

Day Break

Tuesday, 05 November 2019

Sector Update

OMC Sales Data for Oct-19

MS Volumes (000' tons)

	Oct-19	YoY	4MFY20	YoY
PSO	258.1	12%	1,052.3	9%
APL	60.5	5%	230.6	-5%
HASCOL	61.1	-5%	149.0	-43%
SHEL	80.3	1%	317.9	3%
Industry	680.9	10%	2,592.2	3%

HSD Volumes (000' tons)

	Oct-19	YoY	4MFY20	YoY
PSO	285.2	-7%	975.0	-1%
APL	57.7	-13%	221.8	-16%
HASCOL	59.8	-33%	144.4	-60%
SHEL	52.3	6%	180.1	0%
Industry	649.9	-10%	2,150.0	-16%

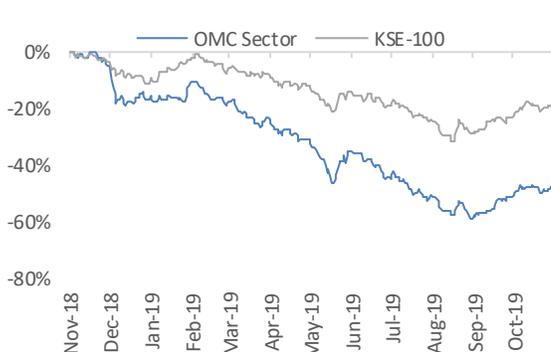
FO Volumes (000' tons)

	Oct-19	YoY	4MFY20	YoY
PSO	125.1	-4%	515.7	17%
APL	31.7	-6%	154.0	-9%
HASCOL	-	-100%	26.7	-86%
SHEL	-	n/m	-	-100%
Industry	199.6	-19%	913.8	-17%

Others Volumes (000' tons)

	Oct-19	YoY	4MFY20	YoY
PSO	63.9	27%	234.6	21%
APL	3.4	-10%	11.8	-21%
HASCOL	0.2	-43%	1.4	-64%
SHEL	1.5	-59%	6.3	-64%
Industry	71.0	16%	262.8	9%

Relative Performance to KSE 100



Source: Bloomberg, PSX & IGI Research

Analyst

Abdullah Farhan

abdullah.farhan@igi.com.pk

Tel: (+92-21) 111-234-234 Ext.: 912

Oil & Gas – Marketing Companies

Oct-19: MS volumes post double digit growth however weak demand drags total Sales by 3%YoY; HSD gains ground on monthly basis

- Industry volumes for oil marketing companies for the month of Oct-19 witnessed a decline of 3% YoY to 1.60mn ton bringing industry volumes for 1QFY20 to 5.92mn ton down by 8% YoY. Furnace Oil (FO)/ High Speed Diesel (HSD) sales registered drop of 19%/10% YoY during Oct-19 while Motor Spirit (MS) recorded +10% YoY growth in sales,
- MS sales appreciated by +10% YoY in Oct-19, while on sequential basis, volumes are up by +5% MoM to 0.68mn ton likely on the back of hike in CNG prices and anticipation of price hike for Nov-19 which provided a boost to MS sales,
- HSD sales dropped down by 10% YoY to 0.65mn ton in Oct-19, while on monthly basis volumes are up by +19% 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 19% YoY to 0.20mn ton in Oct-19 as demand remained subdued owing to lower generation from FO based power plants which was also substituted by higher hydel generation and new coal/LNG plants. On a sequential basis, FO volumes are down by 16% MoM.

