

PAKISTAN
OMC's

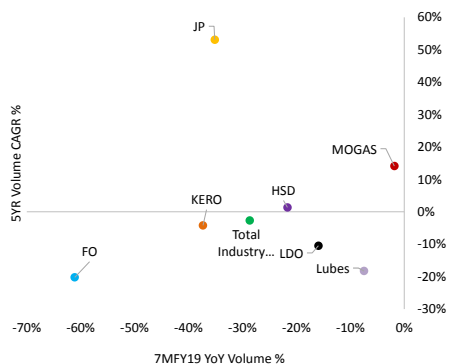
MARKET
VISTA

For volumes, slow and steady start to 2019

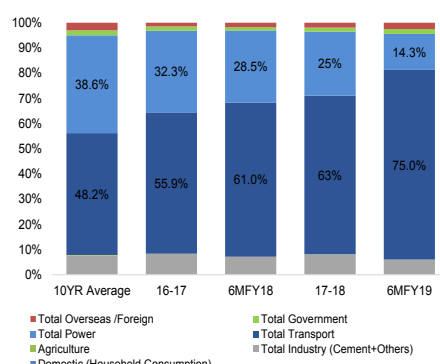
- January volumetric offtake clocked in at 1.56mn tonnes, moving +8%MoM/-13%YoY with FO sales continuing to crater, albeit at a lessening pace (-9%MoM/+60%YoY), while MO-GAS/HSD offtake shifted +1/-5%MoM and +2/-24%YoY.
- Cumulative 7MFY19 volumes amounted to 10.7mn tonnes, receding 29%YoY exhausted by weak power demand (cumulative FO sales dip 16%YoY), where monthly average sales have dropped to 257K tons vs. (662K tons during 7MFY18), indicative of subdued monthly deviations and apprehensive FO-based IPPs, cutting back on purchases
- in terms of market share, PSO/APL/HASOL stood at market shares of 41/10/14% during Jan'19 where a comparison to 7MFY19 cumulative shares of 40/11/12% reveal HASCOL and to a lesser extent PSO successfully clawing back market share during the outgoing month
- The 27%YoY decline in cumulative POL product sales for 6MFY19, underpins a fall in demand for POL products from all major segments, where the most muted decline was in transportation, effectively cementing its share in the consumption mix to 75%.
- With major shifts underway, we advocate for building positions in the state OMC, standing to gain from circular debt clearance and near term inroads into the refining space, pushed for by state level investments.

Across the board decline continues: OMC sales for Jan'19 continued with the prevailing trend as volumes posted a decline of 13%YoY mainly led by retail fuels (down 12%YoY) as uncertain economic climate and higher prices (MS/HSD prices increased by 12/19%YoY) took a toll on volumes. Elevating the misery for HSD is the influx of grey/smuggled product in the market in the backdrop of lax regulatory controls and higher prices. Ailing furnace oil demand took a breather as furnace oil sales for Jan'19 increased by 60%MoM due to hydel plants going through a maintenance shut down, leading to the shortfall being met by furnace oil power plants.

YoY volumes show slowdown in all segments....



...as slowing volumes shift to favor transport



Source: OCAC & AKD Research

HASCOL had a strong Jan'19: Company wise, APL stood out with an increase in volumes of 2% YoY though the real star of the month was HASCOL as company staged a roaring comeback in Jan'19 with an increase in volume of 52/104%MoM for MS/HSD—fighting back to regain its market share (market share for retail fuels increased to 14% in Jan'19 vs. 8% in Dec'18). However, we opine that company might have achieved it by leveraging higher discounts which will hurt profitability. On YoY basis though, HASCOL's sales were in line with the broader trend and declined by 13%YoY (11/23%YoY for MS/HSD). Cumulative, for 7MFY19, APL has been the most resilient with a decline in volumes of 1%YoY against the industry's decline of 29%YoY as company's widespread retail footprint along trade routes supported the volumes.

