

## Sector Update

### OMC Sales Data for Mar-20

#### MS Volumes (000' tons)

	Mar-20	YoY	9MFY20	YoY
PSO	202.3	-20%	2,145.1	6%
APL	49.0	-17%	502.2	-5%
HASCOL	44.6	-15%	394.3	-29%
SHEL	59.0	-29%	645.0	-7%
Industry	545.0	-16%	5,517.2	0%

#### HSD Volumes (000' tons)

	Mar-20	YoY	9MFY20	YoY
PSO	152.1	-35%	2,007.9	-3%
APL	41.2	-38%	478.5	-17%
HASCOL	38.2	-30%	349.7	-50%
SHEL	31.4	-33%	356.4	-11%
Industry	385.7	-33%	4,559.1	-16%

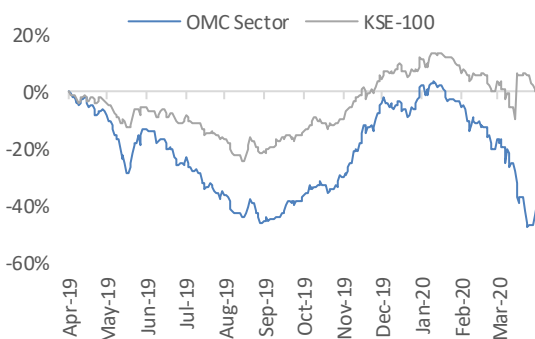
#### FO Volumes (000' tons)

	Mar-20	YoY	9MFY20	YoY
PSO	10.9	-88%	747.9	-24%
APL	19.7	-34%	300.3	-5%
HASCOL	2.6	-83%	55.2	-83%
SHEL	-	n/m	0.2	-70%
Industry	63.8	-66%	1,597.6	-26%

#### Others Volumes (000' tons)

	Mar-20	YoY	9MFY20	YoY
PSO	21.0	-55%	456.0	5%
APL	3.3	-11%	28.4	-17%
HASCOL	0.2	-41%	2.7	-55%
SHEL	0.9	-48%	13.1	-53%
Industry	26.8	-51%	519.5	-1%

### Relative Performance to KSE 100



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## Oil & Gas - Marketing Companies

### Mar-20: Higher retail demand cushions sales decline, a more prominent deterioration expected next month

- ✓ Industry volumes for oil marketing companies for the month of Mar-20 witnessed a decline of 30% YoY to 1.02mn ton bringing industry volumes for 9MFY20 to 12.19mn ton down by 11% YoY,
- ✓ MS sales declined by 16% YoY in Mar-20, while on sequential basis, volumes remained flat at 0.55mn ton likely on the back of PKR 5/ltr price drop for Mar-20,
- ✓ HSD sales dropped by 33% YoY to 0.39mn ton in Mar-20, while on monthly basis volumes are up by +3% MoM. The drop in sales is likely attributable to grey market sales and one week impact of lockdown,
- ✓ FO volumes depicted a decline of 66% YoY to 0.06mn ton in Mar-20 as demand remained relatively low despite lower prices. On a sequential basis, FO volumes are down by 56% MoM.

#### Volumes depict 30% YoY decline in Mar-20 to 1.02mn ton

Industry volumes for oil marketing companies for the month of Mar-20 witnessed a decline of 30% YoY to 1.02mn ton bringing industry volumes for 9MFY20 to 12.19mn ton down by 11% YoY. Furnace Oil (FO)/ High Speed Diesel (HSD)/ Motor Spirit (MS) sales registered drop of 66%/33%/16% YoY during Mar-20. On a monthly basis, industry volumes are down by 8% MoM in Mar-20 on the back of 56% MoM drop in FO sales while MS and HSD remained relatively flat. For 9MFY20, volumes decreased owing to 26%/16% YoY contraction in FO/HSD sales. To highlight, during 9MFY20 PSO led the charts by posting only 2% YoY decline in total sales while HASCOL/APL/SHEL witnessed 50%/10%/10% YoY plunge in total volumes with market share for PSO increasing by 4% to 44% whereas SHEL and APL retained their market shares at 8% and 11% respectively; however HASCOL market share dropped to 7% from 12% same period last year.

