

Day Break

Wednesday, 04 December 2019

Sector Update

OMC Sales Data for Nov-19

MS Volumes (000' tons)

	Nov-19	YoY	5MFY20	YoY
PSO	217.9	20%	1,270.2	11%
APL	55.2	11%	285.8	-2%
HASCOL	48.0	-7%	197.0	-37%
SHEL	61.2	-6%	379.2	1%
Industry	579.0	7%	3,171.2	4%

HSD Volumes (000' tons)

	Nov-19	YoY	5MFY20	YoY
PSO	288.5	26%	1,263.5	4%
APL	63.5	-3%	285.2	-13%
HASCOL	50.6	-28%	195.0	-55%
SHEL	40.1	-2%	220.2	-1%
Industry	621.3	4%	2,771.3	-12%

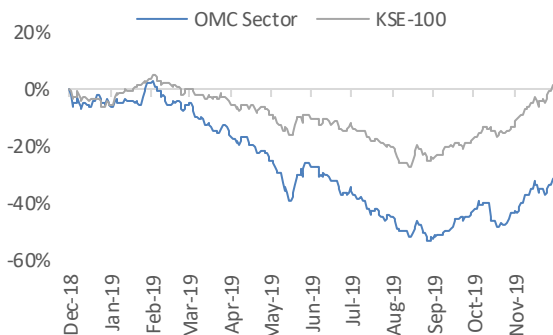
FO Volumes (000' tons)

	Nov-19	YoY	5MFY20	YoY
PSO	88.0	0%	603.8	14%
APL	26.1	154%	180.1	0%
HASCOL	4.8	-53%	31.5	-84%
SHEL	-	n/m	-	-100%
Industry	144.3	9%	1,058.1	-14%

Others Volumes (000' tons)

	Nov-19	YoY	5MFY20	YoY
PSO	70.4	35%	305.0	24%
APL	3.7	-23%	15.5	-22%
HASCOL	0.3	-35%	1.7	-61%
SHEL	1.8	-28%	8.1	-60%
Industry	78.4	27%	341.2	13%

Relative Performance to KSE 100



Source: Bloomberg, PSX & IGI Research

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Oil & Gas – Marketing Companies

Nov-19: Retail segment showing signs of recovery as overall volume are up by +7%YoY led by MS and HSD

- Industry volumes for oil marketing companies for the month of Nov-19 witnessed a growth of +7%YoY to 1.42mn ton bringing industry volumes for 5MFY20 to 7.34mn ton down by 5%YoY. Furnace Oil (FO)/ Motor Spirit (MS)/ High Speed Diesel (HSD) sales registered growth of +9%/+7%/+4%YoY during Nov-19,
- MS sales appreciated by +7%YoY in Nov-19, while on sequential basis, volumes are down by 15%MoM to 0.58mn ton likely on the back of anticipation of price drop for Dec-19. For 5MFY20, MS volumes are up by meagre +4%YoY to 3.17mn ton,
- HSD sales increased by +4%YoY to 0.62mn ton in Nov-19, while on monthly basis volumes are down by 4%MoM. The rise in sales is likely attributable to some curtailment in grey market sales however on monthly basis expectation of price decline dragged sales down during Nov-19,
- FO volumes depicted a growth of +9%YoY to 0.14mn ton in Nov-19 as demand remained relatively high owing to drop in international FO prices. On a sequential basis, FO volumes are down by 28%MoM. As a result, total FO volumes are down by 14%YoY in 5MFY20 to 1.06mn ton.

