

Day Break

Tuesday, 07 February 2017

Sector Update

OMC Sales Data for Jan-17

PSO Volumes (000' tons)

	Jan-17	YoY	FY17TD	YoY
MS	206.9	29%	1,545.1	13%
HSD	272.8	14%	2,265.9	16%
FO	579.7	6%	4,220.5	22%
Total	1,129.2	12%	8,460.7	18%

HASCOL Volumes (000' tons)

	Jan-17	YoY	FY17TD	YoY
MS	61.9	51%	346.7	54%
HSD	80.4	22%	476.2	41%
FO	54.0	20%	360.1	40%
Total	196.6	29%	1,183.3	44%

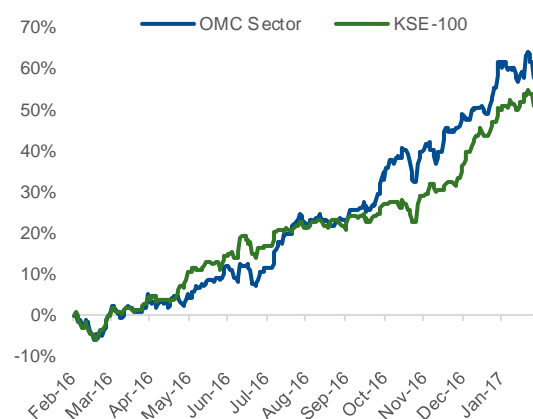
SHEL Volumes (000' tons)

	Jan-17	YoY	FY17TD	YoY
MS	88.9	-11%	644.8	3%
HSD	70.4	-17%	583.9	-3%
FO	4.0	205%	54.8	54%
Total	180.2	-8%	1,390.2	0%

APL Volumes (000' tons)

	Jan-17	YoY	FY17TD	YoY
MS	43.1	6%	323.9	45%
HSD	64.1	-7%	438.3	-1%
FO	53.6	-6%	363.7	-7%
Total	165.3	-3%	1,154.0	7%

Relative Performance to KSE 100



Source: Bloomberg, KSE 100 & IGI Research

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Oil & Gas – Marketing Companies

Jan-17: Sales mount by +9%YoY, MS leading the pack

- Oil marketing industry volumes depicted a growth of +9%YoY (down 2%MoM) to 2.1mnTon in Jan-17. During the month, MS/HSD/FO sales leaped up by +18%/+8%/+1%YoY.
- We maintain over-weight stance on OMCs on the back of a) increased demand for MS owing to lower prices and, b) revision in margins by PKR 0.06/ltr for MS and HSD (yearly revision thereon linked with CPI). Company-wise HASCOL is grabbing market share in MS, HSD and FO owing to aggressive expansion plans and easing supply through Vitol while PSO, APL and SHEL are constantly losing market share due to lack of expansion plans.
- We maintain our **“BUY”** call on HASCOL and APL with our Dec-17 target price of PKR 430/share and PKR 847/share, while we maintain **“HOLD”** call on PSO with our Dec-17 target price of PKR 497/share offering 5% upside from its last closing.

Volumes witnessed growth of +9%YoY in Jan-17

Oil marketing industry volumes depicted a growth of +9%YoY (down 2%MoM) to 2.1mnTon in Jan-17. During the month, MS/HSD/FO sales leaped up by +18%/+8%/+1%YoY. Industry volumes for FY17TD augmented by +18%YoY to 15.03mnTon owing to +19%/+16%/+78%YoY jump in MS/HSD/FO sales.

MS; Demand remains strong despite recent price increase

MS sales increased by +18%YoY to 0.55mnTon in Jan-17, on the back of higher demand amid lower prices. However, on monthly basis volumes depicted a slowdown in growth posting a meager +2%MoM rise as prices were increased by PKR 1.77/ltr during second half of Jan-17.

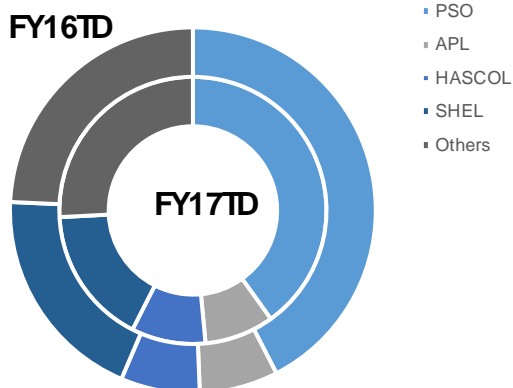
HSD; Stable prices to keep demand upbeat

HSD sales augmented by +8%YoY to 0.64mnTon in Jan-17, whereas on monthly basis volumes plunged by 8%. However, in our view, demand for HSD is anticipated to remain strong owing to lower prices expectations and improving outlook on commercial transportation.

