

# Day Break

Wednesday, 02 October 2019

## Sector Update

### OMC Sales Data for Sep-19

#### MS Volumes (000' tons)

	Sep-19	YoY	1QFY20	YoY
PSO	263.0	-4%	794.2	9%
APL	57.3	-6%	170.0	-8%
HASCOL	31.7	-57%	88.0	-56%
SHEL	77.7	-3%	237.6	3%
Industry	647.2	-4%	1,911.3	1%

#### HSD Volumes (000' tons)

	Sep-19	YoY	1QFY20	YoY
PSO	250.9	-7%	689.7	1%
APL	55.6	-20%	164.1	-16%
HASCOL	34.6	-73%	84.6	-69%
SHEL	44.6	-8%	127.8	-3%
Industry	546.6	-24%	1,500.1	-18%

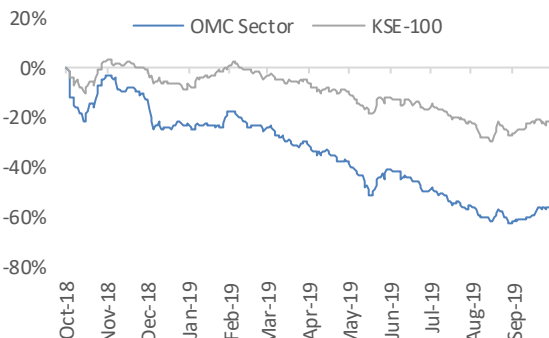
#### FO Volumes (000' tons)

	Sep-19	YoY	1QFY20	YoY
PSO	126.8	-11%	390.6	27%
APL	53.1	24%	122.3	-10%
HASCOL	4.2	-91%	26.7	-83%
SHEL	-	n/m	-	-100%
Industry	236.8	-23%	714.2	-16%

#### Others Volumes (000' tons)

	Sep-19	YoY	1QFY20	YoY
PSO	55.7	13%	170.7	19%
APL	3.1	-15%	8.4	-25%
HASCOL	0.5	47%	1.2	-67%
SHEL	2.0	-56%	4.8	-66%
Industry	64.0	6%	191.8	7%

### Relative Performance to KSE 100



Source: Bloomberg, PSX & IGI Research

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## Oil & Gas – Marketing Companies

### Sep-19: Volumetric Downturn Continues to Reflect Weak Demand; Sales Plunge by 15%YoY

- Industry volumes for oil marketing companies for the month of Sep-19 witnessed a decline of 15%YoY to 1.49mn ton bringing industry volumes for 1QFY20 to 4.32mn ton down by 9%YoY. Furnace Oil (FO)/ High Speed Diesel (HSD) sales registered drop of 23%/24% YoY during Sep-19 while Motor Spirit (MS) recorded 4%YoY drop in sales,
- MS sales depreciated by 4% YoY in Sep-19, while on sequential basis, volumes are up by +2%MoM to 0.65mn ton likely on the back of hike in CNG prices which provided a boost to MS sales,
- HSD sales dropped down by 24%YoY to 0.55mn ton in Sep-19, while on monthly basis volumes are up by +34%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 23%YoY to 0.24mn ton in Sep-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 sequential basis, FO volumes are up by +30%MoM.

#### Volumes depict 15%YoY decline in Sep-19 to 1.49mn ton

Industry volumes for oil marketing companies for the month of Sep-19 witnessed a decline of 15%YoY to 1.49mn ton bringing industry volumes for 1QFY20 to 4.32mn ton down by 9%YoY. Furnace Oil (FO)/ High Speed Diesel (HSD) sales registered drop of 23%/24%YoY during Sep-19 while Motor Spirit (MS) recorded 4%YoY drop in sales. On a monthly basis, industry volumes are up by +16%MoM in Sep-19 on the back of +30%/34%MoM growth in FO/HSD sales. For 1QFY20, volumes decreased owing to 16%/18%YoY contraction in FO/HSD sales. To highlight, during 1QFY20 PSO led the charts by posting only +10%YoY increase in total sales while HASCOL/APL/SHEL witnessed 68%/12%/2%YoY plunge in total volumes with market share for PSO/SHEL increasing by 8%/1% to 47%/9% whereas APL retained its market share at 11%; however HASCOL market share dropped to 5% from 13% in the same period last year.

#### MS: Volumes down by 4%YoY during Sep-19

MS sales depreciated by 4%YoY in Sep-19, while on sequential basis, volumes are up by +2%MoM to 0.65mn ton likely on the back of hike in CNG prices which provided a boost to MS sales. For 1QFY20, MS volumes are up by meagre +1%YoY to 1.91mn ton. During 1QFY20, PSO/SHEL led the chart by posting +9%/+3%YoY growth with market share for PSO increasing to 42%, while APL/HASCOL registered 56%/8%YoY decline in sales respectively with market share dropping to 9%/5%. Other OMCs picked up market share to 33% from 29% in 1QFY20.