Volumes depict 3%YoY decline in Oct-19 to 1.60mn ton

Industry volumes for oil marketing companies for the month of Oct-19 witnessed a decline of 3% YoY to 1.60mn ton bringing industry volumes for 1QFY20 to 5.92mn ton down by 8% YoY. Furnace Oil (FO)/ High Speed Diesel (HSD) sales registered drop of 19%/10% YoY during Oct-19 while Motor Spirit (MS) recorded +10% YoY growth in sales. On a monthly basis, industry volumes are up by +7% MoM in Oct-19 on the back of +19%/5% MoM growth in HSD/MS sales. For 1QFY20, volumes decreased owing to 17%/16% YoY contraction in FO/HSD sales. To highlight, during 4MFY20 PSO led the charts by posting +8% YoY increase in total sales while HASCOL/APL/SHEL witnessed 61%/10%/1% YoY plunge in total volumes with market share for PSO/SHEL increasing by 7%/1% to 47%/9% whereas APL retained its market share at 10%; however HASCOL market share dropped to 5% from 13% in the same period last year.

MS: Volumes up by +10%YoY during Oct-19

MS sales appreciated by +10% YoY in Oct-19, while on sequential basis, volumes are up by +5% MoM to 0.68mn ton likely on the back of hike in CNG prices and anticipation of price hike for Nov-19 which provided a boost to MS sales. For 4MFY20, MS volumes are up by meagre +3% YoY to 2.59mn ton. During 4MFY20, PSO/SHEL led the chart by posting +9%/+3% YoY growth with market share for PSO increasing to 41%, while APL/HASCOL registered 43%/5% YoY decline in sales respectively with market share dropping to 9%/6%. Other OMCs picked up market share to 32% from 29% in 4MFY19.

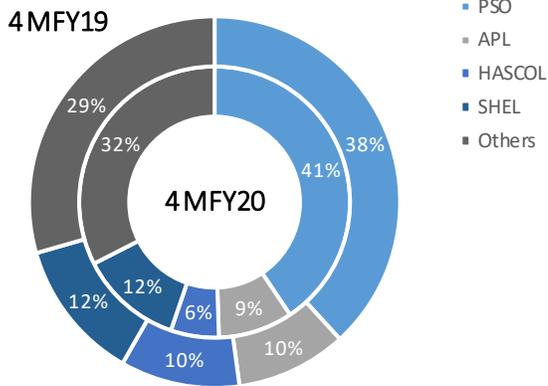
HSD: Grey market and economic downturn continues to hamper sales during Oct-19

HSD sales dropped down by 10% YoY to 0.65mn ton in Oct-19, while on monthly basis volumes are up by +19% MoM. The drop in sales is likely attributable to higher domestic prices, slowdown in commercial transport and grey market sales. This brings total 1QFY20 sales at 2.15mn ton down by 16% YoY. For 4MFY20, PSO posted 1% YoY decline in sales with market share increasing to 45%. HASCOL/APL/SHEL registered 60%/16% YoY decline in volumes during 4MFY20 with HASCOL's market share coming down to 7% from 14% in 4MFY19 Whereas SHEL's market share improved by 1% YoY to 8%.

FO: Lower demand kept FO sales down by 19%YoY in Oct-19

FO volumes depicted a decline of 19% YoY to 0.20mn ton in Oct-19 as demand remained subdued owing to lower generation from FO based power plants which was also substituted by higher hydel generation and new coal/LNG plants. On a sequential basis, FO volumes are down by 16% MoM. As a result, total FO volumes are down by 17% YoY in 4MFY20

Exhibit: MS Market Share - Company wise (4MFY20)



to 0.91mn ton. For 4MFY20, HASCOL and APL reported 86% YoY and 9% YoY drop in sales respectively with HASCOL market share dropping to 3%, while APL's market share increased to 17%. PSO reported +17% YoY rise in FO sales during 4MFY20 with market share increasing from 40% to 56%.

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, peaked out interest rates 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. We expect HASCOL retail segment to recover post right issue due to availability of PKR 50bn LC which would provide working capital for procurement of POL products as due to PKR depreciation and hefty exchange losses HASCOL is facing severe liquidity crunch.