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

Industry volumes for oil marketing companies for the month of Nov-19 witnessed a growth of +7%YoY to 1.42mn ton bringing industry volumes for 5MFY20 to 7.34mn ton down by 5%YoY. Furnace Oil (FO)/ Motor Spirit (MS)/ High Speed Diesel (HSD) sales registered growth of +9%/+7%/+4%YoY during Nov-19. On a monthly basis, industry volumes are down by 11%MoM in Nov-19 on the back of 28%/15%/4%MoM drop in FO/MS/HSD sales. For 5MFY20, volumes decreased owing to 14%/12%YoY contraction in FO/HSD sales. To highlight, during 5MFY20 PSO led the charts by posting +10%YoY increase in total sales while HASCOL/APL/SHEL witnessed 55%/7%/2%YoY plunge in total volumes with market share for PSO increasing by 6% to 47% whereas SHEL retained its market share at 8%; however HASCOL/APL market share dropped to 6%/10% from 12%/11% in the same period last year.

MS: Volumes up by +7%YoY during Nov-19

MS sales appreciated by +7%YoY in Nov-19, while on sequential basis, volumes are down by 15%MoM to 0.58mn ton likely on the back of anticipation of price drop for Dec-19. For 5MFY20, MS volumes are up by meagre +4%YoY to 3.17mn ton. During 5MFY20, PSO/SHEL led the chart by posting +11%/+1%YoY growth with market share for PSO increasing to 40%, while APL/HASCOL registered 37%/2%YoY decline in sales respectively with market share dropping to 9%/6%. Other OMCs picked up market share to 33% from 31% in 5MFY19.

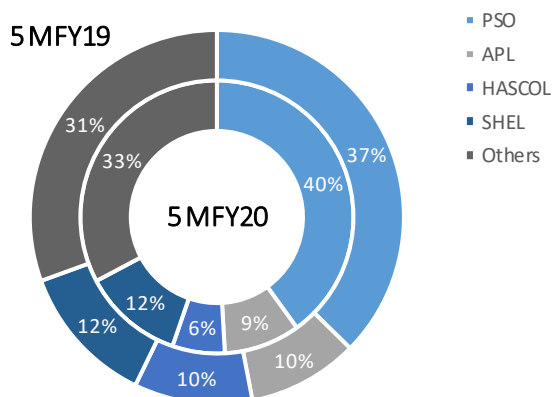
HSD: Volumes up by +4%YoY during Nov-19 however down by 4%MoM

HSD sales increased by +4%YoY to 0.62mn ton in Nov-19, while on monthly basis volumes are down by 4%MoM. The rise in sales is likely attributable to some curtailment in grey market sales however on monthly basis expectation of price decline dragged sales down during Nov-19. This brings total 5MFY20 sales at 2.77mn ton down by 12%YoY. For 5MFY20, PSO posted +4%YoY growth in sales with market share increasing to 46%. HASCOL/APL/SHEL registered 55%/13%/1%YoY decline in volumes during 5MFY20 with HASCOL's market share coming down to 7% from 14% in 5MFY19 whereas SHEL's market share improved by 1%YoY to 8%.

FO: Higher demand lifts up sales by +9%YoY in Nov-19

FO volumes depicted a growth of +9%YoY to 0.14mn ton in Nov-19 as demand remained relatively high owing to drop in international FO prices. On a sequential basis, FO volumes

Exhibit: MS Market Share - Company wise (5MFY20)



are down by 28%MoM. As a result, total FO volumes are down by 14%YoY in 5MFY20 to 1.06mn ton. For 5MFY20, HASCOL reported 84%YoY drop in sales with HASCOL market share dropping to 3%, while APL's market share increased to 17%. PSO reported +14%YoY rise in FO sales during 5MFY20 with market share increasing from 43% to 57%.

