



Today's Daily

■ Downstream Oil: Sales looking for a crest

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KSE100 - Index

Current	50,120.92
Previous	48,555.30
Chg.	3.22%

Mkt Cap. (PkRbn/US\$bn)

Current	9,965 / 95.03
Previous	9,697 / 92.47
Chg.	2.76%

Daily Turnover (mn)

Current	255.14
Previous	221.76
Chg.	15.1%

Value Traded (PkRmn/US\$m)

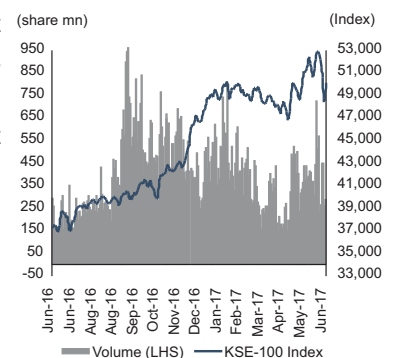
Current	13,858 / 132.16
Previous	15,780 / 150.48
Chg.	-12.2%

AKD Daily

Tuesday, Jun 06, 2017

News and Views

- CM Sindh, Syed Murad Ali Shah has presented FY18 provincial budget with a record outlay of PkR1.04tn. The total expenditures and revenues for the FY18 are estimated at PkR1043bn and PkR1028bn, respectively, resulting in fiscal deficit of PkR14.22bn. The allocation for development expenditure, education, health, and local bodies is PkR274bn, PkR202.2bn, PkR100.3bn and PkR61bn, respectively.
- The World Bank in its Global Economic Prospects report has forecasted Pakistan's GDP growth rate for FY18/FY19 at 5.5%/5.8%, where growth catalysts are robust agriculture sector and CPEC led development.
- As per news reports, the PM Nawaz Sharif - in a CCE meeting that will be held today (Tuesday) - is expected to order release of more funds to existing IPPs for sustaining their maximum generation capacity till the end of summer.



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May'17 sales are exciting: During the month retail fuels continued to drive sales growth (MOGAS sales up 8%MoM/10%YoY), while the beginning of peak power demand season furthered RFO sales (higher by 14%MoM but down 4%YoY). On a cumulative basis 11MFY17 sales growth was retail-led as well (MOGAS/HSD sales rose 17/11%YoY) where HSD offtake is growing at an assuring clip. In this regard, major sources of higher demand are on the coat tails of infrastructure activity gains, heavy commercial vehicle sales and growth of commercial transport, as opposed to power generation. This makes retail network penetration, storage network development and fleet sales (loyalty programs and commercial sales) the key to shaping the prevailing competitive rivalry dynamic.

PSO stands strong: Company wise sales indicate some headwinds in PSO's strategy to regain market share (sales for the May/11MFY17 were -10%/+9%YoY). Despite short term hiccups, cumulative numbers grew at a heady premium to 5/10Y CAGR of 2.7/1.9% with the company getting back to 54% share in May'17 vs. 53% in April'17. Lastly, the OMC held onto its share because of cash draining RFO sales, where its share grew more than the industry (13% vs. 8%YoY for the industry). Worsening liquidity may ensue with the OMC as it gives in to political pressure and continue supplying to public sector IPPs, extending credit beyond the cash (7 day payment) basis the company was following off late.

HASCOL vs APL: APL paired back lost market share with a strong showing in May'17 (sales up 10%MoM/83%YoY) taking 11MFY17 sales for the OMC to 1.9mn tones (up 17%YoY) led by MOGAS/HSD/FO sales growth of 29/21/4%YoY. This failed to make a dent in HASCOL's growth as the company sold 0.25mn tonnes of POL products during May'17 (up 50%YoY), taking 11MFY17 sales of 2.0mn tones (growing 47%YoY) continuing to

