

Day Break

Friday, 02 August 2019

Sector Update

OMC Sales Data for Jul-19

MS Volumes (000' tons)

	Jul-19	YoY	CY19TD	YoY
PSO	265.1	17%	1,683.9	8%
APL	54.9	-11%	400.9	0%
HASCOL	20.5	-71%	331.1	-37%
SHEL	80.5	7%	559.9	3%
Industry	630.3	3%	4,341.6	3%

HSD Volumes (000' tons)

	Jul-19	YoY	CY19TD	YoY
PSO	255.8	12%	1,707.9	-11%
APL	58.1	-4%	412.9	-13%
HASCOL	28.1	-69%	389.4	-48%
SHEL	47.9	7%	328.7	-10%
Industry	546.3	-11%	4,046.6	-17%

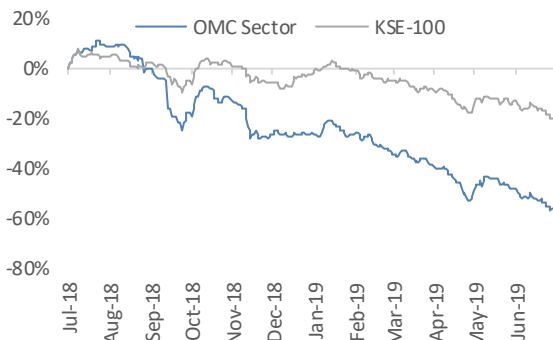
FO Volumes (000' tons)

	Jul-19	YoY	CY19TD	YoY
PSO	173.1	19%	1,008.5	-45%
APL	38.1	-13%	242.2	-33%
HASCOL	17.6	-73%	190.8	-54%
SHEL	-	n/m	-	n/m
Industry	294.9	-16%	1,860.1	-42%

Others Volumes (000' tons)

	Jul-19	YoY	CY19TD	YoY
PSO	57.2	22%	375.1	-11%
APL	1.9	-46%	23.7	-18%
HASCOL	0.3	-88%	2.6	-63%
SHEL	1.5	-70%	12.1	-78%
Industry	63.0	3%	428.8	-20%

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

Jul-19: Volumes contract by 6%YoY as lower FO and HSD sales takes its toll

- Industry volumes for oil marketing companies for the month of Jul-19 witnessed a decline of 6%YoY to 1.53mn ton bringing industry volumes for CY19TD to 10.68mn ton down by 17%YoY. Furnace Oil (FO)/ High Speed Diesel (HSD) sales registered drop of 16%/11%YoY during Jul-19 while Motor Spirit (MS) recorded +3%YoY growth in sales,
- MS sales appreciated by +3%YoY in Jul-19, while on sequential basis, volumes are up by +11%MoM to 0.63mn ton likely on the back of hike in CNG prices which provided a boost to MS sales.
- HSD sales dropped down by 11%YoY to 0.55mn ton in Jul-19, while on monthly basis volumes are up by +22%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 16%YoY to 0.29mn ton in Jul-19 as demand remained subdued owing to lower generation from FO based power plants which was also substituted by new low cost LNG/Coal plants operating at priority basis. On sequential basis, FO volumes are up by +6%MoM.

Volumes depict 6%YoY decline in Jul-19 to 1.53mn ton

Industry volumes for oil marketing companies for the month of Jul-19 witnessed a decline of 6%YoY to 1.53mn ton bringing industry volumes for CY19TD to 10.68mn ton down by 17%YoY. Furnace Oil (FO)/ High Speed Diesel (HSD) sales registered drop of 16%/11%YoY during Jul-19 while Motor Spirit (MS) recorded +3%YoY growth in sales. On a monthly basis, industry volumes are up by +13%MoM in Jul-19 on the back of +22%/+11%/+6%MoM incline in HSD/MS/FO sales. For CY19TD, volumes decreased owing to 42%/20%/17%YoY contraction in FO/Others/HSD sales. To highlight, during CY19TD SHEL/APL led the charts by posting only 7%/15% drop in total sales while PSO/HASCOL witnessed 46%/17% plunge in total volumes with market share for SHEL increasing by 1% to 8% whereas PSO/APL retained their market share at 45%/10%, while HASCOL market share dropped to 9% from 13% in the same period last year.

MS; Volumes up by +3%YoY during Jul-19

MS sales appreciated by +3%YoY in Jul-19, while on sequential basis, volumes are up by +11%MoM to 0.63mn ton likely on the back of hike in CNG prices which provided a boost to MS sales. For CY19TD, MS volumes are up by +3%YoY to 4.34mn ton. During CY19TD, PSO/SHEL led the chart by posting +8%/+3%YoY growth with market share for PSO increasing to 39%, while HASCOL registered 37%YoY decline in sales respectively with market share dropping to 8%. Other OMCs picked up market share to 31% from 28% in CY18TD.

