

Sector Update

OMC Sales Data for Feb-20

MS Volumes (000' tons)

	Feb-20	YoY	8MFY20	YoY
PSO	193.7	-7%	1,942.8	10%
APL	55.1	-1%	453.2	-4%
HASCOL	42.8	-39%	349.7	-31%
SHEL	64.0	-19%	586.0	-4%
Industry	547.3	-9%	4,972.1	2%

HSD Volumes (000' tons)

	Feb-20	YoY	8MFY20	YoY
PSO	144.3	-29%	1,855.9	1%
APL	49.3	-7%	437.3	-14%
HASCOL	27.0	-68%	311.5	-52%
SHEL	31.1	-26%	325.0	-8%
Industry	374.1	-30%	4,173.4	-14%

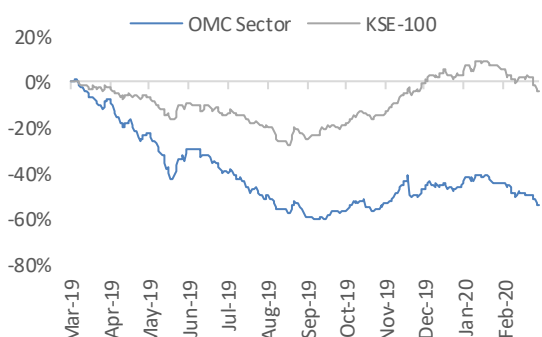
FO Volumes (000' tons)

	Feb-20	YoY	8MFY20	YoY
PSO	30.6	-82%	737.0	-17%
APL	32.5	-30%	280.7	-2%
HASCOL	7.5	-86%	52.6	-83%
SHEL	0.2	n/m	0.2	-70%
Industry	144.1	-60%	1,533.8	-23%

Others Volumes (000' tons)

	Feb-20	YoY	8MFY20	YoY
PSO	36.6	-26%	435.0	12%
APL	3.2	-17%	25.1	-18%
HASCOL	0.2	-47%	2.5	-56%
SHEL	1.4	-29%	12.2	-53%
Industry	43.1	-26%	492.7	5%

Relative Performance to KSE 100



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Oil & Gas - Marketing Companies

Feb-20: Weakened demand drags overall volumes down by 22%YoY in Feb-20

- ✓ Industry volumes for oil marketing companies for the month of Feb-20 witnessed a decline of 22% YoY to 1.11mn ton bringing industry volumes for 8MFY20 to 11.17mn ton down by 8% YoY,
- ✓ MS sales depreciated by 11% YoY in Feb-20, while on sequential basis, volumes are down by 10% MoM to 0.55mn ton likely on the back of anticipation of price drop for Mar-20,
- ✓ HSD sales dropped by 36% YoY to 0.37mn ton in Feb-20, while on monthly basis volumes are down by 22% MoM. The drop in sales is likely attributable to grey market sales and anticipation of price drop for Mar-20,
- ✓ FO volumes depicted a decline of 16% YoY to 0.14mn ton in Feb-20 as demand remained relatively low. On a sequential basis, FO volumes are down by 33% MoM likely owing to lower FO based power generation.

Volumes depict 22%YoY decline in Feb-20 to 1.11mn ton

Industry volumes for oil marketing companies for the month of Feb-20 witnessed a decline of 22% YoY to 1.11mn ton bringing industry volumes for 8MFY20 to 11.17mn ton down by 8% YoY. High Speed Diesel (HSD)/ Furnace Oil (FO)/ Motor Spirit (MS) sales registered drop of 36%/16%/11% YoY during Feb-20. On a monthly basis, industry volumes are down by 18% MoM in Feb-20 on the back of 33%/22%/10% MoM drop in FO/HSD/MS sales. For 8MFY20, volumes decreased owing to 23%/14% YoY contraction in FO/HSD sales. To highlight, during 8MFY20 PSO led the charts by posting +2% YoY increase in total sales while HASCOL/APL/SHEL witnessed 51%/8%/7% YoY plunge in total volumes with market share for PSO increasing by 4% to 44% whereas SHEL and APL retained its market shares at 8% and 11% respectively; however HASCOL market share dropped to 6% from 12% in the same period last year.

MS: Volumes up by 11%YoY during Feb-20

MS sales depreciated by 11% YoY in Feb-20, while on sequential basis, volumes are down by 10% MoM to 0.55mn ton likely on the back of anticipation of price drop for Mar-20 and lower demand. For 8MFY20, MS volumes are up by meagre +2% YoY to 4.97mn ton. During 8MFY20, PSO led the chart by posting +10% YoY growth with market share for PSO increasing to 39%, while HASCOL/APL/SHEL registered 31%/4%/4% YoY decline in sales respectively with market share dropping to 7%/9%/12%. Other OMCs picked up market share to 33% from 31% in 8MFY19.

HSD: Volumes down by 36%YoY during Feb-20

HSD sales dropped by 36% YoY to 0.37mn ton in Feb-20, while on monthly basis volumes are down by 22% MoM. The drop in sales is likely attributable to grey market sales and anticipation of price drop for Mar-20. This brings total 8MFY20 sales at 4.17mn ton down by 14% YoY. For 8MFY20, PSO posted +1% YoY growth in sales with market share increasing to 44%. HASCOL/APL/SHEL registered 52%/14%/8% YoY decline in volumes during 8MFY20 with HASCOL/APL market share coming down to 7%/10% from 13%/11% in 8MFY19 whereas SHEL's market share improved by 1% YoY to 8%.

