

# Day Break

Wednesday, 08 March 2017

## Sector Update

### OMC Sales Data for Feb-17

#### PSO Volumes (000' tons)

	Feb-17	YoY	FY17TD	YoY
MS	192.6	11%	1,737.7	12%
HSD	268.6	9%	2,534.5	15%
FO	394.6	-16%	4,615.0	17%
Total	911.8	-3%	9,372.5	16%

#### HASCOL Volumes (000' tons)

	Feb-17	YoY	FY17TD	YoY
MS	62.5	71%	409.2	56%
HSD	64.9	36%	541.1	40%
FO	31.6	-28%	391.7	30%
Total	159.1	24%	1,342.4	41%

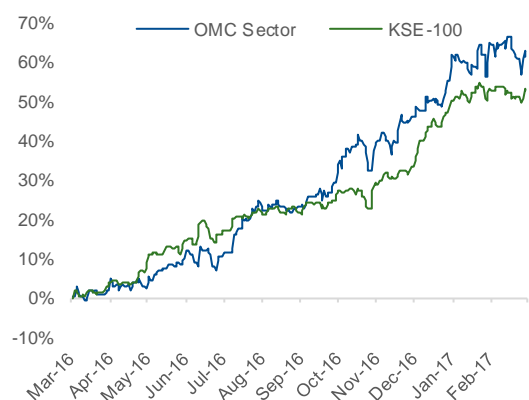
#### SHEL Volumes (000' tons)

	Feb-17	YoY	FY17TD	YoY
MS	79.8	2%	724.6	3%
HSD	69.9	-14%	653.8	-5%
FO	2.5	0%	57.3	61%
Total	168.9	6%	1,559.1	0%

#### APL Volumes (000' tons)

	Feb-17	YoY	FY17TD	YoY
MS	42.3	-2%	366.2	37%
HSD	64.0	25%	502.3	2%
FO	41.1	-22%	404.7	-8%
Total	151.0	1%	1,305.0	6%

#### Relative Performance to KSE 100



Source: Bloomberg, KSE 100 & IGI Research

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## Oil & Gas – Marketing Companies

### Feb-17: Depressed FO Sales Kept Overall Volumes Stagnant

- Oil marketing industry volumes remained steady, however slowed down by 15%MoM 1.7mnTon in Feb-17. During the month, MS/HSD sales leaped up by +12%/+9%YoY.
- We maintain over-weight stance on OMCs on the back of a) increased demand for MS owing to lower prices and, b) revision in 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 through Vitol while PSO, APL and SHEL are constantly losing market share due to lack of 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 +36.5%/+10.4%/+33.3% upside from its last closing.

#### Volumes remained stagnant at 1.7mnTon in Feb-17

Oil marketing industry volumes remained steady, however slowed down by 15%MoM to 1.7mnTon in Feb-17. During the month, MS/HSD sales leaped up by +12%/+9%YoY, while FO volumes declined by 19%YoY to 0.5mnTon. Industry volumes for FY17TD augmented by +15%YoY to 16.77mnTon owing to +18%/+15%/+14%YoY jump in MS/HSD/FO sales.

#### MS; Demand remains strong despite recent price increase

MS sales increased by +12%YoY to 0.51mnTon in Feb-17, on the back of higher demand amid comparatively lower prices. However, on monthly basis volumes depicted a decline of 7%MoM rise as prices were increased by PKR 3.25/ltr during Feb-17.

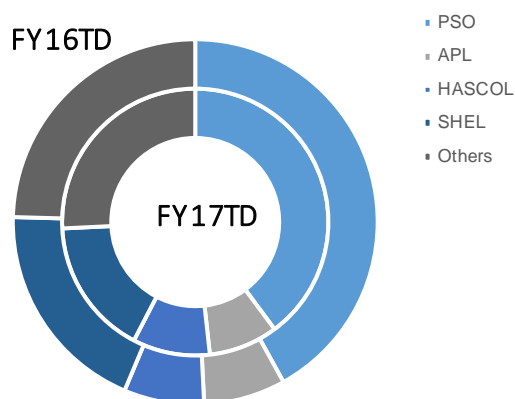
#### HSD; Stable prices to keep demand upbeat

HSD sales augmented by +9%YoY to 0.61mnTon in Feb-17, whereas on monthly basis volumes plunged by 5% owing to PKR 3.26/ltr increase in HSD price. However, in our view, demand for HSD is anticipated to remain strong owing to lower price expectations and improving outlook on commercial transportation.

