FO Volumes (000' tons)

	Aug-19	YoY	CY19TD	YoY
PSO	90.7	346%	1,099.2	-41%
APL	31.0	-36%	273.2	-34%
HASCOL	4.9	-89%	195.7	-58%
SHEL	-	n/m	-	-100%
Industry	182.6	-4%	2,042.7	-40%

Others Volumes (000' tons)

	Aug-19	YoY	CY19TD	YoY
PSO	57.8	22%	432.9	-8%
APL	3.4	-15%	27.1	-17%
HASCOL	0.3	-26%	2.9	-61%
SHEL	1.3	-70%	13.5	-78%
Industry	64.8	11%	493.6	-17%

Relative Performance to KSE 100



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Oil & Gas – Marketing Companies

Aug-19: Volumes Continue to Depict Weakened Demand in OMC sector; Sales Down by 4%YoY

- Industry volumes for oil marketing companies for the month of Aug-19 witnessed a decline of 4%YoY to 1.29mn ton bringing industry volumes for CY19TD to 11.97mn ton down by 16% YoY. Furnace Oil (FO)/ High Speed Diesel (HSD) sales registered drop of 4%/17%YoY during Aug-19 while Motor Spirit (MS) recorded +5% YoY growth in sales,
- MS sales appreciated by +5%YoY in Aug-19, while on sequential basis, volumes are up by +1%MoM to 0.63mn ton likely on the back of hike in CNG prices which provided a boost to MS sales.
- HSD sales dropped down by 17%YoY to 0.41mn ton in Aug-19, while on monthly basis volumes are down by +25%MoM. The drop in sales is likely attributable to higher domestic prices, slowdown in commercial transport and grey market sales.
- FO volumes depicted a decline of 4%YoY to 0.18mn ton in Aug-19 as demand remained subdued owing to lower generation from FO based power plants which was also substituted by new low cost LNG/Coal plants operating at priority basis. On sequential basis, FO volumes are down by 38%MoM.

Volumes depict 4%YoY decline in Aug-19 to 1.29mn ton

Industry volumes for oil marketing companies for the month of Aug-19 witnessed a decline of 4% YoY to 1.29mn ton bringing industry volumes for CY19TD to 11.97mn ton down by 16% YoY. Furnace Oil (FO)/ High Speed Diesel (HSD) sales registered drop of 4%/17% YoY during Aug-19 while Motor Spirit (MS) recorded +5% YoY growth in sales. On a monthly basis, industry volumes are down by 16%MoM in Aug-19 on the back of 38%/25%MoM decline in FO/HSD sales. For CY19TD, volumes decreased owing to 40%/17%/17% YoY contraction in FO/Others/HSD sales. To highlight, during CY19TD SHEL/PSO/APL led the charts by posting only 6%/14%/15% YoY drop in total sales while HASCOL witnessed 47% YoY plunge in total volumes with market share for PSO increasing by 1% to 45% whereas SHEL/APL retained their market share at 8%/10%, while HASCOL market share dropped to 8% from 13% in the same period last year.

MS; Volumes up by +5%YoY during Aug-19

MS sales appreciated by +5%YoY in Aug-19, while on sequential basis, volumes are up by +1%MoM to 0.63mn ton likely on the back of hike in CNG prices which provided a boost to MS sales. For CY19TD, MS volumes are up by +3%YoY to 5.0mn ton. During CY19TD, PSO/SHEL led the chart by posting +9%/+3%YoY growth with market share for PSO increasing to 39%, while HASCOL registered 37%YoY decline in sales respectively with market share dropping to 7%. Other OMCs picked up market share to 31% from 29% in CY18TD.

HSD; Grey market and higher prices continues to hamper growth during Aug-19

HSD sales dropped down by 17%YoY to 0.41mn ton in Aug-19, while on monthly basis volumes are down by +25%MoM. The drop in sales is likely attributable to higher domestic prices, slowdown in commercial transport and grey market sales. This brings total CY19TD sales at 4.45mn ton down by 17%YoY. For CY19TD, PSO/SHEL posted 10%YoY each decline in sales with markets share increasing to 42%/8%. HASCOL/APL registered 49%/14% decline in volumes with HASCOL's market share coming down to 9% from 15% in CY18TD.

FO; Lower demand kept FO sales down by 4%YoY in Aug-19

FO volumes depicted a decline of 4%YoY to 0.18mn ton in Aug-19 as demand remained subdued owing to lower generation from FO based power plants which was also substituted by new low cost LNG/Coal plants operating at priority basis. On sequential basis, FO volumes are down by 38%MoM. As a result, total FO volumes are down by 40%YoY in CY19TD to 2.04mn ton. For CY19TD, HASCOL, PSO and APL reported 58%YoY,

Exhibit: MS Market Share - Company wise (CY19TD)

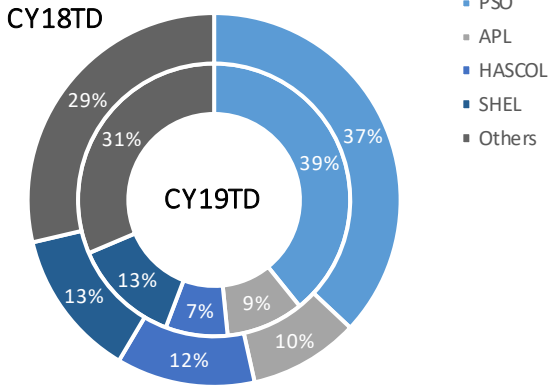


Exhibit: HSD Market Share - Company wise (CY19TD)

