



AKD Securities Limited

TREC Holder & Registered Broker
Pakistan Stock Exchange

Equity Research / Pakistan



REP-108
www.jamapunji.pk

Today's Daily

■ OMCs: Lubes and Storage Update

Two crucial data sets regarding the OMC sector are difficult to tabulate and verify, one is regarding lubricant sales and market shares, which are excluded from monthly OCAC volumes and other is mid-stream storage infrastructure. Updating our data sets through the annual OCAC Pakistan Oil Report 2016-17, we observe: 1) 47.9%YoY increase in lubricant sales volumes for FY17 steered by 73%YoY rise in passenger motor car lubricant sales, 2) SHEL maintaining leadership in the segment (44% market share), and 3) total storage infrastructure for POL products growing by ~131k tons, up ~4%YoY. In-line with expectations of an FO-lite future, these data sets show that the OMC space (listed players at the least) are ready to put power sectors consumers (and accompanying arrears) in the rear view. Re-iterating strong retail dynamics furthered by core drivers (motor vehicles on road/total industry sales climbing +4.4/+17.9%YoY for FY17), we remain upbeat on the sector with APL offering the highest upside (~20% to DCF based TP of PkR725/sh) at current levels.

KSE100 - Index

Current 46,580.62
Previous 46,637.62
Chg. -0.12%

Mkt Cap. (PkRbn/US\$bn)

Current 9,507 / 82.24
Previous 9,532 / 82.45
Chg. -0.25%

Daily Turnover (mn)

Current 202.79
Previous 248.15
Chg. -18.3%

Value Traded (PkRmn/US\$m)

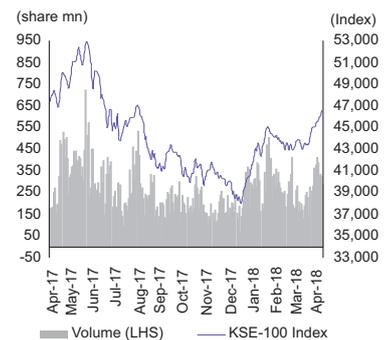
Current 8,359 / 72.31
Previous 14,557 / 125.92
Chg. -42.6%

AKD Daily

Tuesday, Apr 10, 2018

News and Views

- Prime Minister Shahid Khaqan Abbasi and Opposition Leader in the National Assembly Syed Khursheed Ahmed Shah will formally hold a meeting tomorrow (Wednesday) to discuss the appointment of a caretaker gov't for the upcoming general elections.
- As per provisional data, the gov't expects economic growth to reach 5.79%YoY (11yr - high) in the current fiscal year. Sector wise, agriculture grew by 3.81%YoY driven by increased production of important crops. Industrial sector posted growth of 5.8%YoY compared to target of 7.3%YoY. Services sector also grew by 6.43%YoY with wholesale and retail sector registering growth of 7.51%YoY.
- According to statement released by Commerce Ministry, trade deficit narrowed 5%YoY to US\$3.04bn in Mar'18. Exports registered staggering growth of 24%YoY to clock in at US\$2.23bn while imports marginally grew by 5%YoY to reach at US\$5.28bn.



Ali Asghar Poonawala
ali.poonawala@akdsecurities.net
111-253-111 Ext:646

Important disclosures, including investment banking relationships and analyst certification at end of this report. AKD Securities does and seeks to do business with companies covered in its research reports. As a result, investors should be aware that the firm may have a conflict of interest that could affect the objectivity of the report. Investors should consider this report as only a single factor in making their investment decision.

Find AKD research on Bloomberg (AKDS<GO>), firstcall.com and Reuters Knowledge UAN: 111-253-111

Copyright©2018 AKD Securities Limited. All rights reserved. The information provided on this document is not intended for distribution to, or use by, any person or entity in any jurisdiction or country where such distribution or use would be contrary to law or regulation or which would subject AKD Securities or its affiliates to any registration requirement within such jurisdiction or country. Neither the information, nor any opinion contained in this document constitutes a solicitation or offer by AKD Securities or its affiliates to buy or sell any securities or provide any investment advice or service. AKD Securities does not warrant the accuracy of the information provided herein.

