

PAKISTAN
OMCs

REP-019
**MARKET
VISTA**

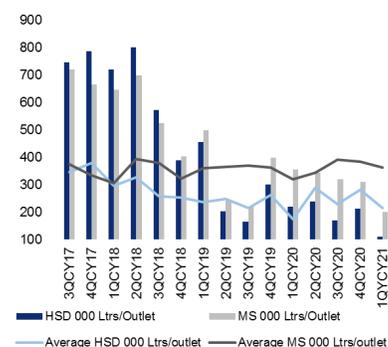
HSD keeps throughput upbeat

- Increase in volumes directly lifted throughput levels, with 1QCY21 retail volumes at 3.05mn tons, up 20%YoY largely due to a 28%YoY increase in HSD while sequential decline in retail fuels' volume stood at 15%.
- Company-wise, HASCOL/SHEL/APL/PSO delivered throughput levels of 308k /613k / 477k/554k ltrs/outlet, moving -46%/+25%/-9%/+38%YoY and -41%/-5%/-7%/-13%QoQ taking total average industry throughput +17%YoY/-13%QoQ to 577k ltrs/outlet.
- Difference between throughput level of HSD and MS standing 146k ltrs/pump for 1QCY21 against 102k ltrs/pump for 4QCY20 despite government's continued efforts to curb influx of grey product points towards slowdown in MS sales, in our opinion.
- PSO (TP: Pkr293.1/sh, 31% upside) is our top pick from the sector where medium term developments include clearance of circular debt and shift in cash 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.

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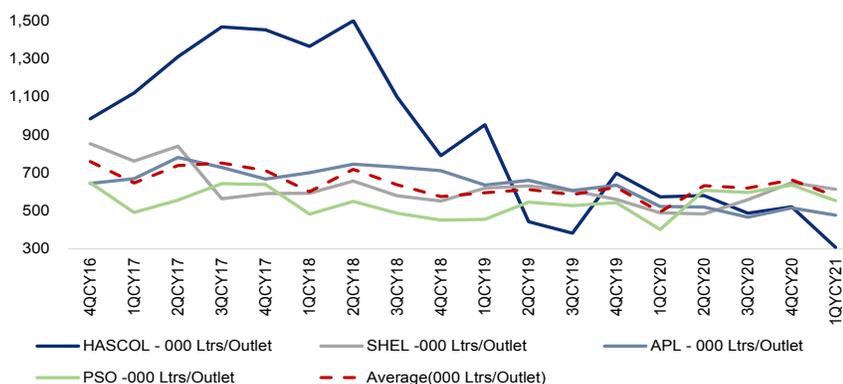
Listed players losing market share: Despite improving economic activity, increased power generation on FO due to gas shortage has slightly reduced share of retail fuels in overall volume mix with retail fuel share standing at 82% for 1QCY21 against 85% for 1QCY20. Share of transport sector in HSD volumes stands at 92% for 8MFY21 and with increased prices of HSD resulting in decreased use of fuel of power generation, we expect the share of transport to increase moving forward. MS continues to be dominated by road segment, contributing ~99% of total sales. Listed players have lost market share to unlisted players in retail fuel segment with share of listed companies standing 66% for 1QCY21 against 67% for 1QCY20 where APL witnessed largest contraction as company's retail fuel market share declined to 8% for 1QCY21 against 10% for 1QCY20.

HASCOL's throughput continues to remain depressed



Source: OCAC & AKD Research

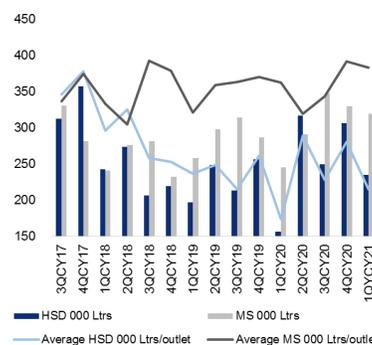
Quarterly retail throughput for listed players



Source: OCAC & AKD Research

Throughput levels increase by 6%YoY for 4QCY20: Confluence of improving economic activity post lifting of COVID-19 related restrictions and government's continued drive against influx of grey product has resulted in throughput levels of listed OMCs increasing by 17%YoY to 577k tons while on QoQ basis, throughput declined by 13%. HSD throughput witnessed a higher increase of 24%YoY as the fuel was most affected by influx of grey product while MS throughput inched up by 13%YoY, however declined by 6% on sequential basis as seasonality in the shape of decreased mobility due to winter came into effect. Company-wise, HASCOL/SHEL/APL/PSO delivered throughput levels of 308k /613k / 477k/554k ltrs/outlet, moving -46%/+25%/-9%/+38%YoY and -41%/-5%/-7%/-13%QoQ taking total average industry throughput +17%YoY/-13%QoQ to

PSO recovering lost share



Source: OCAC & AKD Research

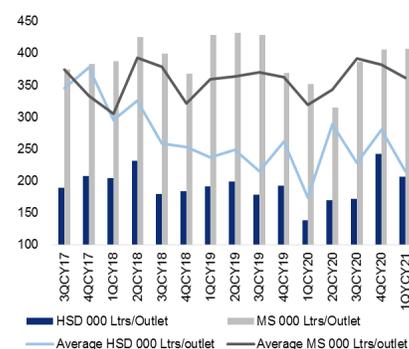


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577k ltrs/outlet. Financial constraints continue to grapple HASCOL with company's throughput decreasing by 46%YoY while PSO outperformed listed peers with a growth of 38%YoY as company continues to capitalize on widespread storage network. In terms of retail expansions, APL/HASCOL added 5/13 outlets during 4QCY20 while retail outlets of PSO decreased by 34.

Outlook: Difference between throughput level of HSD and MS standing 146k ltrs/pump for 1QCY21 against 102k ltrs/pump for 4QCY20 despite government's continued efforts to curb influx of grey product points towards slowdown in MS sales, in our opinion. Post winter, MS sales are expected to pick up as well with overall economic activity on an upward trend. Difference between throughput levels of HSD and MS also sheds light on strategies adopted by different players where SHEL's strategy of mainly focusing on urban centers has resulted in highest difference of 201k ltrs/pump while difference for PSO stands at 84k ltrs/pump, highlight company's widespread retail network. Moving forward, with overall competitive landscape improving after incorporation of exchange losses and reduced exposure to oil price volatility, we expect competition to only intensify with players focusing on discounts and loyalty cards. PSO (TP: Pkr293.1/sh, 31% upside) is our top pick from the sector where medium term developments include clearance of circular debt and shift in cash 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.

SHEL's throughput level



Source: OCAC & AKD Research

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