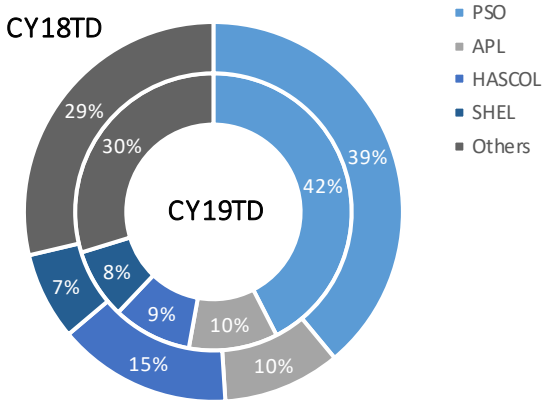
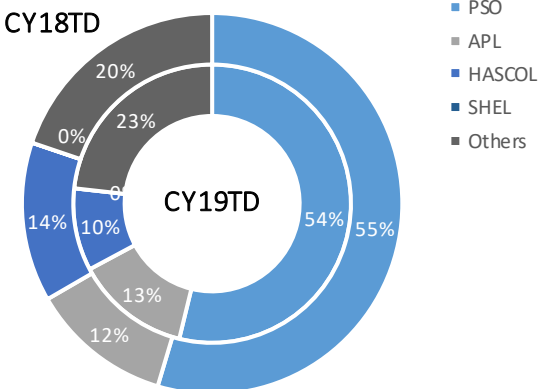


Exhibit: FO Market Share - Company wise (CY19TD)



41%YoY and 34% YoY drop in sales respectively with PSO/HASCOL market share dropping to 54%/10%, while APL's market share increased to 13%.

Outlook

While coal/LNG projects start to commence power generation and GoP's decision to shut down FO based power plants may lead to lower demand for FO prospectively, yet we believe 2.5-3.0mn ton of FO demand will remain owing to continuation of efficient FO based power plants to assure smooth operation of energy chain and meet summer demand and supply shortfall. However, with higher domestic prices, monetary tightening and drop in automobile sales, we expect OMC volumes to remain subdued in the short term. Furthermore, with higher local prices, smuggled POL products especially HSD has led to significant drop in OMC sales. This in our view, would only be stopped through GoP intervention and until that time OMC's are likely to witness depressed sales volume. Moreover, increased competition has also led to decline in market share for larger OMCs such as HASCOL, APL and SHEL while PSO has recently started to capture its market share.

Exhibit:

OMC's Monthly Sales Volume (Aug-19)

000/tons	Aug-19	Jul-19	MoM	Aug-18	YoY	CY19TD	CY18TD	YoY
Industry								
MS	633.8	630.3	1%	606.1	5%	4,975.4	4,839.2	3%
HSD	407.2	546.3	-25%	492.7	-17%	4,453.8	5,382.6	-17%
FO	182.6	294.9	-38%	190.6	-4%	2,042.7	3,423.0	-40%
Others	64.8	63.0	3%	58.4	11%	493.6	597.2	-17%
Total	1,288.5	1,534.4	-16%	1,347.8	-4%	11,965.5	14,242.1	-16%
PSO								
MS	266.1	265.1	0%	230.0	16%	1,950.0	1,789.3	9%
HSD	183.1	255.8	-28%	182.0	1%	1,891.0	2,097.0	-10%
FO	90.7	173.1	-48%	20.3	346%	1,099.2	1,869.8	-41%
Others	57.8	57.2	1%	47.4	22%	432.9	468.8	-8%
Total	597.7	751.2	-20%	479.8	25%	5,373.1	6,224.9	-14%
APL								
MS	57.8	54.9	5%	62.3	-7%	458.6	461.4	-1%
HSD	50.4	58.1	-13%	66.2	-24%	463.3	540.2	-14%
FO	31.0	38.1	-19%	48.7	-36%	273.2	411.6	-34%
Others	3.4	1.9	73%	4.0	-15%	27.1	32.8	-17%
Total	142.6	153.1	-7%	181.1	-21%	1,222.3	1,446.0	-15%
HASCOL								
MS	35.8	20.5	75%	53.3	-33%	366.9	581.6	-37%
HSD	22.0	28.1	-22%	55.6	-60%	411.3	800.0	-49%
FO	4.9	17.6	-72%	45.9	-89%	195.7	463.3	-58%
Others	0.3	0.3	-2%	0.4	-26%	2.9	7.6	-61%
Total	63.0	66.5	-5%	155.1	-59%	976.8	1,852.5	-47%
SHEL								
MS	79.4	80.5	-1%	74.8	6%	639.3	620.7	3%
HSD	35.2	47.9	-27%	38.2	-8%	363.9	402.4	-10%
FO	-	-	0%	-	n/m	-	0.0	-100%
Others	1.3	1.5	-11%	4.5	-70%	13.5	60.0	-78%
Total	115.9	129.9	-11%	117.5	-1%	1,016.6	1,083.2	-6%

Source: IGI Research, OCAC

Source: Company Financials, IGI Research

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