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Today's Daily

■ OMCs: Volumes grow 9%YoY for FY17

During June'17 OMCs moved 2.12mn tonnes of POL products, allowing for FY17 volumetric sales to hit 25.59mn tonnes, the highest on record depicting growth of 9%YoY. MOGAS sales continued to push volumetric offtake higher, with the segment having a 5YR CAGR of 19% (vs. 6.2% for the total industry). FO sales remained resilient, climbing 6%YoY after falling 3%YoY in FY16, which accompanied by the price increase of 17.1%YoY in HSFO has been a boon for profits (OMC margins at 3% of selling price). Smaller OMCs continued to perform with PSO claiming back most of the market volumes for FY17. We reiterate a BUY call on HASCOL and PSO, with the later remaining heavily under-priced in our view.

KSE100 - Index

Current 45,394.06
Previous 44,665.41
Chg. 1.63%

Mkt Cap. (PkRbn/US\$bn)

Current 9,308 / 88.78
Previous 9,195 / 87.70
Chg. 1.23%

Daily Turnover (mn)

Current 190.11
Previous 156.49
Chg. 21.5%

Value Traded (PkRmn/US\$m)

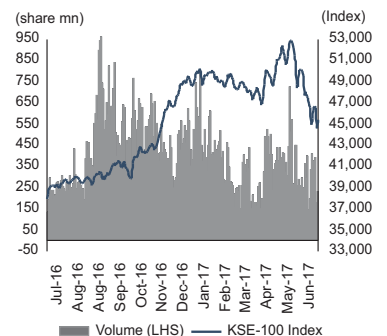
Current 9,710 / 92.60
Previous 8,835 / 84.26
Chg. 9.9%

AKD Daily

Wednesday, Jul 05, 2017

News and Views

- According to a news report, World Bank has disbursed US\$958mn in loans in FY17, an amount that falls short of MoF's estimates by US\$572mn. The shortfall came due to WB's decision not to approve US\$500mn worth of sub-programme III loan for power sector reforms.
- Fertilizer manufacturers have decided to resume sales of urea after the Ministry of Finance and Ministry of Food Security and Research gave an assurance to issue a subsidy notification within the next 10 days.
- The GoP is going to start disbursing money against customs rebate and sales tax refunds on Jul 10'17 making payments of up to PkR1mn initially. Higher amounts will be disbursed after Jul 15'17.



Ali Asghar Poonawala

ali.poonawala@akdsecurities.net

111-253-111 Ext: 646

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research@akdsecurities.net | www.akdsecurities.net



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Soft June sales end a solid year: Looking at the competition, monthly offtake was tepid (industry sales down 13%MoM/6%YoY) for June'17 where the high base of May'17 sales played a large part. Thus, HASCOI/PSO/APL sales fell 17/9/11%MoM with HASCOL/APL growing sales for the month by 40/17%YoY while PSO's volumes fell 9%YoY. This caps off a period of reclaiming market share for PSO where the company has exhibited strong staying power. Capping of the year, FY17 total volumetric growth for HASCOL/PSO/APL was at 46/8/17%YoY, exceeding their 5YR historic volumetric CAGRs of 46/3/6%, showing a sustained emphasis on maintaining demand base in an industry undergoing 'supernormal growth' (industry volume sales for FY17 well above 5/10yr CAGRs).

PSO: Although the OMCs push for maintaining market shares has waned in the last month, PSO's strategy focusing on retail network driven sales has lifted FY17 volumes by 8%YoY reverting to a 56% market share (vs 55% in FY16). The OMC sold 14.12mn tonnes of POL products during FY17 growing by 8%YoY and continuing to beat 5/10YR historic volumetric sales CAGRs of 1.8/2.5%. Exposure to multiple business lines and continuing emphasis on FO (74% share in FY17) affords the state OMC a stable basis to extend resources and capture retail fuels market share.

HASCOL: Now the country's second largest (as of June'17) with volumes for the month crossing 2mn tonnes and expanding to 10% market share for the month and, with FY17 sales of 2.23mn tonnes amounting to 46%YoY growth, and a cumulative market share of 9% (vs. 7% in FY16). Riding the tide of growth in the three segments that it operates in (MOGAS/HSD/FO sales growth of 65/49/25%YoY), HASCOL has now surpassed APL and SHELL in terms of overall volumes moved during FY17.

