

Sector Update

OMC Sales Data for Jul-20

MS Volumes (000' tons)

	Jul-20	YoY	CY20TD	YoY
PSO	327.8	24%	1,702.0	1%
APL	51.2	-7%	358.9	-10%
HASCOL	48.8	138%	333.2	1%
SHEL	73.5	-9%	437.7	-22%
Industry	718.4	14%	4,219.9	-3%

HSD Volumes (000' tons)

	Jul-20	YoY	CY20TD	YoY
PSO	342.4	34%	1,864.0	9%
APL	48.5	-17%	329.9	-20%
HASCOL	40.5	44%	273.7	-30%
SHEL	49.7	4%	261.2	-21%
Industry	675.7	24%	3,900.4	-4%

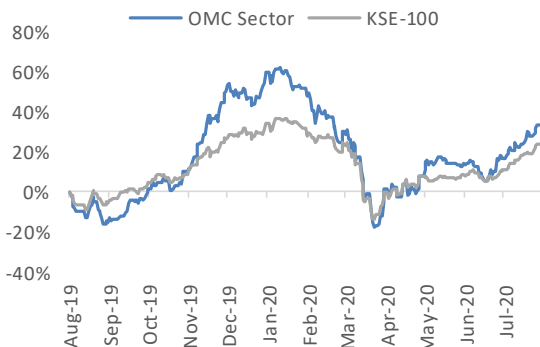
FO Volumes (000' tons)

	Jul-20	YoY	CY20TD	YoY
PSO	114.1	-34%	266.1	-74%
APL	62.9	65%	236.1	-3%
HASCOL	-	-100%	30.3	-84%
SHEL	-	n/m	0.2	0%
Industry	238.3	-19%	991.0	-47%

Others Volumes (000' tons)

	Jul-20	YoY	CY20TD	YoY
PSO	22.5	-61%	150.9	-60%
APL	3.8	98%	22.4	-6%
HASCOL	0.1	-55%	1.2	-52%
SHEL	1.8	23%	9.4	-22%
Industry	31.5	-50%	199.3	-54%

Relative Performance to KSE 100



Source: Bloomberg, PSX & IGI Research

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Oil & Gas - Marketing Companies

Jul-20: Price hikes limit growth momentum despite eased lockdowns

- ✓ Industry volumes for oil marketing companies for the month of Jul-20 witnessed a growth of +8% YoY to 1.67mn ton bringing industry volumes for CY20TD to 9.31mn ton down by 13% YoY.
- ✓ MS sales inclined by +14% YoY to 0.72mn ton in Jul-20, while on sequential basis, volumes are down by 1% MoM. On monthly basis, volumes dropped slightly despite eased lockdowns owing to substantial hike in MS prices towards end of Jun-20.
- ✓ HSD sales augmented by +24% YoY to 0.68mn ton in Jul-20, while on monthly basis volumes are down by 10% MoM. Increase in sales is likely attributable to higher demand during harvesting season and reduction in grey market sales.
- ✓ FO volumes increased by +2.1x MoM during Jul-20 to 0.24mn ton likely attributable to higher demand from IPPs during summer season. However, volumes are down by 19% YoY in Jul-20.

Volumes depict +8% YoY growth in Jul-20 to 1.67mn ton

Industry volumes for oil marketing companies for the month of Jul-20 witnessed a growth of +8% YoY to 1.67mn ton bringing industry volumes for CY20TD to 9.31mn ton down by 13% YoY. High Speed Diesel (HSD) / Motor Spirit (MS) sales registered increase of +24%/+14% YoY while Furnace Oil (FO) sales declined by 19% YoY during Jul-20. On a monthly basis, industry volumes are up by +3% MoM in Jul-20 on the back of +2.1x MoM surge in FO volumes whereas HSD/MS depicted 10%/1% MoM decline in sales. For CY20TD, volumes decreased owing to 47%/4%/3% YoY contraction in FO/HSD/MS sales. To highlight, during CY20TD APL led the charts by posting only 12% YoY decline in total sales while HASCOL/SHEL/PSO witnessed 30%/21%/17% YoY plunge in total volumes with market share for PSO dropping by 2% to 43% whereas SHEL and APL retained their market shares at 8% and 10% respectively; however HASCOL market share dropped to 7% from 9% same period last year.

