

# Day Break

Thursday, 08 June 2017

## Sector Update

### OMC Sales Data for May-17

#### PSO Volumes (000' tons)

	May-17	YoY	FY17TD	YoY
MS	234.5	0%	2,404.7	9%
HSD	363.3	-28%	3,503.5	3%
FO	656.0	-2%	6,309.2	13%
Total	1,317.1	-10%	12,905.5	10%

#### HASCOL Volumes (000' tons)

	May-17	YoY	FY17TD	YoY
MS	79.3	69%	626.4	59%
HSD	109.2	70%	836.0	46%
FO	59.2	11%	549.8	29%
Total	248.3	51%	2,013.7	45%

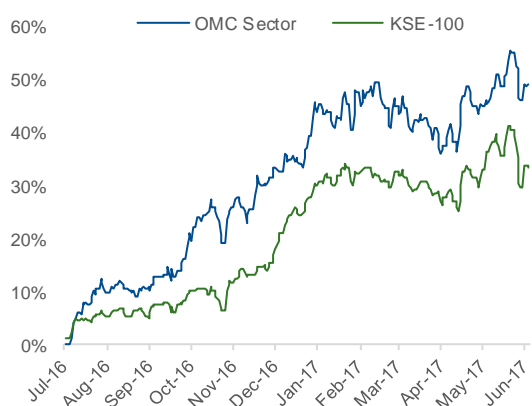
#### SHEL Volumes (000' tons)

	May-17	YoY	FY17TD	YoY
MS	93.3	-2%	1,000.2	1%
HSD	99.2	-4%	945.8	-3%
FO	4.7	-30%	71.7	32%
Total	209.9	-6%	2,186.9	0%

#### APL Volumes (000' tons)

	May-17	YoY	FY17TD	YoY
MS	53.8	32%	513.9	36%
HSD	94.5	110%	749.0	20%
FO	66.1	119%	581.7	4%
Total	218.2	83%	1,887.9	18%

#### Relative Performance to KSE 100



Source: Bloomberg, KSE 100 & IGI Research

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## Oil & Gas – Marketing Companies

### May-17: Volumes Remain Flat at 2.4mn tons

- Oil marketing industry volumes remained steady posting a growth of +0.1%YoY to 2.43mnTons during May-17 bringing industry volumes for FY17TD to 23.44mnTon up by +12%YoY
- We maintain over-weight stance on OMCs on the back of a) increased demand for MS as international oil prices remain under pressure leading to lower domestic prices, and b) upward revision in OMC margins by PKR 0.06/ltr for MS and HSD (yearly revision thereon linked with CPI). Company-wise, HASCOL is grabbing market share in MS, HSD and FO owing to aggressive expansion plans and easing supply constraints via Supply Agreement with Vitol. For PSO, APL and SHEL have shown consistent decline in market share due to lack of aggressive expansion plans.
- We maintain our “BUY” call on HASCOL/PSO/APL with our Dec-17 target prices of PKR 430/share/ PKR 519/share/ PKR 847/share, respectively offering +16.0%/+16.3%/+23.0% upside from its last closing.

#### Volumes remained flat at 2.4mn ton during May-17, up by +0.1%YoY

Oil marketing industry volumes remained steady posting a growth of +0.1%YoY to 2.43mnTons during May-17 bringing industry volumes for FY17TD to 23.44mnTon up by +12%YoY. HSD/FO sales declined by 3%/4%YoY, while MS volumes maintained a steady double digit growth of +10%YoY to 0.62mnTon. On a monthly basis, industry volumes augmented by +10%MoM in May-17 on the back of increase in MS/HSD/FO sales by +8%/+9%/+14%MoM.

#### MS; Strong Demand Corroborated by steady prices

MS sales increased by +10%YoY to 0.62mnTon in May-17, on the back of increasing demand. On monthly basis volumes depicted an increase of +8%MoM, supported by steady domestic price. We believe MS demand to remain strong owing to a) increasing automobile sales, b) reduction of PKR 1.2/ltr in price for Jun-17 and likely further cut going forward as oil prices remain under pressure, and c) possible increase in CNG prices and curtailment as government diverts gas supply from CNG stations to power plants.

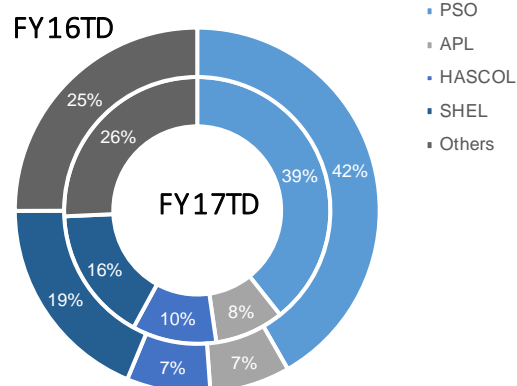
#### HSD; Demand picks up as development projects gain traction

HSD sales dropped by +3%YoY to 0.87mnTon in May-17, while on monthly basis volumes augmented by +9% as commercial transportation increased on the back of infrastructure development project pick up pace. In our view, demand for HSD is anticipated to remain strong owing to improving outlook of commercial transportation as infrastructure development projects pace up under CPEC and likely reduction in prices as international oil prices come down (PKR 1.6/ltr reduction announced by GoP for Jun-17).

#### FO; Sales plummet during May-17 as IPPs struggle to make payments

FO volumes depicted a decline of 4%YoY to 0.86mnTon in May-17 as IPPs struggle to make overdue payments. However, on monthly basis, FO volumes increased by +14%MoM led by higher demand from power plants owing to start of summer season.