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Volume Based Marketshare				
	Jan'19	Jan'18	7MFY19	7MFY18
PSO				
FO	48%	51%	45%	73%
HSD	38%	41%	38%	46%
MOGAS	34%	38%	36%	41%
Total	41%	45%	40%	54%
APL				
FO	13%	8%	14%	7%
HSD	10%	10%	11%	9%
MOGAS	9%	10%	10%	8%
Total	10%	9%	11%	8%
HASCOL				
FO	15%	9%	16%	7%
HSD	16%	12%	13%	14%
MOGAS	12%	10%	10%	13%
Total	14%	10%	12%	11%
SHEL				
HSD	8%	7%	7%	6%
MOGAS	13%	13%	12%	12%
HOBC	31%	27%	29%	26%
JP	0%	11%	4%	6%
KERO	0%	0%	0%	2%
Total	8%	7%	8%	6%

Source: OCAC & AKD Research



AKD Securities Limited

Outlook: Sectoral sales during 6MFY19 depict continued rise in transportation's share of total fuel demand (75% vs. 61% during 6MFY18) while power sector demand halved (14.3% vs. 28.5% in 6MFY18). the 27%YoY decline in total industry sales actually means all major segments are witnessed slowing volumetric growth. Hence, even with a greater share of sales during the period, total sales routed for transportation fell 9.9%YoY (much lower than 63.4%YoY fall in power sector sales). In this backdrop, we continue to advocate for building positions in PSO, where the additional catalyst of limited circular debt clearance, clawing back of market share in retail fuels, exposure to RLNG (with possible tie-ins with SOCAR of Azerbaijan) and developments on the horizon regarding a refining complex with Saudi Aramco.

OMC Industry Volumetric Snapshot (000 Tonnes)

Industry	Jan'19	Jan'18	YoY	Dec'18	MoM	7MFY19	7MFY18	YoY
FO	360	394	-9%	225	60%	1,801	4,631	-61%
HSD	537	707	-24%	564	-5%	4,227	5,395	-22%
MOGAS	604	591	2%	600	1%	4,244	4,323	-2%
HOBC (95RON+)	6	12	-44%	7	-1%	50	77	-35%
JP	43	82	-48%	37	15%	295	471	-37%
KERO	7	8	-13%	7	5%	56	66	-16%
LDO	2	1	43%	1	127%	10	10	-4%
Total	1,558	1,794	-13%	1,441	8%	10,682	14,974	-29%
PSO								
FO	172	202	-15%	126	36%	812	3,360	-76%
HSD	202	292	-31%	193	5%	1,608	2,463	-35%
MOGAS	208	222	-7%	197	6%	1,544	1,788	-14%
HOBC (95RON+)	2	4	-58%	2	-9%	15	32	-52%
JP	42	76	-44%	37	15%	280	439	-36%
KERO	4	5	-6%	4	-2%	38	44	-15%
LDO	1	1	27%	0	289%	4	5	-23%
Total	631	802	-21%	560	13%	4,302	8,131	-47%
APL								
FO	46	43	9%	29	63%	255	316	-19%
HSD	53	57	-7%	76	-30%	457	467	-2%
MOGAS	55	51	9%	67	-18%	414	352	18%
HOBC (95RON+)	0	1	-32%	0	58%	3	5	-36%
JP	0	1	-35%	1	-8%	4	3	21%
KERO	2	2	-16%	1	43%	14	16	-11%
LDO	1	0	100%	0	80%	5	4	17%
Total	159	155	2%	175	-9%	1,152	1,164	-1%
HASCOL								
FO	55	54	3%	27	102%	282	343	-18%
HSD	84	109	-23%	41	104%	554	771	-28%
MOGAS	71	79	-11%	47	52%	429	552	-22%
HOBC (95RON+)	0	1	-45%	0	-11%	5	5	-1%
Total	211	242	-13%	116	82%	1,270	1,672	-24%
SHEL								
HSD	42	52	-19%	43	-2%	309	343	-10%
MOGAS	79	75	6%	76	4%	524	516	1%
HOBC (95/97RON)	2	3	-36%	2	-2%	14	20	-27%
JP		5	-100%			11	30	-64%
KERO		0	-100%			0	2	-90%
Total	124	135	-8%	122	2%	860	913	-6%

Source: OCAC & AKD Research

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Neutral	> 13% to < 19% expected total return
Sell	< 13% expected total return (Rf: 13%)

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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
Not Rated	No investment opinion or recommendation

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