Exhibit: HSD Market Share - Company wise (4MFY20)

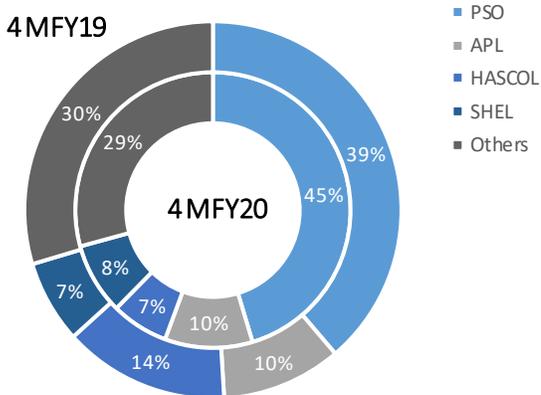


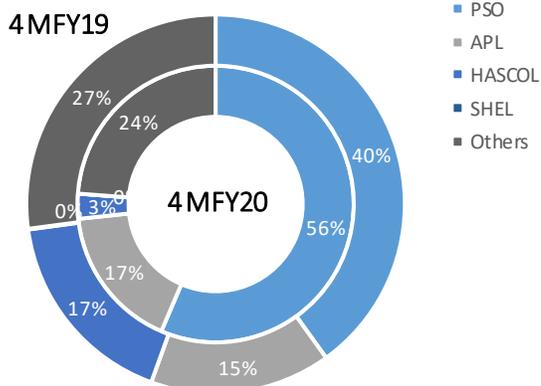
Exhibit:

OMC's Monthly Sales Volume (Oct-19)

	000'tons	Oct-19	Sep-19	MoM	Oct-18	YoY	CY19TD	YoY	4MFY20	YoY
Industry										
MS	680.9	647.2	5%	621.5	10%	6,303.5	3%	2,592.2	3%	
HSD	649.9	546.6	19%	724.0	-10%	5,650.3	-17%	2,150.8	-16%	
FO	199.6	236.8	-16%	247.5	-19%	2,479.1	-38%	913.8	-17%	
Others	71.0	64.0	11%	61.2	16%	628.6	-13%	262.8	9%	
Total	1,601.5	1,494.6	7%	1,654.2	-3%	15,061.6	-15%	5,918.9	-8%	
PSO										
MS	258.1	263.0	-2%	230.5	12%	2,471.0	8%	1,052.3	9%	
HSD	285.2	250.9	14%	307.8	-7%	2,427.1	-9%	975.0	-1%	
FO	125.1	126.8	-1%	130.8	-4%	1,351.1	-37%	515.7	17%	
Others	63.9	55.7	15%	50.5	27%	552.6	-3%	234.6	21%	
Total	732.4	696.4	5%	719.7	2%	6,801.9	-11%	2,777.7	8%	
APL										
MS	60.5	57.3	6%	57.6	5%	576.5	-1%	230.6	-5%	
HSD	57.7	55.6	4%	66.4	-13%	576.6	-15%	221.8	-16%	
FO	31.7	53.1	-40%	33.7	-6%	358.1	-27%	154.0	-9%	
Others	3.4	3.1	12%	3.8	-10%	33.6	-17%	11.8	-21%	
Total	153.4	169.1	-9%	161.5	-5%	1,544.7	-13%	618.1	-10%	
HASCOL										
MS	61.1	31.7	93%	64.4	-5%	459.6	-36%	149.0	-43%	
HSD	59.8	34.6	73%	89.2	-33%	505.7	-50%	144.4	-60%	
FO	-	4.2	-100%	29.4	-100%	199.9	-63%	26.7	-86%	
Others	0.2	0.5	-54%	0.4	-43%	3.7	-56%	1.4	-64%	
Total	121.1	71.0	71%	183.5	-34%	1,168.9	-49%	321.6	-61%	
SHEL										
MS	80.3	77.7	3%	79.7	1%	797.3	2%	317.9	3%	
HSD	52.3	44.6	17%	49.2	6%	460.9	-8%	180.1	0%	
FO	-	-	0%	0.5	n/m	-	-100%	-	-100%	
Others	1.5	2.0	-21%	3.8	-59%	17.0	-75%	6.3	-64%	
Total	134.2	124.3	8%	133.2	1%	1,275.2	-6%	504.4	-1%	

Source: IGI Research, OCAC

Exhibit: FO Market Share - Company wise (4MFY20)