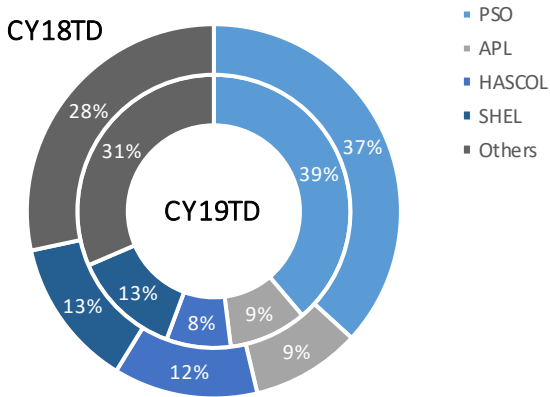
HSD; Grey market continues to hamper growth during Jun-19

HSD sales dropped down by 11%YoY to 0.55mn ton in Jul-19, while on monthly basis volumes are up by +22%MoM. The drop in sales is likely attributable to higher domestic prices, slowdown in commercial transport and grey market sales. This brings total CY19TD sales at 4.05mn ton down by 17%YoY. For CY19TD, PSO/SHEL posted 10%/11%YoY decline in sales with markets share increasing to 42%/8%. HASCOL/APL registered 48%/13% decline in volumes with HASCOL's market share coming down to 10% from 15% in CY18TD.

FO; Lower demand slashed FO sales down by 16%YoY in Jul-19

FO volumes depicted a decline of 16%YoY to 0.29mn ton in Jul-19 as demand remained subdued owing to lower generation from FO based power plants which was also substituted by new low cost LNG/Coal plants operating at priority basis. On sequential basis, FO volumes are up by +6%MoM. As a result, total FO volumes are down by 42%YoY in CY19TD to 1.86mn ton. For CY19TD, PSO, HASCOL and APL reported 54%YoY,

Exhibit: MS Market Share - Company wise (CY19TD)



45%YoY and 33%YoY drop in sales respectively with PSO/HASCOL market share dropping to 54%/10%, while APL's market share increased to 13%.

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 (Jul-19)

000'tons	Jul-19	Jun-19	MoM	Jul-18	YoY	CY19TD	CY18TD	YoY
Industry								
MS	630.3	567.5	11%	614.0	3%	4,341.6	4,233.1	3%
HSD	546.3	448.3	22%	614.1	-11%	4,046.6	4,889.9	-17%
FO	294.9	279.4	6%	350.7	-16%	1,860.1	3,232.4	-42%
Others	63.0	64.3	-2%	61.1	3%	428.8	538.8	-20%
Total	1,534.4	1,359.4	13%	1,639.9	-6%	10,677.1	12,894.3	-17%
PSO								
MS	265.1	224.7	18%	226.6	17%	1,683.9	1,559.3	8%
HSD	255.8	196.5	30%	228.3	12%	1,707.9	1,914.9	-11%
FO	173.1	164.5	5%	145.7	19%	1,008.5	1,849.5	-45%
Others	57.2	57.7	-1%	47.0	22%	375.1	421.5	-11%
Total	751.2	643.4	17%	647.6	16%	4,775.4	5,745.1	-17%
APL								
MS	54.9	57.4	-4%	61.9	-11%	400.9	399.1	0%
HSD	58.1	58.6	-1%	60.6	-4%	412.9	474.1	-13%
FO	38.1	34.1	12%	44.0	-13%	242.2	362.9	-33%
Others	1.9	2.9	-33%	3.6	-46%	23.7	28.9	-18%
Total	153.1	153.1	0%	170.1	-10%	1,079.7	1,264.9	-15%
HASCOL								
MS	20.5	27.8	-26%	70.7	-71%	331.1	528.3	-37%
HSD	28.1	22.0	28%	89.4	-69%	389.4	744.4	-48%
FO	17.6	22.5	-22%	66.3	-73%	190.8	417.4	-54%
Others	0.3	0.4	-13%	2.7	-88%	2.6	7.1	-63%
Total	66.5	72.6	-8%	229.0	-71%	913.8	1,697.4	-46%
SHEL								
MS	80.5	73.7	9%	75.2	7%	559.9	545.9	3%
HSD	47.9	37.4	28%	44.7	7%	328.7	364.2	-10%
FO	-	-	0%	0.0	n/m	-	0.0	-100%
Others	1.5	1.3	13%	5.0	-70%	12.1	55.5	-78%
Total	129.9	112.5	16%	124.9	4%	900.7	965.7	-7%

Source: IGI Research, OCAC

Exhibit: HSD Market Share - Company wise (CY19TD)

