

## PAKISTAN OMCs

### Low base amplifying growth

- OMC volumes continued on a growth trajectory with a massive increase of 45%YoY mainly on the back of low base due to stringent COVID-19 related restrictions in Mar'20 and stand at 1.5mn tons for Mar'21 while sequentially, volumes grew by 6%.
- Overall, local OMC sales continued on a strong footing, up 16%YoY for 9MFY21 (up 12% YoY excluding FO) where seasonal uptick in FO demand for power generation over the period drove growth of 44%YoY while MS/HSD followed with growth of 10/18% YoY.
- Market shares remain fluid with PSO/APL/HASCOL/SHEL accounting for market shares of 47/9/3/9% during Mar'21 where a comparison with Mar'20 reveals decreasing share of HASCOL/APL by 5/2ppts while market share of PSO increased by 9ppts.
- PSO (TP: Pkr293.1/sh, 29.5% upside) is our top pick where medium term developments include clearance of circular debt and shift in profile of cash flows due to increased share of retail fuels while focus on improving storage infrastructure will result in company sustaining the recently gained market share, moving forward.

**OMC volumes increased by 45%YoY for Mar'21:** Low base effect is plastered all over the YoY growth of OMC volumes registering growth of 45%YoY for Mar'21 while sequentially, increasing by 6%. To recall, during Mar'20 a lockdown was imposed across different provinces to combat the spread of COVID-19 which dealt a serious blow to economic activity. Per day sales of MS/HSD falling down to 8.5/6.4mn liters for last two days of Mar'20 against average sales of 30.0/20.6 liters for Mar'21 perfectly encapsulates the extent of low base. Among the three major fuels, furnace oil posted the biggest increase of 235/22% YoY/MoM on the back of increase in power demand across the country as temperatures increase. Retail fuels increased by 32/3% YoY/MoM where HSD, though increased by 39%YoY, declined sequentially by 3%MoM while on the other hand, MS increased by 26/9% YoY/MoM. Alternatively, HOBC fell victim to increasing prices, in our opinion, with a decline of 18%MoM. Restrictions on air travel had severely constrained JP offtake however with low base setting in, the fuel witnessed an increase of 124%YoY for Mar'21. For 9MFY21, total OMC sales increased by 16%YoY where FO witnessed the highest increase of 44%YoY followed by 10/18%YoY increase in MS/HSD.

**PSO way ahead of peers:** PSO continues to improve market share where after recent increase in retail fuel volumes of 51%YoY for Mar'21 against 32%YoY of the industry, retail fuel market share has increased to 44% for Mar'21 against 38% in Mar'20. On the other hand, APL continues to be among the laggards with company's retail volumes increasing by a mere 2.3%YoY against 32% of the industry, taking down company's market to 7.5% in retail fuels for Mar'21 against 9.7% for Mar'20. HASCOL continues to face the brunt of financial woes as even with a low base setting in, retail fuel volumes witnessed a massive decline of 52%YoY for Mar'21 where the injury was more pronounced in MS (down 55%YoY). Even though APL, SHEL and HASCOL have been losing market share, increasing share of PSO has kept the market share of listed players at 33% for Mar'21 against 34% for Mar'20.

**Outlook:** OMC volumes improving with an impressive growth of 16%YoY for 9MFY21 is a good omen in our view where volumes are expected to continue treading the same path with economic activity picking up the pace while the growth number will continue to remain amplified as Apr'20 also witnessed dull volumes on the back of countrywide COVID-19 related restrictions. Additionally, government's continued vow to increase curbs on influx of grey product is providing an additional uplift to volumes of HSD in particular. PSO (TP: Pkr293.1/sh, 29.5% upside) is our top pick where medium term developments include clearance of circular debt and shift in profile of cash flows due to increased share of retail fuels while focus on improving storage infrastructure will result in company sustaining the recently gained market share, moving forward. The company remains among the top performers as it continues to gain retail fuel market share while all other listed players falter.

