

Sector Update

OMC Sales Data for Jan-20

MS Volumes (000' tons)

	Jan-20	YoY	7MFY20	YoY
PSO	230.7	11%	1,749.1	13%
APL	53.8	-3%	398.2	-4%
HASCOL	57.5	-19%	306.9	-29%
SHEL	71.5	-10%	522.0	-2%
Industry	610.8	1%	4,424.9	4%

HSD Volumes (000' tons)

	Jan-20	YoY	7MFY20	YoY
PSO	204.8	1%	1,711.6	6%
APL	44.3	-17%	388.0	-15%
HASCOL	46.6	-45%	284.5	-49%
SHEL	32.8	-22%	293.9	-4%
Industry	477.6	-11%	3,799.3	-11%

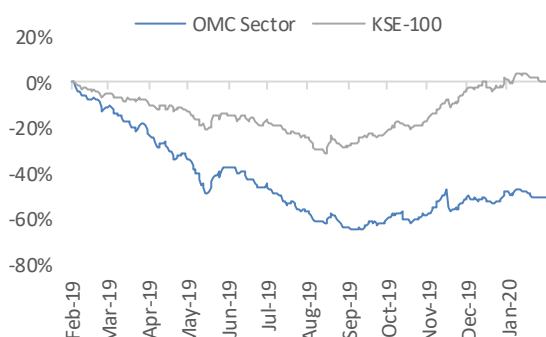
FO Volumes (000' tons)

	Jan-20	YoY	7MFY20	YoY
PSO	60.0	-65%	706.4	-14%
APL	36.4	-22%	248.1	-3%
HASCOL	10.6	-81%	45.1	-84%
SHEL	-	n/m	-	-100%
Industry	216.4	-40%	1,389.7	-23%

Others Volumes (000' tons)

	Jan-20	YoY	7MFY20	YoY
PSO	35.6	-28%	398.5	17%
APL	3.6	-7%	21.9	-17%
HASCOL	0.3	-18%	2.3	-56%
SHEL	1.5	-24%	10.8	-56%
Industry	43.9	-24%	449.7	9%

Relative Performance to KSE 100



Source: Bloomberg, PSX & IGI Research

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Oil & Gas - Marketing Companies

Jan-20: Retail segment struggles to gain traction; Higher FO volumes arrested overall m/m decline

- ✓ Industry volumes for oil marketing companies for the month of Jan-20 witnessed a decline of 13% YoY to 1.35mn ton bringing industry volumes for 7MFY20 to 10.06mn ton down by 6% YoY,
- ✓ MS sales appreciated by +1% YoY in Jan-20, while on sequential basis, volumes are down by 5% MoM to 0.61mn ton likely on the back of anticipation of price drop for Jan-20,
- ✓ HSD sales dropped by 11% YoY to 0.48mn ton in Jan-20, while on monthly basis volumes are down by 13% MoM. The drop in sales is likely attributable to grey market sales and higher local retail prices during Nov-19,
- ✓ FO volumes depicted a decline of 40% YoY to 0.22mn ton in Jan-20 as demand remained relatively low. On a sequential basis, FO volumes are up by +88% MoM

Volumes depict 13% YoY decline in Jan-20 to 1.35mn ton

Industry volumes for oil marketing companies for the month of Jan-20 witnessed a decline of 13% YoY to 1.35mn ton bringing industry volumes for 7MFY20 to 10.06mn ton down by 6% YoY. Furnace Oil (FO)/ High Speed Diesel (HSD) sales registered drop of 40%/11% YoY during Jan-20 whereas Motor Spirit (MS) recorded +1% YoY growth in sales. On a monthly basis, industry volumes are down by 2% MoM in Jan-20 on the back of 13%/5% MoM drop in HSD/MS sales. For 7MFY20, volumes decreased owing to 23%/11% YoY contraction in FO/HSD sales. To highlight, during 7MFY20 PSO led the charts by posting +6% YoY increase in total sales while HASCOL/APL/SHEL witnessed 50%/8%/4% YoY plunge in total volumes with market share for PSO increasing by 5% to 45% 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 +1% YoY during Jan-20

MS sales appreciated by +1% YoY in Jan-20, while on sequential basis, volumes are down by 5% MoM to 0.61mn ton likely on the back of anticipation of price drop for Jan-20. For 7MFY20, MS volumes are up by meagre +4% YoY to 4.42mn ton. During 7MFY20, PSO led the chart by posting +13% YoY growth with market share for PSO increasing to 40%, while HASCOL/APL/SHEL registered 29%/4%/2% YoY decline in sales respectively with market share dropping to 7%/9%/12%. Other OMCs picked up market share to 33% from 31% in 7MFY19.

HSD: Volumes down by 11% YoY during Jan-20

HSD sales dropped by 11% YoY to 0.48mn ton in Jan-20, while on monthly basis volumes are down by 13% MoM. The drop in sales is likely attributable to grey market sales and higher local retail prices during Nov-19. This brings total 7MFY20 sales at 3.80mn ton down by 11% YoY. For 7MFY20, PSO posted +6% YoY growth in sales with market share increasing to 45%. HASCOL/APL/SHEL registered 49%/15%/4% YoY decline in volumes during 7MFY20 with HASCOL's market share coming down to 7% from 13% in 7MFY19 whereas SHEL's market share improved by 1% YoY to 8%.