Our research is also available on ResearchPool (<https://www.researchpool.com/provider/akd-securities>) research@akdsecurities.net | www.akdsecurities.net



OMCs: Lubes and Storage Update

Two crucial data sets regarding the OMC sector are difficult to tabulate and verify, one is regarding lubricant sales and market shares, which are excluded from monthly OCAC volumes and other is mid-stream storage infrastructure. Updating our data sets through the annual OCAC Pakistan Oil Report 2016-17, we observe: 1) 47.9%YoY increase in lubricant sales volumes for FY17 steered by 73%YoY rise in passenger motor car lubricant sales, 2) SHEL maintaining leadership in the segment (44% market share), and 3) total storage infrastructure for POL products growing by ~131k tons, up ~4%YoY. In-line with expectations of an FO-lite future, these data sets show that the OMC space (listed players at the least) are ready to put power sectors consumers (and accompanying arrears) in the rear view. Re-iterating strong retail dynamics furthered by core drivers (motor vehicles on road/total industry sales climbing +4.4/+17.9%YoY for FY17), we remain upbeat on the sector with APL offering the highest upside (~20% to DCF based TP of PkR725/sh) at current levels.

Continuing to meet healthy demand: Illustrating key industry data points concerning storage additions and lubricant volumes, we focus on changes to market structure, while emphasizing capital additions to support retail expansions. Salient features of these data sets include: 1) 47.9%YoY increase in lubricant sales volumes for FY17 where PSO/HPL/APL raised volumes by 27.5/26.3/21.5%YoY on the back of 73%YoY rise in passenger motor car lubricant sales, 2) market shares in the lubricant segment remain sticky, with SHEL leading the pack (44% market share), and 3) total storage infrastructure for POL products growing by ~131k tons, up ~4%YoY where additions were primarily made by OMCs in their upcountry depots (~109k tons of storage added, +22.2%YoY)

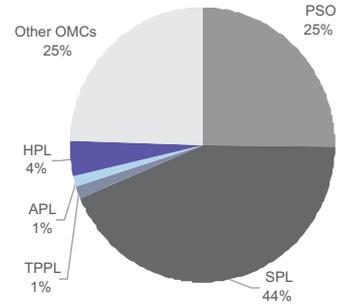
OMCs: Lubricant Volumes by segment (M.tons) FY17

	PSO	SPL	TPPL	APL	HPL	Other OMCs	Total	% of Total
Passenger Motor Car	7,168	20,604	811	844	5,216	20,095	54,738	39%
Heavy Duty Engine Oil	17,470	23,511	1,080	560	-	7,691	50,312	36%
Gear Oil	632	749	-	24	-	592	1,997	1%
Industrial Oil	9,813	13,092	-	575	-	4,526	28,006	20%
Marine Oil	-	-	-	-	-	437	437	0%
Auto Oil	4	-	-	-	541	580	1,125	1%
Greases	256	2,477	-	-	-	391	3,124	2%
Others	-	-	-	-	-	-	-	0%
Total	35,343	60,433	1,891	2,003	5,757	34,312	139,739	-
YoY%	27.5%	6.3%	34.4%	21.5%	26.3%	1397.7%	47.9%	-

Source: OCAC & AKD Research

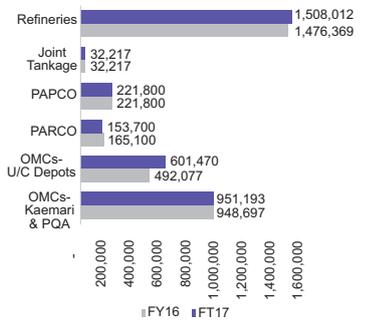
Preparing for life after FO: Although the numbers reported are in no way comprehensive (company wise storage data excludes leased facilities, lubes data has other companies including HTL missing) for our coverage universe, self-reported data by OMCs shows the continuation of an

OMCs: Lubricant Market Share FY17



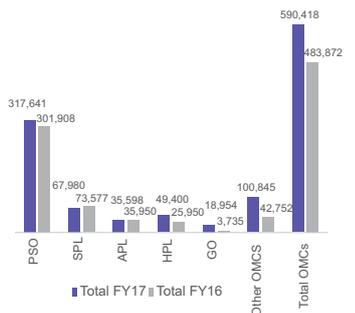
Source: OCAC

Total POL storage by type in July'17 (M.tons)



Source: OCAC & AKD Research

OMCs: Upcountry storage (M.tons)



Source: OCAC & AKD Research



aggressive CAPEX upcycle, further inroads into transport-led demand and an industry yet to initiate any large scale price-based competition. In-line with expectations of an FO-lite future, these data sets show that the OMC space (listed players at the least) are ready to put power sectors consumers (and accompanying arrears) in the rear view.

Outlook: Re-iterating strong retail dynamics furthered by core drivers (motor vehicles on road/total industry sales climbing +4.4/+17.9%YoY for FY17), we remain upbeat on the sector with APL offering the highest upside (~20% to DCF based TP of PkR725/sh) at current levels. On a concluding note, plans for an additional white oil pipeline are vital for rationalizing storage costs, counter transporter lobbies and resolve safety concerns over OMC fleets, giving room to further competition based on price in the long run.