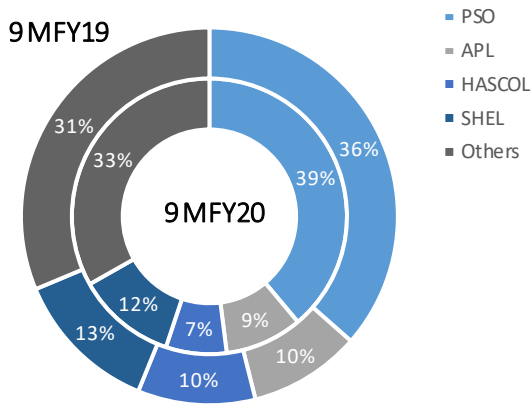
#### MS: Volumes down by 16% YoY during Mar-20

MS sales declined by 16% YoY in Mar-20, while on sequential basis, volumes remained flat at 0.55mn ton likely on the back of PKR 5/ltr price drop for Mar-20 and another price reduction on 25<sup>th</sup>-Mar-20 of PKR 15/ltr. However, the latter has had minimal impact on sales as it was provided during complete lock down period (provided as relief amid Covid-19). More importantly, the impact of lock down is likely to be more visible in Apr-20. For 9MFY20, MS volumes are flat at 5.52mn ton. During 9MFY20, PSO led the chart by posting +6% YoY growth with market share rising to 39%, while HASCOL/SHEL/APL registered 29%/7%/5% YoY decline in sales with market share dropping to 7%/12%/9%.

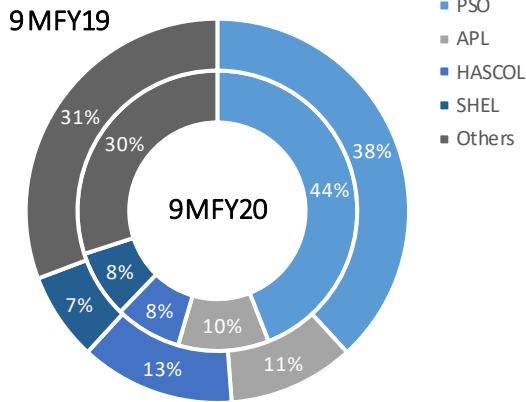
#### HSD: Volumes down by 33% YoY during Mar-20

HSD sales dropped by 33% YoY to 0.39mn ton in Mar-20, while on monthly basis volumes are up by +3% MoM. The drop in sales is likely attributable to grey market sales and one week impact of Covid-19 lockdown – despite price decline of PKR 5/ltr. This brings total 9MFY20 sales at 4.56mn ton down by 16% YoY. For 9MFY20, PSO posted only 3% YoY decline in sales with market share increasing to 44%. HASCOL/APL/SHEL registered 50%/17%/11% YoY decline in volumes during 9MFY20 with HASCOL/APL/SHEL market share coming down to 8%/10%/8% from 13%/11%/7% in 9MFY19.

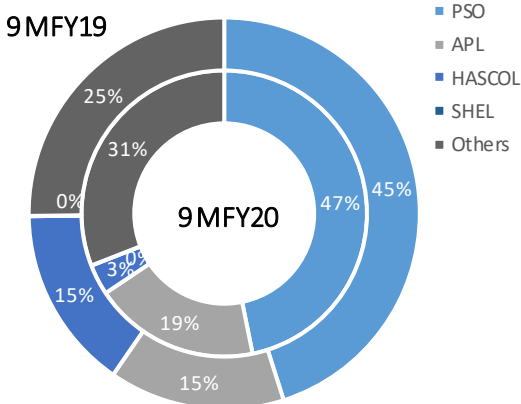
**Exhibit: MS Market Share - Company wise (9MFY20)**