FO; Growth remains muted as prices rise significantly

FO volumes remained flat with a meager +1%YoY growth to 0.77mnTon in Jan-17. The FO prices have increased by +4%MoM in Jan-17, resulting in muted growth of 1%MoM for Jan-17.

Exhibit: MS Market Share - Company wise (FY17TD)



Outlook

We maintain over-weight stance on OMCs on the back of a) increased demand for MS owing to lower prices and b) revision in margins by PKR 0.06/ltr for MS and HSD (yearly revision thereon linked with CPI). Company-wise HASCOL is grabbing market share in MS, HSD and FO owing to aggressive expansion plans and easing supply through Vitol, while PSO, APL and SHEL are constantly losing market share due to lack of expansion plans to sustain market share. However, PSO has started to regain its market share in FO as demand from Hub plant resumes post maintenance.

Recommendation

We maintain our **“BUY”** call on HASCOL and APL with our Dec-17 target price of PKR 430/share and PKR 847/share, respectively offering +22% and +27% upside from its last closing. We maintain **“HOLD”** call on PSO with our Dec-17 target price of PKR 497/share offering +5% upside from its last closing. The company is currently trading at a FY17E P/E of 8.3x and offers a healthy dividend yield of 8%.

Exhibit: HSD Market Share - Company wise (FY17TD)

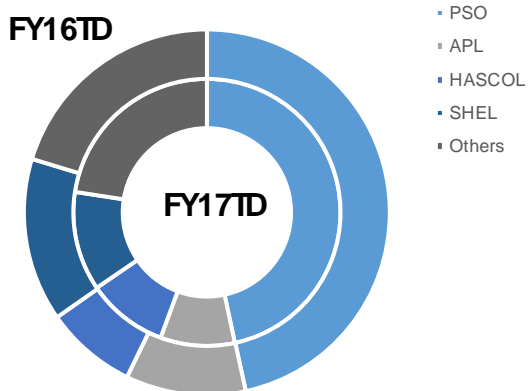


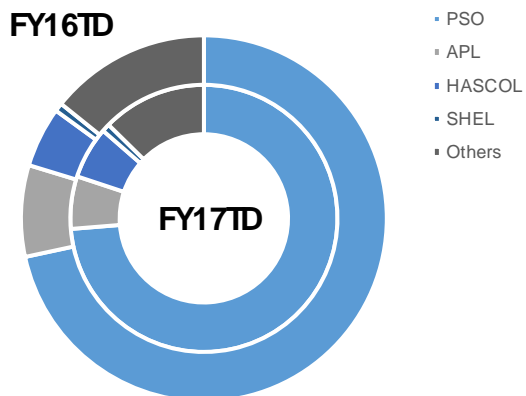
Exhibit:

OMC's Monthly Sales Volume (Jan-17)

	000'tons	Jan-17	Jan-16	YoY	FY17TD	FY16TD	YoY
Industry							
MS		546.5	462.0	18%	3,854.9	3,229.1	19%
HSD		641.5	592.5	8%	4,859.6	4,183.4	16%
FO		771.2	761.5	1%	5,723.6	4,830.7	18%
Others		94.1	74.1	27%	595.2	549.4	8%
Total		2,053.3	1,890.2	9%	15,033.3	12,792.6	18%
PSO							
MS		206.9	159.8	29%	1,545.1	1,371.1	13%
HSD		272.8	238.7	14%	2,265.9	1,949.1	16%
FO		579.7	546.5	6%	4,220.5	3,460.0	22%
Others		69.8	59.6	17%	429.2	373.0	15%
Total		1,129.2	1,004.6	12%	8,460.7	7,153.1	18%
APL							
MS		43.1	40.7	6%	323.9	224.1	45%
HSD		64.1	69.2	-7%	438.3	443.5	-1%
FO		53.6	56.9	-6%	363.7	389.9	-7%
Others		4.5	3.4	31%	28.1	26.0	8%
Total		165.3	170.3	-3%	1,154.0	1,083.4	7%
HASCOL							
MS		61.9	40.9	51%	346.7	225.5	54%
HSD		80.4	66.1	22%	476.2	338.8	41%
FO		54.0	44.9	20%	360.1	257.1	40%
Others		0.3	-	0%	0.3	-	0%
Total		196.6	151.9	29%	1,183.3	821.4	44%
SHEL							
MS		88.9	100.0	-11%	644.8	624.9	3%
HSD		70.4	84.9	-17%	583.9	603.8	-3%
FO		4.0	1.3	205%	54.8	35.6	54%
Others		16.8	9.0	87%	106.7	129.8	-18%
Total		180.2	195.2	-8%	1,390.2	1,394.1	0%

Source: IGI Research

Exhibit: FO Market Share - Company wise (FY17TD)



Source: Company Financials, IGI Research

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Time Horizon: Dec - 2017

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