Disclosure Section

Neither the information nor any opinion expressed herein constitutes an offer or a solicitation of an offer to transact in any securities or other financial instrument and is for the personal information of the recipient containing general information only. AKD Securities Limited (hereinafter referred as AKDS) is not soliciting any action based upon it. This report is not intended to provide personal investment advice nor does it provide individually tailored investment advice. This report does not take into account the specific investment objectives, financial situation/financial circumstances and the particular needs of any specific person. Investors should seek financial advice regarding the appropriateness of investing in financial instruments and implementing investment strategies discussed or recommended in this report and should understand that statements regarding future prospects may not be realized. AKDS recommends that investors independently evaluate particular investments and strategies and it encourages investors to seek the advice of a financial advisor.

The appropriateness of a particular investment or strategy will depend on an investor's individual circumstances and objectives. The securities or strategies discussed in this report may not be suitable for all investors, and certain investors may not be eligible to purchase or participate in some or all of them.

Reports prepared by AKDS research personnel are based on public information. AKDS makes every effort to use reliable, comprehensive information, but we make no representation that it is accurate or complete. Facts and views presented in this report have not been reviewed by and may not reflect information known to professionals in other business areas of AKDS including investment banking personnel. AKDS has established information barriers between certain business groups maintaining complete independence of this research report.

This report has been prepared independently of any issuer of securities mentioned herein and not in connection with any proposed offering of securities or as agent of any issuer of any securities. Neither AKDS, nor any of its affiliates or their research analysts have any authority whatsoever to make any representation or warranty on behalf of the issuer(s). AKDS Research Policy prohibits research personnel from disclosing a recommendation, investment rating, or investment thesis for review by an issuer prior to the publication of a research report containing such rating, recommendation or investment thesis.

We have taken all reasonable care to ensure that the information contained herein is accurate, up to date, and complies with all prevailing Pakistani legislations. However, no liability can be accepted for any errors or omissions, or for any loss resulting from the use of the information provided as any data and research material provided ahead of an investment decision are for information purposes only. We shall not be liable for any errors in the provision of this information, or for any actions taken in reliance thereon. We reserve the right to amend, alter, or withdraw any of the information contained in these pages at any time and without notice. No liability is accepted for such changes.

Stock Ratings

Different securities firms use a variety of rating terms as well as different rating systems to describe their recommendations. A rating system which uses similar terms such as Buy, Accumulate, Neutral, Reduce and Sell is not equivalent to our rating system. Investors should carefully read the definitions of all ratings used in each research report. In addition, research reports contain information carrying the analyst's view and investors should carefully read the entire research report and not infer its contents from the rating ascribed by the analyst. In any case, ratings or research should not be used or relied upon as investment advice. An investor's decision to buy, sell or hold a stock should depend on individual circumstances (such as the investors existing holdings or investment objectives) and other considerations. Please see our table below for ratings definitions which are based on price returns.

Rating Definitions

Buy	≥ 20% upside potential
Accumulate	> 5% to < 20% upside potential
Neutral	≤ 5% to ≥ -5% potential
Reduce	< -5% to > -20% downside potential
Sell	≤ -20% downside potential



Analyst Certification of Independence

The analysts hereby certify that their views about the companies and their securities discussed in this report are accurately expressed and that they have not received and will not receive direct or indirect compensation in exchange for expressing specific recommendations or views in this report.

The research analysts, strategists or research associates principally having received compensation responsible for the preparation of this AKDS research report based upon various factors including quality of research, investor client feedback, stock picking, competitive factors and firm revenues.

Disclosure of Interest Area

AKDS and the authoring analyst do not have any interest in any companies recommended in this research report irrespective of the fact that AKD Securities Limited may have, within the last three years, served as manager or co-manager of a public offering of securities for, or currently may make a primary market in issues of, any or all of the entities mentioned in this report or may be providing, or have provided within the previous 12 months, significant advice or investment services in relation to the investment concerned or a related investment.

Regional Disclosures (Outside Pakistan)

The information provided in this report and the report itself is not intended for distribution to, or use by, any person or entity in any jurisdiction or country where such distribution or use would be contrary to law or regulation or which would subject AKDS or its affiliates to any registration or licensing requirements within such jurisdiction or country.

Furthermore, all copyrights, patents, intellectual and other property in the information contained in this report are held by AKDS. No rights of any kind are licensed or assigned or shall otherwise pass to persons accessing this information. You may print copies of the report or information contained within herein for your own private non-commercial use only, provided that you do not change any copyright, trade mark or other proprietary notices. All other copying, reproducing, transmitting, distributing or displaying of material in this report (by any means and in whole or in part) is prohibited.