**Exhibit: HSD Market Share - Company wise (9MFY20)**



**Exhibit: FO Market Share - Company wise (9MFY20)**



**FO: Lower demand drags sales by 66%YoY in Mar-20**

FO volumes depicted a decline of 66% YoY to 0.06mn ton in Mar-20 as demand remained muted despite lower prices. On a sequential basis, FO volumes are down by 56% MoM likely owing to lower generation by FO based power plants. As a result, total FO volumes are down by 26% YoY in 9MFY20 to 1.60mn ton. For 9MFY20, HASCOL reported 83% YoY drop in sales with market share dropping to 3%, while APL's market share increased to 19%. PSO reported 24% YoY drop in FO sales while market share increased from 45% to 47%.

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

000'tons	Mar-20	Feb-20	MoM	Mar-19	YoY	9MFY20	9MFY19	YoY
<b>Industry</b>								
MS	545.0	547.3	0%	645.5	-16%	5,517.2	5,524.0	0%
HSD	385.7	374.1	3%	574.8	-33%	4,559.1	5,405.2	-16%
FO	63.8	144.1	-56%	185.0	-66%	1,597.6	2,171.0	-26%
Others	26.8	43.1	-38%	54.6	-51%	519.5	525.7	-1%
Total	1,021.3	1,108.5	-8%	1,459.9	-30%	12,193.3	13,625.8	-11%
<b>PSO</b>								
MS	202.3	193.7	4%	254.3	-20%	2,145.1	2,014.8	6%
HSD	152.1	144.3	5%	233.9	-35%	2,007.9	2,063.2	-3%
FO	10.9	30.6	-64%	90.9	-88%	747.9	978.7	-24%
Others	21.0	36.6	-43%	46.5	-55%	456.0	436.0	5%
Total	386.3	405.1	-5%	625.6	-38%	5,356.9	5,492.7	-2%
<b>APL</b>								
MS	49.0	55.1	-11%	58.8	-17%	502.2	529.7	-5%
HSD	41.2	49.3	-16%	65.9	-38%	478.5	575.2	-17%
FO	19.7	32.5	-40%	29.7	-34%	300.3	315.7	-5%
Others	3.3	3.2	1%	3.7	-11%	28.4	34.3	-17%
Total	113.1	140.1	-19%	158.1	-28%	1,309.4	1,455.0	-10%
<b>HASCOL</b>								
MS	44.6	42.8	4%	52.3	-15%	394.3	558.2	-29%
HSD	38.2	27.0	42%	54.8	-30%	349.7	704.5	-50%
FO	2.6	7.5	-65%	15.9	-83%	55.2	329.0	-83%
Others	0.2	0.2	13%	0.4	-41%	2.7	6.0	-55%
Total	85.7	77.5	11%	123.4	-31%	801.9	1,597.7	-50%
<b>SHEL</b>								
MS	59.0	64.0	-8%	82.7	-29%	645.0	692.4	-7%
HSD	31.4	31.1	1%	47.1	-33%	356.4	401.3	-11%
FO	-	0.2	-100%	-	n/m	0.2	0.6	-70%
Others	0.9	1.4	-39%	1.7	-48%	13.1	27.9	-53%
Total	91.2	96.8	-6%	131.4	-31%	1,014.7	1,122.2	-10%

Source: IGI Research, OCAC

**Outlook**

Amid ongoing Covid-19 outbreak and subsequent lockdown, we believe MS and HSD sales are likely to take a hit until lock down is lifted with industries gradually allowed to start operations. Nevertheless, seeing as OMCs fall under essential category leading to retail pumps being operational even in lockdown, we expect OMC retail segment to take a hit during this period but not completely erode. However, once lockdown is lifted, MS sales are likely to recover to 1HFY20 levels gradually whereas further growth is likely to be restricted amid demand slow down. For HSD, sales are likely to have an extended recovery phase as some industries might close down while others would take time. Much is dependent on demand contraction and how long the lockdown period lasts. Furthermore, Sukuk-II is likely to be delayed and is expected to be offered and disbursed in PKR 25bn sub tranches to promote wider participation.

Source: Company Financials, IGI Research

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