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OMC's

MARKET
VISTA

HSD slump the 'most unkindest cut of all'

- March'19 OCAC data for POL sales (1.45mn tonnes +1%MoM/-18%YoY), dampened by expectedly subdued FO sales (185Ktons +8%MoM/-50%YoY) and unexpectedly persistent in HSD sales (0.58mn tonnes -2%MoM/-21%YoY) extending declines for this core retail fuel segment (1QCY19 HSD sales volumes down 16.4%YoY).
- Cumulative 9MFY19 industry sales amount to 13.56mn tonnes (-26%YoY) with two out of three major segments (FO/HSD sales down 59/20%YoY) firmly lower, while MOGAS offtake flat lined (+1%YoY), setting a low base before the start of seasonally high POL sales volumes (2-3Q CY)
- Amongst major downstream players, the absence of growth was profound (PSO/APL/HASCOL/SHEL Mar'19 volumes -11/-25/-49/-7%YoY) pressing 9MFY19 cumulative volumes (-46/-4/-25/-10%YoY) even lower
- PkR depreciation and unwavering Arab Light prices should keep a lid on discretionary sales, where MOGAS/HSD sales may be headed into a particularly tough summer, taming any expectations of volumetric sales growth
- Shifting focus to re-investment and CAPEX plans following circular debt resolution, we believe PSO can fortify retail fuel market share by effective mid-stream investments, while trimmed transport costs (transporting HSD through rail) and improved domestic upliftment are long term operational safeguards.

FO and HSD continue to be a drag: HSD has joined FO in driving the decline in total OMC sales with both the segments posting a 21% and 50%YoY decline, respectively in sales for Mar'19. FO was already in the eye of the storm due to increasing share of LNG in the mix while HSD sales are facing the brunt majorly due to influx of grey product into the market though slowdown in overall economic activity is also showing its color. However, FO sales increased on sequential basis (8%MoM) as we move into summer, a higher electricity demand season bringing FO based power plants into play. MS, on the other hand, continues to pare its losses made in 1HFY19 (down 2%YoY for 1HFY19) as sales increased by 8%YoY taking cumulative sales for 9MFY19 to 5.5mn tons, up by a mere 1%YoY. Another major decline was witnessed in JP sales of 42%YoY for Mar'19 which we believe is on the back of partial closures of airspace due to on-going tensions with India.

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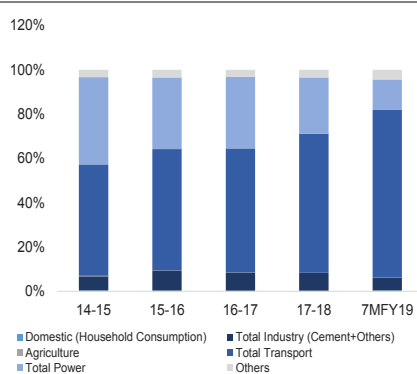
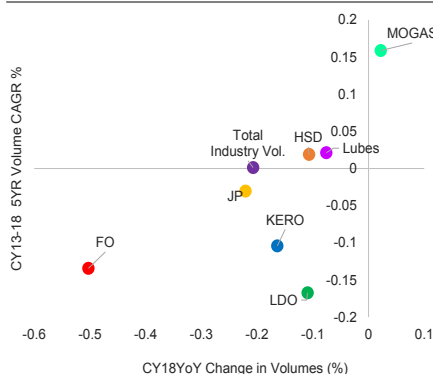
Volume Based Marketshare

PSO	Mar'19	Mar'18	9MFY19	9MFY18
FO	49%	42%	45%	78%
HSD	41%	36%	38%	46%
MOGAS	39%	35%	37%	41%
Total	43%	39%	40%	55%
APL				
FO	16%	8%	15%	8%
HSD	11%	10%	11%	9%
MOGAS	9%	10%	10%	8%
Total	11%	9%	11%	8%
HASCOL				
FO	9%	9%	15%	9%
HSD	10%	12%	13%	14%
MOGAS	8%	10%	10%	13%
Total	8%	10%	12%	12%
SHEL				
HSD	8%	7%	7%	7%
MOGAS	13%	13%	12%	13%
HOBC	27%	27%	29%	26%
JP	0%	11%	3%	7%
KERO	0%	0%	0%	2%
Total	9%	7%	8%	7%

Source: OCAC & AKD Research

YoY volumes show slowdown in all segments....