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 (5MFY20)

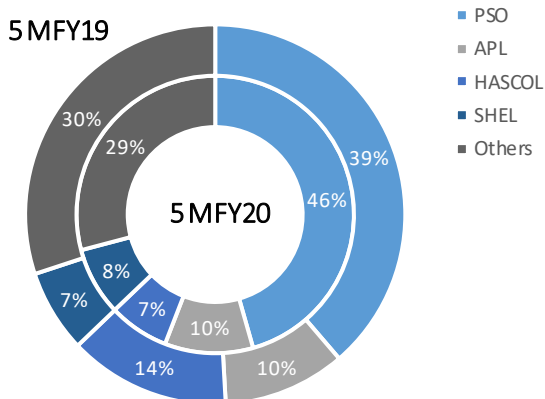


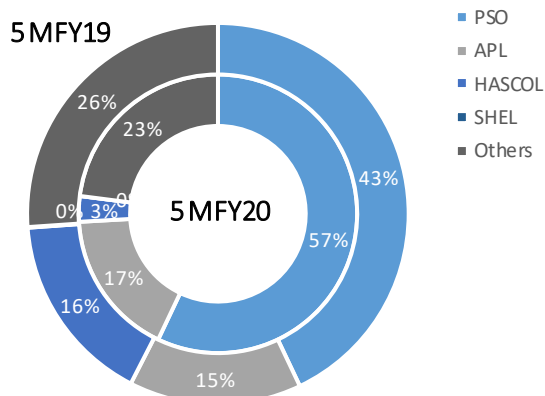
Exhibit:

OMC's Monthly Sales Volume (Nov-19)

	000'tons	Nov-19	Oct-19	MoM	Nov-18	YoY	CY19TD	YoY	5MFY20	YoY
Industry										
MS	579.0	680.9	-15%	542.8	7%	6,882.5	3%	3,171.2	4%	
HSD	621.3	649.9	-4%	595.7	4%	6,271.6	-15%	2,771.3	-12%	
FO	144.3	199.6	-28%	133.0	9%	2,623.4	-36%	1,058.1	-14%	
Others	78.4	71.0	10%	61.9	27%	707.0	-9%	341.2	13%	
Total	1,422.9	1,601.5	-11%	1,333.4	7%	16,484.5	-13%	7,341.8	-5%	
PSO										
MS	217.9	258.1	-16%	182.3	20%	2,689.0	9%	1,270.2	11%	
HSD	288.5	285.2	1%	228.7	26%	2,715.6	-6%	1,263.5	4%	
FO	88.0	125.1	-30%	88.4	0%	1,439.2	-36%	603.8	14%	
Others	70.4	63.9	10%	52.1	35%	622.9	0%	305.0	24%	
Total	664.9	732.4	-9%	551.5	21%	7,466.7	-9%	3,442.5	10%	
APL										
MS	55.2	60.5	-9%	49.8	11%	631.7	0%	285.8	-2%	
HSD	63.5	57.7	10%	65.5	-3%	640.0	-14%	285.2	-13%	
FO	26.1	31.7	-18%	10.3	154%	384.2	-23%	180.1	0%	
Others	3.7	3.4	9%	4.9	-23%	37.3	-17%	15.5	-22%	
Total	148.5	153.4	-3%	130.4	14%	1,693.3	-12%	766.7	-7%	
HASCOL										
MS	48.0	61.1	-21%	51.3	-7%	507.6	-34%	197.0	-37%	
HSD	50.6	59.8	-15%	70.2	-28%	556.3	-49%	195.0	-55%	
FO	4.8	-	0%	10.3	-53%	204.7	-63%	31.5	-84%	
Others	0.3	0.2	15%	0.4	-35%	4.0	-55%	1.7	-61%	
Total	103.6	121.1	-14%	132.3	-22%	1,272.6	-47%	425.2	-55%	
SHEL										
MS	61.2	80.3	-24%	65.3	-6%	858.6	1%	379.2	1%	
HSD	40.1	52.3	-23%	41.0	-2%	501.0	-7%	220.2	-1%	
FO	-	-	0%	-	n/m	-	-100%	-	-100%	
Others	1.8	1.5	17%	2.5	-28%	18.8	-73%	8.1	-60%	
Total	103.2	134.2	-23%	108.8	-5%	1,378.4	-6%	607.5	-2%	

Source: IGI Research, OCAC

Exhibit: FO Market Share - Company wise (5MFY20)



Source: Company Financials, IGI Research

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