Outlook: With OMC not remaining immune to the general market rout (KSE 100 index down 4.2%CYTD), with PSO declining 12%CYTD we believe the state oil company is under-priced (FY17E/18F P/E of 6.3/6.0) with fears of hampered liquidity and lack of growth opportunities overblown.

Volume Based Marketshare

PSO	Jun'17	May'17	Apr'17	FY17	FY16
FO	77%	76%	73%	74%	71%
HSD	41%	42%	42%	45%	48%
MOGAS	39%	38%	38%	39%	42%
Total	56%	54%	53%	55%	56%
APL	Jun'17	May'17	Apr'17	FY17	FY16
FO	8%	8%	8%	7%	7%
HSD	11%	11%	11%	10%	9%
MOGAS	9%	9%	8%	8%	8%
Total	9%	9%	9%	8%	8%
HASCOL	Jun'17	May'17	Apr'17	FY17	FY16
FO	6%	7%	6%	6%	5%
HSD	13%	13%	13%	11%	8%
MOGAS	12%	13%	12%	11%	7%
Total	10%	10%	10%	9%	7%

Source: OCAC & AKD Research



May'17 and 11MFY17 OMC Volumes Snapshot (000 Tonnes)

Industry	Jun'17	Jun'16	YoY	MoM	FY17	FY16	YoY	5YRCAGR	10YRCAGR
FO	838	974	-14%	-3%	9,414	8,901	6%	2.79%	2.34%
HSD	641	700	-9%	-26%	8,452	7,767	9%	4.40%	1.50%
MOGAS	566	513	10%	-8%	6,682	5,760	16%	18.99%	19.23%
HOBC (95/97RON)	10	3	253%	-16%	89	41,067	116%	-	-
JP	57	65	-11%	-4%	819	818	0%	-2.67%	-1.04%
KERO	10	11	-10%	-9%	121	141	-14%	-5.03%	-5.37%
LDO	1	2	-11%	1%	17	24	-27%	-9.56%	-19.37%
Total	2,123	2,268	-6%	-13%	25,594	23,452	9%	6.19%	3.90%
PSO	Jun'17	Jun'16	YoY	MoM	FY17	FY16	YoY	5YRCAGR	10YRCAGR
FO	647	722	-10%	-1%	6,975	6,317	10%	1.00%	1.31%
HSD	261	324	-19%	-28%	3,768	3,733	1%	-0.56%	-1.56%
MOGAS	223	211	5%	-5%	2,627	2,422	8%	14.13%	17.29%
HOBC (95/97RON)	5	1	251%	-14%	44	21	113%	-	-
JP	52	39	34%	6%	617	509	21%	2.61%	2.27%
KERO	7	8	-17%	-15%	78	99	-21%	0.94%	-6.09%
LDO	0	1	-54%	-17%	7	12	-42%	4.59%	-20.62%
Total	1,194	1,306	-9%	-9%	14,117	13,113	8%	2.46%	1.80%
APL	Jun'17	Jun'16	YoY	MoM	FY17	FY16	YoY	5YRCAGR	10YRCAGR
FO	67	49	37%	1%	583	562	4%	1.3%	0.5%
HSD	72	75	-5%	-24%	754	623	21%	2.3%	17.4%
MOGAS	51	38	33%	-6%	515	401	29%	25.7%	35.8%
HOBC (95/97RON)	0			-5%	3	-			
JP	1	1	1%	7%	6	7	-3%	-17.1%	-22.4%
KERO	2	2	27%	13%	29	26	8%	-0.4%	6.5%
LDO	1	0	-	13%	5	2	-		
Total	193	165	17%	-11%	1,896	1,621	17%	5.7%	7.9%
HASCOL	Jun'17	Jun'16	YoY	MoM	FY17	FY16	YoY	5YRCAGR	10YRCAGR
FO	53	61	-12%	-10%	603	484	25%	24.0%	
HSD	86	46	88%	-21%	922	617	49%	69.8%	
MOGAS	66	40	66%	-17%	703	424	66%	87.7%	
Total	205	146	40%	-17%	2,228	1,525	46%	46.3%	

Source: OCAC & AKD Research



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