Volume Based Marketshare

PSO	May'17	Apr'17	Mar'17	11MFY17	11MFY16
FO	76%	73%	72%	74%	71%
HSD	42%	42%	41%	45%	48%
MOGAS	38%	38%	38%	39%	42%
Total	54%	53%	52%	55%	56%
APL	May'17	Apr'17	Mar'17	11MFY17	11MFY16
FO	8%	8%	8%	7%	7%
HSD	11%	11%	10%	10%	9%
MOGAS	9%	8%	8%	8%	8%
Total	9%	9%	8%	8%	8%
HASCOL	May'17	Apr'17	Mar'17	11MFY17	11MFY16
FO	7%	6%	8%	6%	5%
HSD	13%	13%	12%	11%	8%
MOGAS	13%	12%	12%	10%	7%
Total	10%	10%	10%	9%	7%

Source: OCAC & AKD Research



gain market share (10% as of May'17).

Investment Perspective: PSO remains mired by circular debt accruals, with news sources indicating a minor clearance (~Pkr5bn vs. demand of Pkr105bn) draining liquidity. That said, possible increment of MOGAS/HSD (ECC is slated to approve Pkr0.10/ltr margin hike from July) when coupled with successful defence of market share affirms our bullish case on the stock. We have a BUY call on the company with FCFF based TP of 539/sh. At current levels the lure of attractive multiples (FY17E/18F P/E of 8.5/6.7x) indicates deep value, while any improvement in liquidity for the power sector remains an additional catalyst.

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

Industry	May'17	May'16	YoY	MoM	11MFY17	11MFY16	YoY	5YRCAGR	10YRCAGR
FO	864	898	-4%	14%	8,576	7,927	8%	2.7%	2.3%
HSD	872	895	-3%	9%	7,811	7,066	11%	4.7%	1.6%
MOGAS	616	560	10%	8%	6,116	5,246	17%	19.2%	19.4%
HOBC (95/97RON)	12	4	204%	9%	79	38	106%		
JP	60	77	-22%	-14%	761	754	1%	-2.8%	-1.2%
KERO	11	9	26%	20%	111	130	-14%	-4.9%	-5.3%
LDO	1	1	32%	-16%	16	22	-29%	-10.3%	-19.4%
Total	2,435	2,444	0%	10%	23,470	21,184	11%	6.3%	4.0%
PSO	May'17	May'16	YoY	MoM	11MFY17	11MFY16	YoY	5YRCAGR	10YRCAGR
FO	656	667	-2%	19%	6,329	5,595	13%	1.0%	1.3%
HSD	363	503	-28%	9%	3,507	3,410	3%	0.3%	-1.3%
MOGAS	234	235	0%	7%	2,405	2,211	9%	14.2%	17.5%
HOBC (95/97RON)	5	2	172%	13%	40	20	103%		
JP	49	48	3%	-16%	565	470	20%	2.3%	2.1%
KERO	8	6	32%	33%	71	91	-22%	1.0%	-6.1%
LDO	0	0	20%	-38%	6	11	-41%	5.1%	-20.3%
Total	1,317	1,462	-10%	12%	12,922	11,806	9%	2.7%	1.9%
APL	May'17	May'16	YoY	MoM	11MFY17	11MFY16	YoY	5YRCAGR	10YRCAGR
FO	66	30	119%	11%	583	562	4%	0.6%	0.2%
HSD	95	45	110%	9%	754	623	21%	2.6%	17.3%
MOGAS	54	41	32%	13%	515	401	29%	25.7%	35.5%
HOBC (95/97RON)	0			-18%	3	-			
JP	1	1	-39%	-15%	6	7	-3%	-18.1%	-22.6%
KERO	2	2	7%	-7%	29	26	8%	-0.1%	6.7%
LDO	1	0	-	-1%	5	2	-		
Total	218	119	83%	10%	1,896	1,621	17%	5.5%	7.8%
HASCOL	May'17	May'16	YoY	MoM	11MFY17	11MFY16	YoY	5YRCAGR	10YRCAGR
FO	59	53	11%	24%	550	423	30%	21.7%	
HSD	109	64	70%	6%	836	572	46%	66.5%	
MOGAS	79	47	69%	17%	637	384	66%	84.1%	
Total	248	165	50%	28%	2,023	1,379	47%	46.3%	

Source: OCAC & AKD Research



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