#### FO; Sales plummet significantly during Feb-17

FO volumes depicted a decline of 19%YoY to 0.54mnTon in Feb-17. On monthly basis, FO volumes dropped by 30%MoM as FO prices keep on rising and increased Hydel based power generation.

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



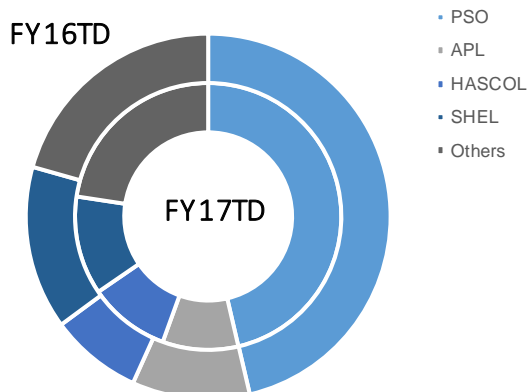
**Outlook**

We maintain over-weight stance on OMCs on the back of a) increased demand for MS owing to lower prices and b) revision in 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 through Vitol, while PSO, APL and SHEL are constantly losing market share due to lack of expansion plans to sustain market share. 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 +36.5%/+10.4%/+33.3% upside from its last closing.

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



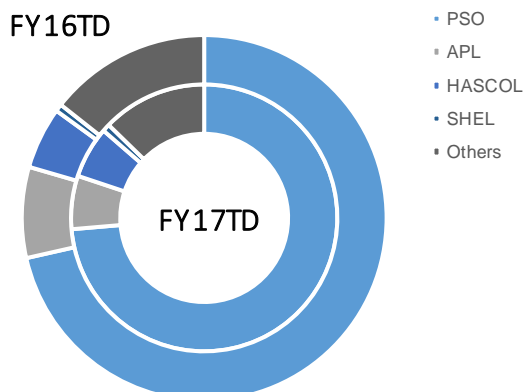
**Exhibit:**

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

000'tons	Feb-17	Feb-16	YoY	FY17TD	FY16TD	YoY
<b>Industry</b>						
MS	506.2	452.1	12%	4,361.1	3,681.2	18%
HSD	607.6	557.9	9%	5,467.2	4,741.3	15%
FO	543.0	670.4	-19%	6,266.5	5,501.1	14%
Others	78.8	54.8	44%	674.0	604.3	12%
<b>Total</b>	<b>1,735.6</b>	<b>1,735.3</b>	<b>0%</b>	<b>16,768.9</b>	<b>14,527.9</b>	<b>15%</b>
<b>PSO</b>						
MS	192.6	173.6	11%	1,737.7	1,544.7	12%
HSD	268.6	247.5	9%	2,534.5	2,196.6	15%
FO	394.6	471.5	-16%	4,615.0	3,931.5	17%
Others	56.0	51.1	10%	485.2	424.1	14%
<b>Total</b>	<b>911.8</b>	<b>943.7</b>	<b>-3%</b>	<b>9,372.5</b>	<b>8,096.9</b>	<b>16%</b>
<b>APL</b>						
MS	42.3	43.1	-2%	366.2	267.2	37%
HSD	64.0	51.3	25%	502.3	494.7	2%
FO	41.1	52.3	-22%	404.7	442.2	-8%
Others	3.6	2.6	43%	31.7	28.6	11%
<b>Total</b>	<b>151.0</b>	<b>149.3</b>	<b>1%</b>	<b>1,305.0</b>	<b>1,232.7</b>	<b>6%</b>
<b>HASCOL</b>						
MS	62.5	36.5	71%	409.2	262.0	56%
HSD	64.9	47.8	36%	541.1	386.6	40%
FO	31.6	43.6	-28%	391.7	300.8	30%
Others	0.1	-	0%	0.4	-	0%
<b>Total</b>	<b>159.1</b>	<b>128.0</b>	<b>24%</b>	<b>1,342.4</b>	<b>949.4</b>	<b>41%</b>
<b>SHEL</b>						
MS	79.8	78.2	2%	724.6	703.1	3%
HSD	69.9	81.6	-14%	653.8	685.4	-5%
FO	2.5	-	0%	57.3	35.6	61%
Others	16.7	-	0%	123.4	129.8	-5%
<b>Total</b>	<b>168.9</b>	<b>159.8</b>	<b>6%</b>	<b>1,559.1</b>	<b>1,553.9</b>	<b>0%</b>

Source: IGI Research

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



Source: Company Financials, IGI Research

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