MS: Volumes up by +14% YoY during Jul-20

MS sales inclined by +14% YoY to 0.72mn ton in Jul-20, while on sequential basis, volumes are down by 1% MoM. On monthly basis, volumes dropped slightly despite eased lockdowns owing to substantial hike in MS prices towards end of Jun-20. HASCOL/SHEL posted +27%/+7% MoM growth in volumes while PSO/APL reported 8%/3% MoM decline. With lockdowns eased and smart lockdown in place, we expect volumes to remain healthy however price hike may dampen growth. For CY20TD, MS volumes are down by 1% YoY to 4.22mn ton. During CY20TD, PSO/HASCOL led the chart by posting +1% YoY rise in volumes each with market share rising to 40%, while SHEL/APL registered 22%/10% YoY decline in sales with market share dropping to 10%/9% respectively.

HSD: Higher demand lifts sales up by +24% YoY during Jul-20 whereas price hike drags volumes down on monthly basis

HSD sales augmented by +24% YoY to 0.68mn ton in Jul-20, while on monthly basis volumes are down by 10% MoM. Increase in sales is likely attributable to higher demand during harvesting season and reduction in grey market sales.

Exhibit: MS Market Share - Company wise (CY20TD)

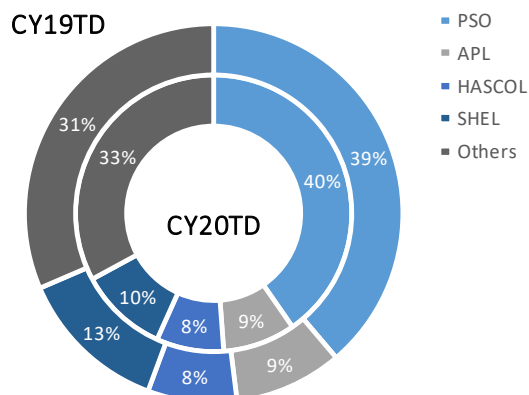


Exhibit: HSD Market Share - Company wise (CY20TD)

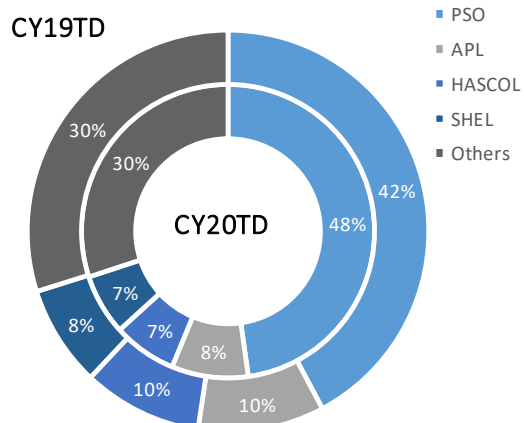
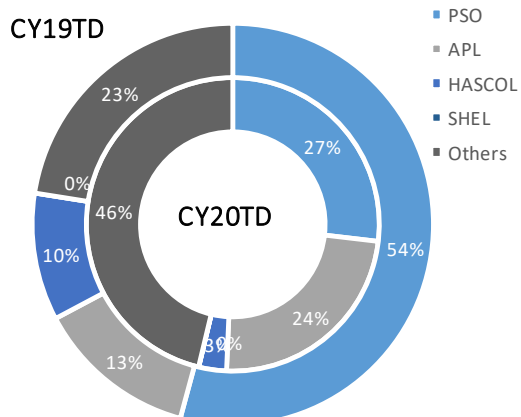


Exhibit: FO Market Share - Company wise (CY20TD)



Source: Company Financials, IGI Research

However, price hike for Jul-20 by PKR 21.3/ltr led to a decline of 10%MoM during Jul-20. This brings total CY20TD sales at 3.9mn ton down by 4%YoY. For CY20TD, PSO led the charts with +9%YoY growth in sales with market share increasing to 48%. HASCOL/SHEL/APL registered 30%/21%/20% YoY decline in volumes during CY20TD with HASCOL/SHEL/APL market share coming down to 7%/7%/8% from 10%/8%/10% in FY19.