**Exhibit: MS Market Share - Company wise (FY17TD)**



**Outlook**

We maintain over-weight stance on OMCs on the back of a) increased demand for MS as international oil prices remain under pressure leading to lower domestic prices, and b) upward revision in OMC margins by PKR 0.06/ltr for MS and HSD (yearly revision thereon linked with CPI). Company-wise, HASCOL is grabbing market share in MS, HSD and FO owing to aggressive expansion plans and easing supply constraints via Supply Agreement with Vitol. For PSO, APL and SHEL have shown consistent decline in market share due to lack of aggressive expansion plans. However, PSO has started to regain its market share in FO as demand from Hub plant resumes post maintenance.

**Recommendation**

We maintain our **“BUY”** call on HASCOL/PSO/APL with our Dec-17 target prices of PKR 430/share/ PKR 519/share/ PKR 847/share, respectively offering +16.0%/+16.3%/+23.0% upside from its last closing.

**Exhibit: HSD Market Share - Company wise (FY17TD)**

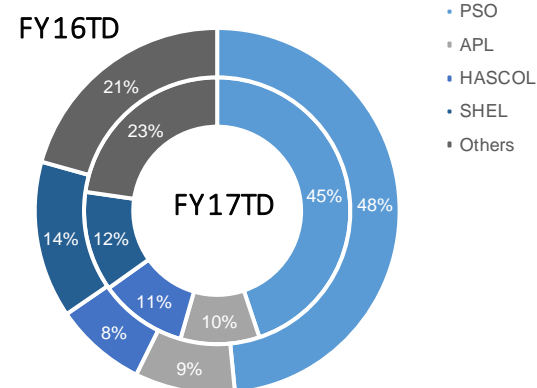


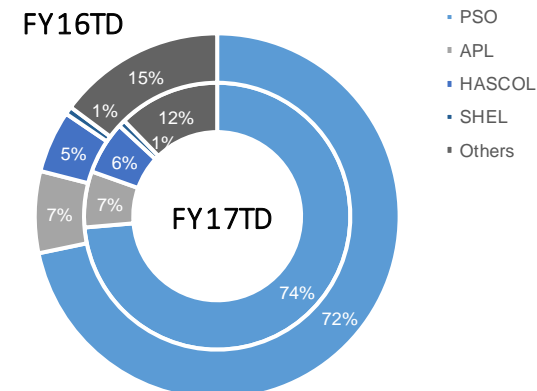
Exhibit:

**OMC's Monthly Sales Volume (May-17)**

	000'tons	May-17	May-16	YoY	CY17TD	YoY	FY17TD	YoY
<b>Industry</b>								
MS	615.8	560.3	10%	2,809.2	11%	6,117.6	15%	
HSD	871.7	895.0	-3%	3,591.3	4%	7,809.4	11%	
FO	863.6	897.8	-4%	3,614.2	-2%	8,566.6	10%	
Others	83.8	79.3	6%	443.5	25%	944.6	14%	
<b>Total</b>	<b>2,434.9</b>	<b>2,432.4</b>	<b>0%</b>	<b>10,458.2</b>	<b>4%</b>	<b>23,438.2</b>	<b>12%</b>	
<b>PSO</b>								
MS	234.5	235.0	0%	1,066.5	7%	2,404.7	9%	
HSD	363.3	502.9	-28%	1,510.4	-11%	3,503.5	3%	
FO	656.0	667.4	-2%	2,668.5	1%	6,309.2	13%	
Others	63.3	56.2	13%	328.7	18%	688.0	16%	
<b>Total</b>	<b>1,317.1</b>	<b>1,461.6</b>	<b>-10%</b>	<b>5,574.1</b>	<b>-1%</b>	<b>12,905.5</b>	<b>10%</b>	
<b>APL</b>								
MS	53.8	40.8	32%	233.1	21%	513.9	36%	
HSD	94.5	45.0	110%	374.8	50%	749.0	20%	
FO	66.1	30.2	119%	271.6	19%	581.7	4%	
Others	3.7	3.2	18%	19.8	29%	43.4	14%	
<b>Total</b>	<b>218.2</b>	<b>119.2</b>	<b>83%</b>	<b>899.2</b>	<b>31%</b>	<b>1,887.9</b>	<b>18%</b>	
<b>HASCOL</b>								
MS	79.3	47.0	69%	341.6	64%	626.4	59%	
HSD	109.2	64.3	70%	440.2	47%	836.0	46%	
FO	59.2	53.3	11%	243.7	14%	549.8	29%	
Others	0.5	-	0%	1.5	0%	1.5	0%	
<b>Total</b>	<b>248.3</b>	<b>164.6</b>	<b>51%</b>	<b>1,027.0</b>	<b>42%</b>	<b>2,013.7</b>	<b>45%</b>	
<b>SHEL</b>								
MS	93.3	95.6	-2%	444.4	-5%	1,000.2	1%	
HSD	99.2	103.2	-4%	432.3	-6%	945.8	-3%	
FO	4.7	6.7	-30%	20.9	4%	71.7	32%	
Others	12.8	17.1	-25%	79.3	48%	169.3	-3%	
<b>Total</b>	<b>209.9</b>	<b>222.5</b>	<b>-6%</b>	<b>976.8</b>	<b>-2%</b>	<b>2,186.9</b>	<b>0%</b>	

Source: IGI Research

**Exhibit: FO Market Share - Company wise (FY17TD)**



Source: Company Financials, IGI Research

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