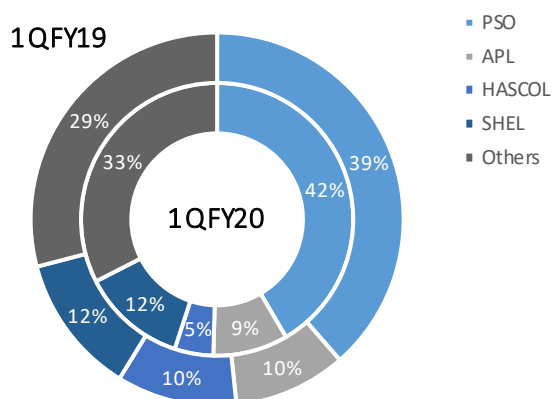
#### HSD: Grey market and economic downturn continues to hamper sales during Sep-19

HSD sales dropped down by 24%YoY to 0.55mn ton in Sep-19, while on monthly basis volumes are up by +34%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 1.50mn ton down by 18%YoY. For 1QFY20, PSO posted +1%YoY each growth in sales with market share increasing to 46%. HASCOL/APL/SHEL registered 69%/16%/3% decline in volumes with HASCOL's market share coming down to 6% from 15% in 1QFY19.

#### FO: Lower demand kept FO sales down by 23%YoY in Sep-19

FO volumes depicted a decline of 23%YoY to 0.24mn ton in Sep-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 up by +30%MoM. As a result, total FO volumes are down by 16%YoY in 1QFY20 to 0.71mn ton. For 1QFY20, HASCOL and APL reported 83%YoY and 10%YoY drop in

**Exhibit: MS Market Share - Company wise (1QFY20)**



sales respectively with /HASCOL market share dropping to 4%, while APL’s market share increased to 17%. PSO reported +27% YoY rise in FO sales during 1QFY20 with market share increasing from 36% to 55%.

**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, monetary tightening 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.

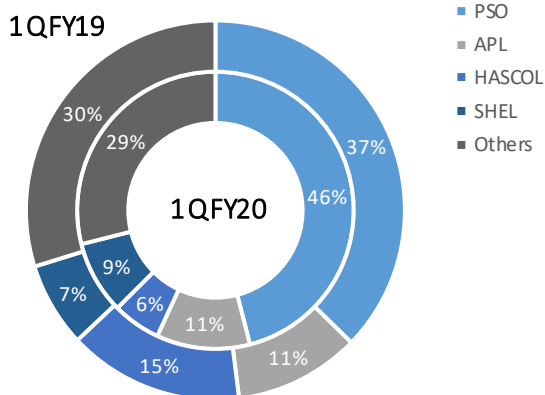
Exhibit:

**OMC's Monthly Sales Volume (Sep-19)**

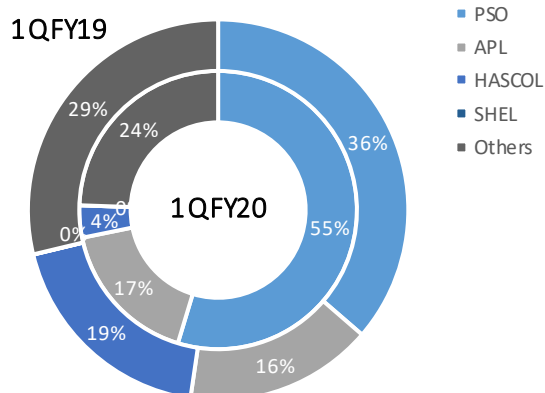
000'tons	Sep-19	Aug-19	MoM	Sep-18	YoY	1QFY20	1QFY19	YoY
<b>Industry</b>								
MS	647.2	633.8	2%	676.3	-4%	1,911.3	1,896.3	1%
HSD	546.6	407.2	34%	719.3	-24%	1,500.1	1,826.1	-18%
FO	236.8	182.6	30%	307.4	-23%	714.2	848.7	-16%
Others	64.0	64.8	-1%	60.4	6%	191.8	179.9	7%
Total	1,494.6	1,288.5	16%	1,763.4	-15%	4,317.4	4,751.0	-9%
<b>PSO</b>								
MS	263.0	266.1	-1%	274.6	-4%	794.2	731.2	9%
HSD	250.9	183.1	37%	270.1	-7%	689.7	680.4	1%
FO	126.8	90.7	40%	142.3	-11%	390.6	308.4	27%
Others	55.7	57.8	-4%	49.4	13%	170.7	143.8	19%
Total	696.4	597.7	17%	736.5	-5%	2,045.3	1,863.8	10%
<b>APL</b>								
MS	57.3	57.8	-1%	61.3	-6%	170.0	185.5	-8%
HSD	55.6	50.4	10%	69.4	-20%	164.1	196.2	-16%
FO	53.1	31.0	71%	43.0	24%	122.3	135.8	-10%
Others	3.1	3.4	-9%	3.6	-15%	8.4	11.2	-25%
Total	169.1	142.6	19%	177.3	-5%	464.8	528.6	-12%
<b>HASCOL</b>								
MS	31.7	35.8	-11%	74.0	-57%	88.0	197.9	-56%
HSD	34.6	22.0	57%	129.0	-73%	84.6	273.9	-69%
FO	4.2	4.9	-16%	48.3	-91%	26.7	160.5	-83%
Others	0.5	0.3	77%	0.4	47%	1.2	3.5	-67%
Total	71.0	63.0	13%	251.6	-72%	200.4	635.8	-68%
<b>SHEL</b>								
MS	77.7	79.4	-2%	80.3	-3%	237.6	230.2	3%
HSD	44.6	35.2	27%	48.7	-8%	127.8	131.6	-3%
FO	-	-	0%	0.1	n/m	-	0.1	-100%
Others	2.0	1.3	48%	4.4	-56%	4.8	13.9	-66%
Total	124.3	115.9	7%	133.5	-7%	370.2	375.9	-2%

Source: IGI Research, OCAC

**Exhibit: HSD Market Share - Company wise (1QFY20)**



**Exhibit: FO Market Share - Company wise (1QFY20)**



Source: Company Financials, IGI Research

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