Exhibit: MS Market Share - Company wise (8MFY20)

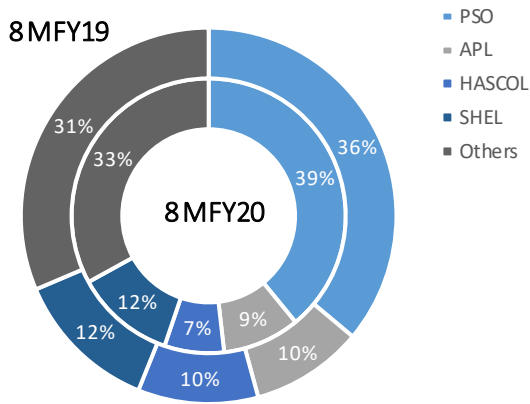


Exhibit: HSD Market Share - Company wise (8MFY20)

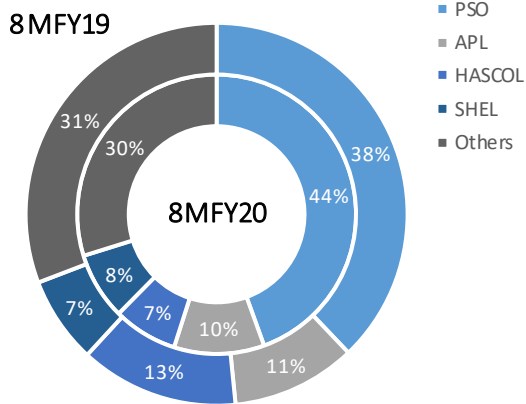
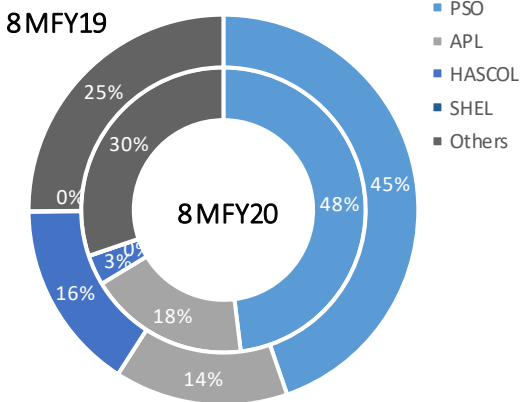


Exhibit: FO Market Share - Company wise (8MFY20)



FO: Lower demand drags sales by 16%YoY in Feb-20

FO volumes depicted a decline of 16%YoY to 0.14mn ton in Feb-20 as demand remained relatively low. On a sequential basis, FO volumes are down by 33%MoM likely owing to lower generation by FO based power plants. As a result, total FO volumes are down by 23% YoY in 8MFY20 to 1.53mn ton. For 8MFY20, HASCOL reported 83% YoY drop in sales with HASCOL market share dropping to 3%, while APL's market share increased to 18%. PSO reported 17% YoY drop in FO sales during 8MFY20 while market share increasing from 45% to 48%.

Outlook

As FO prices drop and FO plants start to move up the merit order list we believe 2.0-2.5mn ton of FO demand will remain going forward with another gas price hike in offing. 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. 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 HASCOL was facing severe liquidity crunch. Furthermore, Sukuk-II is likely to provide ease in cash flows for PSO.

Exhibit: OMC's Monthly Sales Volume (Feb-20)

	000'tons	Feb-20	Jan-20	MoM	Feb-19	YoY	8MFY20	8MFY19	YoY
Industry									
MS	547.3	610.8	-10%	613.6	-11%	4,972.1	4,878.4	2%	
HSD	374.1	477.6	-22%	583.9	-36%	4,173.4	4,830.5	-14%	
FO	144.1	216.4	-33%	171.4	-16%	1,533.8	1,986.0	-23%	
Others	43.1	43.9	-2%	59.1	-27%	492.7	471.1	5%	
Total	1,108.5	1,348.8	-18%	1,428.1	-22%	11,172.0	12,166.0	-8%	
PSO									
MS	193.7	230.7	-16%	212.2	-9%	1,942.8	1,760.5	10%	
HSD	144.3	204.8	-30%	217.1	-34%	1,855.9	1,829.4	1%	
FO	30.6	60.0	-49%	61.7	-50%	737.0	887.8	-17%	
Others	36.6	35.6	3%	50.2	-27%	435.0	389.5	12%	
Total	405.1	531.1	-24%	541.2	-25%	4,970.6	4,867.1	2%	
APL									
MS	55.1	53.8	2%	55.2	0%	453.2	471.0	-4%	
HSD	49.3	44.3	11%	52.0	-5%	437.3	509.2	-14%	
FO	32.5	36.4	-11%	31.3	4%	280.7	286.0	-2%	
Others	3.2	3.6	-11%	4.2	-23%	25.1	30.7	-18%	
Total	140.1	138.1	1%	142.7	-2%	1,196.3	1,296.9	-8%	
HASCOL									
MS	42.8	57.5	-26%	74.9	-43%	349.7	505.9	-31%	
HSD	27.0	46.6	-42%	91.2	-70%	311.5	649.7	-52%	
FO	7.5	10.6	-29%	30.1	-75%	52.6	313.1	-83%	
Others	0.2	0.3	-36%	0.4	-49%	2.5	5.6	-56%	
Total	77.5	115.0	-33%	196.6	-61%	716.2	1,474.2	-51%	
SHEL									
MS	64.0	71.5	-10%	78.6	-19%	586.0	609.8	-4%	
HSD	31.1	32.8	-5%	47.3	-34%	325.0	354.2	-8%	
FO	0.2	-	0%	-	n/m	0.2	0.6	-70%	
Others	1.4	1.5	-7%	1.9	-25%	12.2	26.2	-53%	
Total	96.8	105.8	-9%	127.8	-24%	923.5	990.8	-7%	

Source: IGI Research, OCAC

Source: Company Financials, IGI Research

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