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#### Volume Based Marketshare

PSO	Mar'21	Mar'20	9MFY21	9MFY20
FO	55%	17%	51%	47%
HSD	46%	39%	47%	44%
MOGAS	42%	37%	42%	39%
<b>Total</b>	<b>47%</b>	<b>38%</b>	<b>46%</b>	<b>44%</b>
<b>APL</b>				
FO	15%	31%	17%	19%
HSD	8%	11%	7%	10%
MOGAS	7%	9%	8%	9%
<b>Total</b>	<b>9%</b>	<b>11%</b>	<b>9%</b>	<b>11%</b>
<b>HASCOL</b>				
FO	0%	4%	0%	3%
HSD	4%	10%	5%	8%
MOGAS	3%	8%	6%	7%
<b>Total</b>	<b>3%</b>	<b>8%</b>	<b>4%</b>	<b>7%</b>
<b>SHEL</b>				
HSD	9%	8%	8%	8%
MOGAS	11%	11%	11%	11%
HOBC	25%	25%	19%	30%
<b>Total</b>	<b>9%</b>	<b>9%</b>	<b>8%</b>	<b>8%</b>

Source: OCAC & AKD Research



## OMC Industry Volumetric Snapshot (000 Tonnes)

Industry	Mar'21	Mar'20	YoY	Feb'21	MoM	9MFY21	9MFY20	YoY
FO	213	64	235%	176	22%	2,304	1,598	44%
HSD	535	386	39%	550	-3%	5,376	4,559	18%
MOGAS	685	545	26%	627	9%	6,059	5,517	10%
HOBC	11	3	228%	14	-18%	127	46	176%
JP	35	15	124%	24	43%	229	396	-42%
KERO	6	7	-21%	7	-20%	50	65	-23%
LDO	1	1	28%	1	20%	8	12	-28%
<b>Total</b>	<b>1,486</b>	<b>1,021</b>	<b>45%</b>	<b>1,398</b>	<b>6%</b>	<b>14,153</b>	<b>12,193</b>	<b>16%</b>
<b>PSO</b>								
FO	118	11	981%	91	31%	1,181	748	58%
HSD	244	152	61%	259	-6%	2,548	2,008	27%
MOGAS	289	202	43%	260	11%	2,526	2,145	18%
HOBC	4	1	222%	4	-4%	40	16	158%
JP	33	15	123%	22	48%	214	391	-45%
KERO	3	5	-27%	4	-22%	23	45	-49%
LDO	1	0	592%	1	11%	5	4	21%
<b>Total</b>	<b>693</b>	<b>386</b>	<b>79%</b>	<b>641</b>	<b>8%</b>	<b>6,538</b>	<b>5,357</b>	<b>22%</b>
<b>APL</b>								
FO	33	20	66%	21	52%	395	300	32%
HSD	40	41	-2%	42	-4%	392	478	-18%
MOGAS	51	49	5%	50	2%	455	502	-9%
HOBC	1	0	322%	1	-4%	9	3	238%
JP	1	1	19%	1	-10%	4	5	-15%
KERO	2	2	-12%	2	-6%	23	16	39%
LDO	0	0	-100%	0	NM	2	5	-64%
<b>Total</b>	<b>127</b>	<b>113</b>	<b>13%</b>	<b>117</b>	<b>9%</b>	<b>1,279</b>	<b>1,309</b>	<b>-2%</b>
<b>HASCOL</b>								
FO	0	3	NM	0	NM	2	55	-96%
HSD	19	38	-50%	18	7%	269	350	-23%
MOGAS	20	45	-55%	24	-15%	356	394	-10%
HOBC	1	0	128%	1	-50%	6	3	135%
<b>Total</b>	<b>40</b>	<b>86</b>	<b>-54%</b>	<b>43</b>	<b>-7%</b>	<b>633</b>	<b>802</b>	<b>-21%</b>
<b>SHEL</b>								
HSD	48	31	54%	49	-2%	433	356	21%
MOGAS	78	59	32%	70	11%	645	632	2%
HOBC	3	1	230%	3	-16%	25	14	80%
<b>Total</b>	<b>130</b>	<b>91</b>	<b>42%</b>	<b>123</b>	<b>5%</b>	<b>1,113</b>	<b>1,002</b>	<b>11%</b>

Source: OCAC &amp; AKD Research

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