Source: Company Financials, IGI Research

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IGI Finex Securities Limited

Research Analyst(s)

Research Identity Number: BRP009

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Jama Punji
 سرمایہ کاری سمجھداری کے ساتھ
<http://www.jamapunji.pk>

Contact Details

Research Team

Saad Khan	Head of Research	Tel: (+92-21) 111-234-234 Ext: 810	saad.khan@igi.com.pk
Abdullah Farhan	Senior Analyst	Tel: (+92-21) 111-234-234 Ext: 912	abdullah.farhan@igi.com.pk
Suleman Ashraf	Research Analyst	Tel: (+92-21) 111-234-234 Ext: 957	suleman.ashraf@igi.com.pk
Muhammad Saad	Research Analyst	Tel: (+92-21) 111-234-234 Ext: 816	muhammad.saad@igi.com.pk
Bharat Kishore	Database Officer	Tel: (+92-21) 111-234-234 Ext: 974	bharat.kishore@igi.com.pk

Equity Sales

Faisal Jawed Khan	Head of Equities	Tel: (+92-21) 35301779	faisal.jawed@igi.com.pk
Zaeem Haider Khan	Regional Head (North)	Tel: (+92-42) 38303559-68	zaeem.haider@igi.com.pk
Muhammad Naveed	Regional Manager (Islamabad & Upper North)	Tel: (+92-51) 2604861-62	muhammad.naveed@igi.com.pk
Irfan Ali	Regional Manager (Faisalabad)	Tel: (+92-41) 2540843-45	irfan.ali@igi.com.pk
Asif Saleem	Branch Manager (RY Khan)	Tel: (+92-68) 5871652-56	asif.saleem@igi.com.pk
Mehtab Ali	Branch Manager (Multan)	Tel: (+92-61) 4512003	mahtab.ali@igi.com.pk
Zeeshan Kayani	Branch Manager (Abbottabad)	Tel: (+92-992) 408243-44	zeeshan.kayani@igi.com.pk

IGI Finex Securities Limited

Trading Rights Entitlement Certificate (TREC) Holder of
Pakistan Stock Exchange Limited |
Corporate member of Pakistan Mercantile Exchange Limited

Head Office

Suite No 701-713, 7th Floor, The Forum, G-20,
Khayaban-e-Jami Block-09, Clifton, Karachi-75600
UAN: (+92-21) 111-444-001 | (+92-21) 111-234-234
Fax: (+92-21) 35309169, 35301780
Website: www.igisecurities.com.pk

Stock Exchange Office

Room # 134, 3rd Floor, Stock Exchange Building,
Stock Exchange Road, Karachi.
Tel: (+92-21) 32429613-4, 32462651-2
Fax: (+92-21) 32429607

Lahore Office

Shop # G-009, Ground Floor,
Packages Mall
Tel: (+92-42) 38303560-69
Fax: (+92-42) 38303559

Faisalabad Office

Room #: 515-516, 5th Floor, State Life
Building, 2- Liaqat Road
Tel: (+92-41) 2540843-45
Fax: (+92-41) 2540815

Multan Office

Mezzanine Floor, Abdali Tower,
Abdali Road
Tel: (92-61) 4512003, 4571183

Islamabad Office

Mezzanine Floor, Office 5, 6 & 7, Kashmir Plaza,
Block- B, Jinnah Avenue, Blue Area
Tel: (+92-51) 2604861-2, 2604864, 2273439
Fax: (+92-51) 2273861

Rahim Yar Khan Office

Plot # 12, Basement of Khalid Market,
Model Town, Town Hall Road
Tel: (+92-68) 5871652-3
Fax: (+92-68) 5871651

Abbottabad Office

Ground Floor, Al Fatah Shopping Center ,
Opp. Radio Station, Mansehra Road
Tel: (+92-99) 2408243 - 44

IGI Finex Securities Limited

Research Analyst(s)

Research Identity Number: BRP009

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Jama Punji
 سرمایہ کاری سمجھداری کے ساتھ
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