

Day Break

Thursday, 06 April 2017

Sector Update

OMC Sales Data for Mar-17

PSO Volumes (000' tons)

	Mar-17	YoY	FY17TD	YoY
MS	568.1	3%	4,929.3	16%
HSD	672.5	4%	6,139.7	14%
FO	679.2	-5%	6,945.7	12%
Total	2,015.3	2%	18,784.2	14%

HASCOL Volumes (000' tons)

	Mar-17	YoY	FY17TD	YoY
MS	70.1	70%	479.3	58%
HSD	83.0	53%	624.0	42%
FO	51.1	26%	442.8	30%
Total	204.4	50%	1,546.8	43%

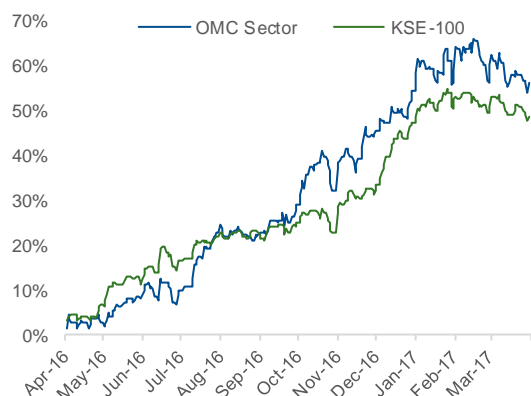
SHEL Volumes (000' tons)

	Mar-17	YoY	FY17TD	YoY
MS	91.2	-8%	815.8	2%
HSD	92.5	-2%	746.2	-4%
FO	3.2	-35%	60.5	50%
Total	206.2	-3%	1,765.3	0%

APL Volumes (000' tons)

	Mar-17	YoY	FY17TD	YoY
MS	46.3	31%	412.5	36%
HSD	65.0	57%	567.4	6%
FO	51.5	18%	456.2	-6%
Total	166.6	36%	1,471.6	9%

Relative Performance to KSE 100



Source: Bloomberg, KSE 100 & IGI Research

Analyst

Abdullah Farhan

abdullah.farhan@igi.com.pk

Tel: (+92-21) 111-234-234 Ext.: 912

Oil & Gas – Marketing Companies

Mar-17: Volumes up by +2%YoY, Muted Growth in MS and HSD

- Oil marketing industry volumes remained steady posting a growth of +2%YoY to 2.02mnTons during Mar-17 bringing industry volumes for FY17TD to 18.78mnTon up by +14%YoY
- We maintain over-weight stance on OMCs on the back of a) increased demand for MS despite recent price hike as gas shortage will likely result in CNG curtailment, 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 497/share/ PKR 847/share, respectively offering +47.6%/+20.6%/+36.7% upside from its last closing.

Volumes depicted growth of +2%YoY to 2.0mnTon in Mar-17

Oil marketing industry volumes remained steady posting a growth of +2%YoY to 2.02mnTons during Mar-17 bringing industry volumes for FY17TD to 18.78mnTon up by +14%YoY. MS/HSD sales leaped up by +3%/+4%YoY, while FO volumes declined by 5%YoY to 0.68mnTon. On a monthly basis, industry volumes augmented by +16%MoM in Mar-17 on the back of increase in MS/HSD/FO sales by +12%/+11%/+25%MoM.

MS; Demand remains strong despite recent price increase

MS sales increased by +3%YoY to 0.57mnTon in Mar-17, on the back of increasing demand. On monthly basis volumes depicted an increase of +12%MoM, despite a cumulative fortnightly price increase of PKR 1.71/share to PKR 73/share in Mar-17. We believe MS demand to remain strong owing to a) increasing automobile sales, and b) possible CNG curtailment as government diverts gas supply from CNG stations to power plants.

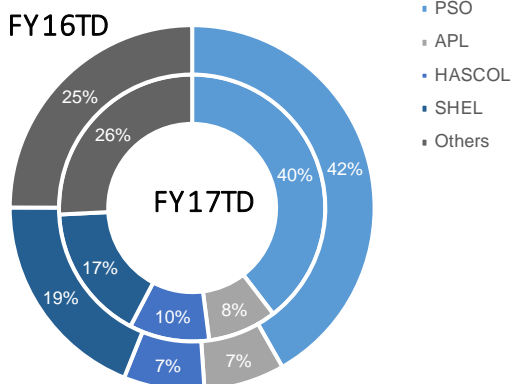
HSD; High demand overshadowing recent price hike

HSD sales augmented by +4%YoY to 0.67mnTon in Mar-17, while on monthly basis volumes augmented by +11% despite PKR 1.52/ltr increase in HSD price. 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.

FO; Sales plummet significantly during Mar-17

FO volumes depicted a decline of 5%YoY to 0.68mnTon in Mar-17. On monthly basis, FO volumes increased by +25%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 despite recent price hike as gas shortage will likely result in CNG curtailment, 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 497/share/ PKR 847/share, respectively offering +47.6%/+20.6%/+36.7% upside from its last closing.