FO: Higher demand lifts volumes on monthly basis

FO volumes increased by +2.1xMoM during Jul-20 to 0.24mn ton likely attributable to higher demand from IPPs during summer season. However, volumes are down by 19% YoY in Jul-20 as incumbent cost effective coal based power projects are preferred over expensive FO based plants. As a result, total FO volumes are down by 47%YoY in CYTD20 to 0.99mn ton. For CY20TD, PSO and HASCOL reported 60%YoY and 52%YoY drop in sales respectively with market share dropping to 27% and 3%, while APL's market share increased to 24%.

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

000'tons	Jul-20	Jun-20	MoM	Jul-19	YoY	CY20TD	CY19TD	YoY
Industry								
MS	718.4	725.8	-1%	630.3	14%	4,219.9	4,341.6	-3%
HSD	675.7	753.0	-10%	546.3	24%	3,900.4	4,046.6	-4%
FO	238.3	114.2	109%	294.9	-19%	991.0	1,860.1	-47%
Others	31.5	22.5	40%	63.0	-50%	199.3	428.8	-54%
Total	1,663.9	1,615.4	3%	1,534.4	8%	9,310.6	10,677.1	-13%
PSO								
MS	327.8	356.2	-8%	265.1	24%	1,702.0	1,683.9	1%
HSD	342.4	441.5	-22%	255.8	34%	1,864.0	1,707.9	9%
FO	114.1	31.2	266%	173.1	-34%	266.1	1,008.5	-74%
Others	22.5	13.5	67%	57.2	-61%	150.9	375.1	-60%
Total	806.8	842.4	-4%	751.2	7%	3,983.0	4,775.4	-17%
APL								
MS	51.2	52.7	-3%	54.9	-7%	358.9	400.9	-10%
HSD	48.5	54.9	-12%	58.1	-17%	329.9	412.9	-20%
FO	62.9	45.5	38%	38.1	65%	236.1	242.2	-3%
Others	3.8	2.3	67%	1.9	98%	22.4	23.7	-6%
Total	166.5	155.3	7%	153.1	9%	947.3	1,079.7	-12%
HASCOL								
MS	48.8	38.4	27%	20.5	138%	333.2	331.1	1%
HSD	40.5	32.1	26%	28.1	44%	273.7	389.4	-30%
FO	-	-	0%	17.6	-100%	30.3	190.8	-84%
Others	0.1	0.2	-22%	0.3	-55%	1.2	2.6	-52%
Total	89.4	70.7	26%	66.5	35%	638.5	913.8	-30%
SHEL								
MS	73.5	68.4	7%	80.5	-9%	437.7	559.9	-22%
HSD	49.7	37.6	32%	47.9	4%	261.2	328.7	-21%
FO	-	-	0%	-	n/m	0.2	-	0%
Others	1.8	2.5	-25%	1.5	23%	9.4	12.1	-22%
Total	125.0	108.5	15%	129.9	-4%	708.5	900.7	-21%

Source: IGI Research, OCAC

Outlook

We expect MS and HSD sales to remain healthy amid eased lockdowns however price hike for Jul/Aug-20 is likely to keep a lid on volumetric growth. HSD sales are likely to remain elevated amid higher demand during the harvesting season and gradual resumption of operations for industries as lockdown eases. FO sales are likely to remain healthy in the coming months due to higher demand from IPPs during peak demand in summer season.

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