Exhibit: MS Market Share - Company wise (7MFY20)

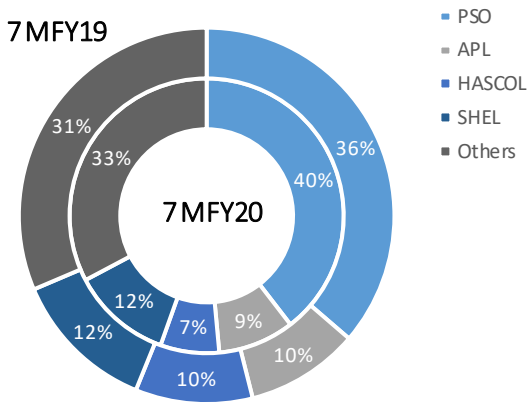


Exhibit: HSD Market Share - Company wise (7MFY20)

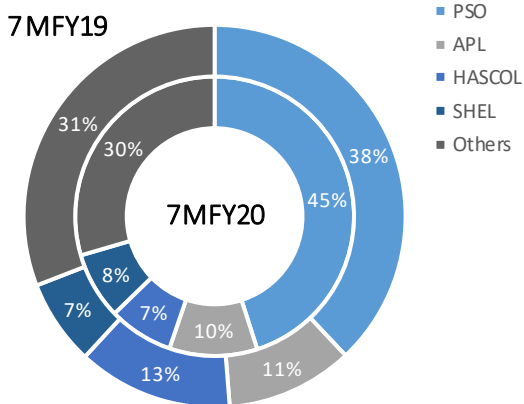
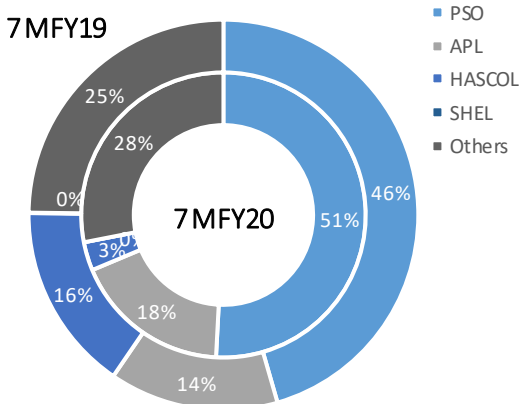


Exhibit: FO Market Share - Company wise (7MFY20)



FO: Lower demand drags sales by 40% YoY in Jan-20

FO volumes depicted a decline of 40% YoY to 0.22mn ton in Jan-20 as demand remained relatively low. On a sequential basis, FO volumes are up by +88% MoM likely owing to FO plants moving up in merit order list as FO prices dropped substantially. As a result, total FO volumes are down by 23% YoY in 7MFY20 to 1.40mn ton. For 7MFY20, HASCOL reported 84% YoY drop in sales with HASCOL market share dropping to 3%, while APL's market share increased to 18%. PSO reported 14% YoY drop in FO sales during 7MFY20 while market share increasing from 46% to 51%.

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 (Jan-20)

000'tons	Jan-20	Dec-19	MoM	Jan-19	YoY	7MFY20	7MFY19	YoY
Industry								
MS	610.8	642.9	-5%	604.0	1%	4,424.9	4,264.8	4%
HSD	477.6	550.3	-13%	536.5	-11%	3,799.3	4,246.6	-11%
FO	216.4	115.1	88%	360.0	-40%	1,389.7	1,814.6	-23%
Others	43.9	64.6	-32%	57.9	-24%	449.7	412.0	9%
Total	1,348.8	1,372.9	-2%	1,558.4	-13%	10,063.5	10,737.9	-6%
PSO								
MS	230.7	248.2	-7%	207.6	11%	1,749.1	1,548.3	13%
HSD	204.8	243.3	-16%	202.3	1%	1,711.6	1,612.3	6%
FO	60.0	42.6	41%	172.1	-65%	706.4	826.0	-14%
Others	35.6	57.9	-38%	49.4	-28%	398.5	339.3	17%
Total	531.1	591.9	-10%	631.4	-16%	4,565.5	4,325.9	6%
APL								
MS	53.8	58.5	-8%	55.5	-3%	398.2	415.8	-4%
HSD	44.3	58.4	-24%	53.1	-17%	388.0	457.2	-15%
FO	36.4	31.7	15%	46.5	-22%	248.1	254.7	-3%
Others	3.6	2.7	32%	3.9	-7%	21.9	26.5	-17%
Total	138.1	151.4	-9%	159.0	-13%	1,056.2	1,154.2	-8%
HASCOL								
MS	57.5	52.4	10%	70.7	-19%	306.9	431.0	-29%
HSD	46.6	42.9	9%	84.0	-45%	284.5	558.5	-49%
FO	10.6	3.0	252%	55.4	-81%	45.1	283.0	-84%
Others	0.3	0.3	23%	0.4	-18%	2.3	5.2	-56%
Total	115.0	98.6	17%	210.5	-45%	638.7	1,277.6	-50%
SHEL								
MS	71.5	71.4	0%	79.5	-10%	522.0	531.2	-2%
HSD	32.8	40.9	-20%	42.1	-22%	293.9	306.9	-4%
FO	-	-	0%	-	n/m	-	0.6	-100%
Others	1.5	1.1	40%	2.0	-24%	10.8	24.3	-56%
Total	105.8	113.4	-7%	123.7	-14%	826.7	863.1	-4%

Source: IGI Research, OCAC

Source: Company Financials, IGI Research

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