...as slowing volumes shift to favor transport



Source: OCAC & AKD Research

HASCOL on the receiving end again: PSO clearly stood out from peers for Mar'19 with the company printing a decline of 11%YoY vs. 19%YoY decline in overall industry sales for Mar'19. Consequently, PSO's market share increased in all three major segments (FO/HSD/MS) to 49/41/39% vs. 42/36/35% in Mar'18. For HASCOL, it was another dismal month with the sales declining by



49%YoY for Mar'19 mainly on the back of decline in company's FO sales of 75%YoY followed by HSD going down by 49%YoY. Market share of the company stood at 8/10% for MS/HSD for Mar'19 vs. 10/12% in Mar'18 while significantly down by 5/4ppts against market share of 13/14% in MS/HSD for 9MFY18 as company has suffered the most in previous 4-6 months due to entrance of new players in the market. However for 9MFY19, it is a different story where PSO has taken a severe beating due to circular debt straining its ability to protect market share resulting in 37/38% market share for MS/HSD in 9MFY19 vs. 41/46% for 9MFY18.

Outlook: The overall economic climate will continue to drag the POL sales where the continued shift of power mix away from FO towards LNG/Coal will take the lead. However, sequential increase in FO volumes in near term will continue as we enter into summer – high electricity demand period. For HSD, the high local prices will continue to encourage influx of grey product into the local market where even if oil prices come down, government's fiscal needs will hamper full pass-on hence will continue providing incentive for smuggling. Though the major catalyst for the sector is the resolution of circular debt where PSO has already received Pkr60bn from the first tranche of Pkr200bn. The continued resolution will ease cash flow strains on the company, allowing it to undertake a new leg of investment/CAPEX-led growth, with management inclined to foray (yet again) into the mid-stream space and PRL likely to be the conduit for integration.

OMC Industry Volumetric Snapshot (000 Tonnes)

Industry	Mar'19	Mar'18	YoY	Feb'19	MoM	9MFY19	9MFY18	YoY
FO	185	368	-50%	171	8%	2,157	5,246	-59%
HSD	575	730	-21%	584	-2%	5,385	6,716	-20%
MOGAS	646	598	8%	614	5%	5,503	5,448	1%
HOBC (95RON+)	6	11	-43%	6	0%	63	98	-36%
JP	40	69	-42%	45	-11%	375	610	-39%
KERO	6	9	-31%	6	9%	68	85	-20%
LDO	2	2	-2%	2	-22%	14	13	3%
Total	1,460	1,787	-18%	1,441	1%	13,564	18,217	-26%
PSO								
FO	91	154	-41%	62	47%	965	4,116	-77%
HSD	234	264	-11%	217	8%	2,059	3,061	-33%
MOGAS	254	211	21%	212	20%	2,011	2,209	-9%
HOBC (95RON+)	2	4	-48%	2	7%	19	40	-53%
JP	40	63	-37%	45	-11%	365	552	-34%
KERO	4	6	-32%	3	37%	45	60	-24%
LDO	1	1	-27%	1	2%	5	6	-16%
Total	626	702	-11%	560	12%	5,468	10,044	-46%
APL								
FO	30	57	-48%	31	-5%	316	412	-23%
HSD	66	89	-26%	52	27%	574	618	-7%
MOGAS	59	60	-2%	55	6%	528	453	17%
HOBC (95RON+)	1	1	-27%	0	31%	4	6	-32%
JP	1	1	-42%	1	-15%	6	5	22%
KERO	2	2	-24%	2	-23%	18	20	-11%
LDO	1	1	28%	1	3%	6	5	22%
Total	158	211	-25%	175	-10%	1,453	1,520	-4%
HASCOL								
FO	16	65	-75%	30	-47%	328	451	-27%
HSD	55	107	-49%	91	-40%	700	974	-28%
MOGAS	52	72	-27%	75	-30%	556	700	-21%
HOBC (95RON+)	0	1	-47%	0	-3%	6	6	-5%
Total	123	244	-49%	116	7%	1,590	2,131	-25%
SHEL						0	0	
HSD	47	52	-10%	47	0%	404	489	-18%
MOGAS	83	81	3%	79	5%	685	682	1%
HOBC (95/97RON)	2	3	-45%	2	-12%	18	25	-30%
JP	-	5	-100%	-		11	45	-76%
KERO	-	0	-100%	-		0	2	-92%
Total	132	141	-7%	122	8%	1,119	1,249	-10%

Source: OCAC & AKD Research

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Sell	< -20% downside potential
Not Rated	No investment opinion or recommendation

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