Exhibit: HSD Market Share - Company wise (FY17TD)

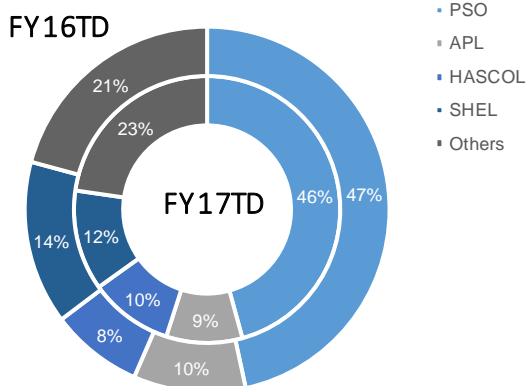


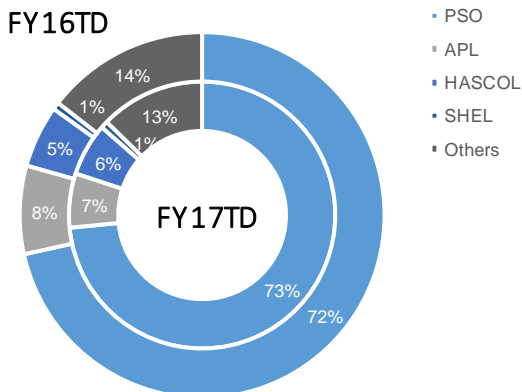
Exhibit:

OMC's Monthly Sales Volume (Mar-17)

	000'tons	Mar-17	Mar-16	YoY	CY17TD	YoY	FY17TD	YoY
Industry								
MS		568.1	550.9	3%	1,620.8	11%	4,929.3	16%
HSD		672.5	646.2	4%	1,921.6	7%	6,139.7	14%
FO		679.2	712.6	-5%	1,993.4	-7%	6,945.7	12%
Others		95.5	74.1	29%	268.4	32%	769.5	13%
Total		2,015.3	1,983.8	2%	5,804.2	3%	18,784.2	14%
PSO								
MS		213.4	223.0	-4%	612.9	10%	1,951.1	10%
HSD		272.9	313.8	-13%	814.3	2%	2,807.4	12%
FO		488.8	514.8	-5%	1,463.1	-5%	5,103.9	15%
Others		69.3	55.9	24%	195.1	17%	554.5	16%
Total		1,044.4	1,107.5	-6%	3,085.4	1%	10,416.8	13%
APL								
MS		46.3	35.3	31%	131.8	11%	412.5	36%
HSD		65.0	41.4	57%	193.1	19%	567.4	6%
FO		51.5	43.5	18%	146.1	-4%	456.2	-6%
Others		3.8	2.2	71%	11.9	46%	35.5	15%
Total		166.6	122.5	36%	482.9	9%	1,471.6	9%
HASCOL								
MS		70.1	41.3	70%	194.5	64%	479.3	58%
HSD		83.0	54.1	53%	228.2	36%	624.0	42%
FO		51.1	40.6	26%	136.7	6%	442.8	30%
Others		0.3	-	0%	0.7	0%	0.7	0%
Total		204.4	136.0	50%	560.1	35%	1,546.8	43%
SHEL								
MS		91.2	99.4	-8%	259.9	-6%	815.8	2%
HSD		92.5	94.3	-2%	232.7	-11%	746.2	-4%
FO		3.2	4.9	-35%	9.7	56%	60.5	50%
Others		19.4	13.3	45%	52.9	137%	142.8	0%
Total		206.2	212.0	-3%	555.3	-2%	1,765.3	0%

Source: IGI Research

Exhibit: FO Market Share - Company wise (FY17TD)



Source: Company Financials, IGI Research

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Time Horizon: Dec - 2017

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IGI Finex Securities Limited

Research Analyst(s)

Research Identity Number: BRP009

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Contact Details

Research Team

Saad Khan	Deputy Head of Research	Tel: (+92-21) 111-234-234 Ext: 810	saad.khan@igi.com.pk
Abdullah Farhan	Research Analyst	Tel: (+92-21) 111-234-234 Ext: 912	abdullah.farhan@igi.com.pk
Jawad Ameer Ali	Research Analyst	Tel: (+92-21) 111-234-234 Ext: 816	jawad.ameer@igi.com.pk
Anjali Kukreja	Research Analyst	Tel: (+92-21) 111-234-234 Ext: 957	anjali.kukreja@igi.com.pk
Umesh Solanki	Database Manager	Tel: (+92-21) 111-234-234 Ext: 974	umesh.solanki@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) 35777863-70	zaeem.haider@igi.com.pk
Muhammad Naveed	Branch Manager (Islamabad)	Tel: (+92-51) 2604861-62	muhammad.naveed@igi.com.pk
Gul Hussain	Branch Manager (Faisalabad)	Tel: (+92-41) 2540843-45	gul.hussain@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	mehtab.ali@igi.com.pk
Zeeshan Kayani	Branch Manager (Abbottabad)	Tel: (+92-992) 408243-44	zeeshan.kayani@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 # 719, 7th Floor, KSE Building, Stock Exchange Road, Karachi.
Tel: (+92-21) 32429613-4, 32462651-2, Fax: (+92-21) 32429607

Lahore Office

5-F.C.C. Ground Floor, Syed Maratib Ali Road,
Gulberg II, Lahore
Tel: (+92-42) 35777863-70, 35876075-76
Fax: (+92-42) 35763542

Faisalabad Office

Room #: 515-516, 5th Floor, State Life
Building, 2- Liaqat Road, Faisalabad
Tel: (+92-41) 2540843-45
Fax: (+92-41) 2540815

Multan Office

Mezzanine Floor, Abdali Tower,
Abdali Road, Multan
Phone: (92-992) 408243 - 44

Islamabad Office

Mezzanine Floor, Office 5, 6 & 7, Kashmir Plaza,
Block- B, Jinnah Avenue, Blue Area, Islamabad
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, Rahim Yar Khan
Tel: (+92-68) 5871653-6, 5871652
Fax: (+92-68) 5871651

Abbottabad Office

Ground Floor, Al Fatah ShoppingCenter, Opp. Radio
Station, Mansehra Road, Abbottabad
Phone: (+92-99) 2408243 - 44