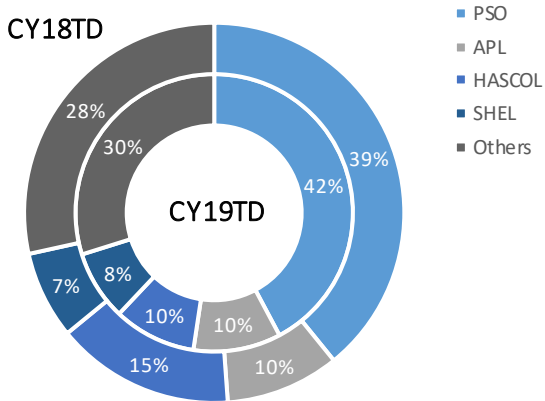
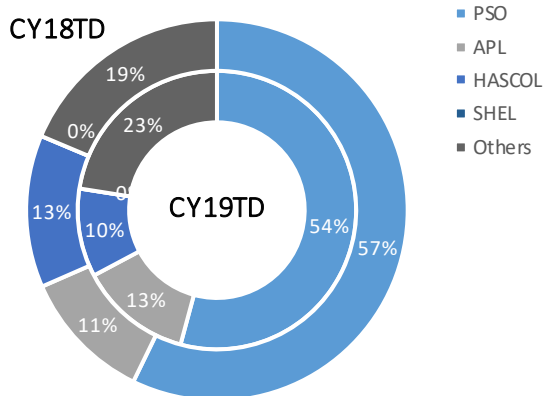


Exhibit: FO Market Share - Company wise (CY19TD)



Source: Company Financials, IGI Research

Important Disclaimer and Disclosures

Research Analyst(s) Certification: The Research Analyst(s) hereby certify that the views about the company/companies and the security/securities discussed in this report accurately reflect his or her or their personal views and that he/she has not received and will not receive direct or indirect compensation in exchange for expressing specific recommendations or views in this report. The analyst(s) is principally responsible for the preparation of this research report and that he/she or his/her close family/relative does not own 1% or more of a class of common equity securities of the following company/companies covered in this report.

Disclaimer: The information and opinions contained herein are prepared by IGI Finex Securities Limited and is for information purposes only. Whilst every effort has been made to ensure that all the information (including any recommendations or opinions expressed) contained in this document (the information) is not misleading or unreliable, IGI Finex Securities Limited makes no representation as to the accuracy or completeness of the information. Neither, IGI Finex Securities Limited nor any director, officer or employee of IGI Finex Securities Limited shall in any manner be liable or responsible for any loss that may be occasioned as consequence of a party relying on the information. This document takes no account of the investment objectives, financial situation and particular needs of investors, who shall seek further professional advice before making any investment decision. The subject Company (ies) is a client of the IGI Finex Securities Limited and IGI Finex Securities offers brokerage services to subject company (ies) on a regular basis, in line with industry practice. This document and the information may not be reproduced, distributed or published by any recipient for any purpose. This report is not directed or intended for distribution to, or use by any person or entity not a client of IGI Finex Securities Limited, else directed for distribution.

Rating system: IGI Finex Securities employs three tier ratings system, depending upon expected total return (return is defined as capital gain exclusive of tax) of the security in stated time period, as follows:

Recommendation	Rating System
Buy	If target price on aforementioned security(ies) is more than 10%, from its last closing price(s)
Hold	If target price on aforementioned security(ies) is in between -10% and 10%, from its last closing price(s)
Sell	If target price on aforementioned security(ies) is less than -10%, from its last closing price(s)

Risk: Investment in securities are subject to economic risk, market risk, interest rate risks, currency risks, and credit risks, political and geopolitical risks. The performance of company (ies) covered herein might unfavorably be affected by multiple factors including, business, economic, and political conditions. Hence, there is no assurance or guarantee that estimates, recommendation, opinion, etc. given about the security (ies)/company (ies) in the report will be achieved.

Basic Definitions and Terminologies used: **Target Price:** A price target is the projected price level of a financial security stated by an investment analyst or advisor. It represents a security's price that, if achieved, results in a trader recognizing the best possible outcome for his investment, **Last Closing:** Latest closing price, **Market Cap.:** Market capitalization is calculated by multiplying a company's shares outstanding by current trading price. **EPS:** Earnings per Share. **DPS:** Dividend per Share. **ROE:** Return on equity is the amount of net income returned as a percentage of shareholders' equity. **P/E:** Price to Earnings ratio of a company's share price to its per-share earnings. **P/B:** Price to Book ratio used to compare a stock's market value to its book value. **DY:** The dividend yield is dividend per share, divided by the price per share.

IGI Finex Securities Limited

Research Analyst(s)

Research Identity Number: BRP009

© Copyright 2018 IGI Finex Securities Limited



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
Ihsan Mohammad	Branch Manager (Peshawar)	Tel: (92-91) 5253035	ihsan.mohammad@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

Peshawar Office

2nd Floor, The Mall Tower,
35 The Mall Saddar Cantt.
Tel: (92-91) 5273035, 5223882

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

© Copyright 2019 IGI Finex Securities Limited