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Today's Daily

■ OMCs: Choppy seas, headwinds dent sales in Feb'18

February volumetric offtake clocked in at 1.46mn tonnes, down 19%MoM/16%YoY mainly from weak FO sales (at 0.25mn tonnes down 37%MoM/54%YoY), while MOGAS/HSD offtake fell 11/16%MoM but moved +4/-3%YoY. Cumulative 8MFY18 volumes amounted to 16.4mn tonnes, softening 3%YoY exhausted by power demand (cumulative FO sales dip 20%YoY). Channel checks suggest that muted FO sales are a follow through from higher inventory level for FO at IPPs, as regulatory enforcement of storage regulations to IPPs instead of refiners, raising inventory lags in the purchase cycle. From the point of view of market share, HASCOL continues to surpass peers, closing Feb'18 with a total volumetric share of ~17%, with a ~22% share in FO sales, whereas APL/PSO stood at 9.5/16.6%. Cumulative shares during 8MFY18 stand at 53/8/12% for PSO/APL/HASCOL vs. 56/8/8% for the same period last year, Citing continued growth in sales and market share, we remain upbeat on HASCOL, with a Dec'18 TP of PKR316, trading at CY18E/19F PE of 19.2/12.5x.

KSE100 - Index

Current 43,510.39
Previous 43,239.44
Chg. 0.63%

Mkt Cap. (PKRbn/US\$bn)

Current 9,046 / 81.81
Previous 9,024 / 81.61
Chg. 0.25%

Daily Turnover (mn)

Current 211.95
Previous 151.36
Chg. 40.0%

Value Traded (PKRmn/US\$m)

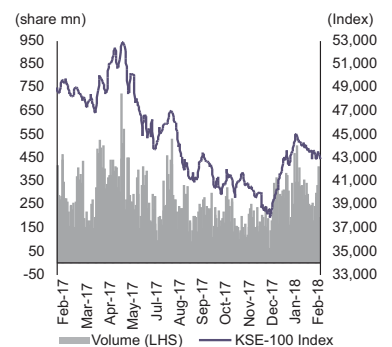
Current 10,328 / 93.41
Previous 7,150 / 64.66
Chg. 44.5%

AKD Daily

Friday, Mar 02, 2018

News and Views

- Pharmaceutical companies and DRAP have finally agreed on the road map regarding the fixation of medicines prices, which will help settling issues regarding the Hardship cases. The proposed road map still awaits approval of apex court before being implemented.
- Inflation decelerated to 3.8%YoY in Feb'18 vs 4.4%/4.22%YoY in Jan'18/Feb'17, owing to a decline in prices of perishable and non-perishable food items. Core inflation, measured by NFNE remained stable at 5.2%YoY in Feb'18.
- Foreign exchange reserves dropped by US\$416mn during the previous week ending at US\$18.41bn, while reserves held by SBP fell to US\$12.35bn (down US\$358m or 2.8%WoW) on account of external debt-servicing and other official payments.?



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Power sector demand dampens: Continuing to crumble, 8MFY18 demand for FO slowed by 20%YoY, while APL/PSO FO sales tumbled 12/24%YoY, HASCOL maintained its volumes in this segment, speaking to its price based competitive advantage when selling on cash basis to IPPs. Although maintaining market share in this segment is easier for PSO, as the state owned OMS has long term fuel supply agreements, the ordained decline in generation on the fuel (down 9%YoY to 3,234MW of dependable capacity) has remained unavoidable.

Retail fuels demand leads the charge: Industry-wide YoY 8MFY18 MOGAS/HSD offtake continues to support industry sales, where the continuation of this trend is expected as we approach summer months. PSO/APL grew its share in both segments, recording MOGAS offtake growth of 12/8%YoY and HSD offtake rising 1/2%YoY. Growth in HASCOL's volumes remain steady, with MOGAS/HSD offtake for 8MFY18 rising 48/60%YoY continuing to wade out of the low-base. Suffice it to say, HASCOL's growth remains the most exciting in the space, where the 529,000 tons of increased volumes sold during the period is the highest in the industry, particularly cogent in the backdrop of total industry volume decline.

Outlook: When juxtaposed with total industry volumes declining ~539,000 tons YoY for 8MFY18, HASCOL's continued growth translated to increased market share, signifying positive outcomes from the OMC's previously completed storage and handling CAPEX. Citing continued growth in sales and market share, we remain upbeat on HASCOL, with a Dec'18 TP of PkR316, trading at CY18E/19F PE of 19.2/12.5x.

Volume Based Marketshare

PSO	Feb'18	Jan'18	Dec'17	8MFY18	8MFY17
FO	40.5%	51.3%	67.6%	70.9%	73.8%
HSD	39.7%	41.3%	51.6%	45.1%	46.7%
MOGAS	35.3%	37.6%	39.8%	40.7%	40.1%
Total	40.9%	44.7%	52.8%	53.1%	55.8%
APL					
FO	12.2%	10.8%	10.9%	7.1%	6.4%
HSD	9.6%	8.1%	8.1%	8.8%	9.0%
MOGAS	9.0%	8.6%	7.6%	8.2%	8.4%
Total	9.5%	8.6%	8.4%	7.9%	7.7%
HASCOL					
FO	21.8%	13.7%	9.1%	8.0%	6.4%
HSD	18.4%	15.4%	13.3%	14.4%	9.5%
MOGAS	15.0%	13.4%	12.1%	12.8%	9.5%
Total	16.6%	13.5%	11.4%	11.5%	8.0%

Source: OCAC & AKD Research



OMC Industry Volumetric Snapshot (000 Tonnes)

Industry	Feb'18	Feb'17	YoY	Jan'18	MoM	8MFY18	8MFY17	YoY
FO	247	543	-54%	394	-37%	4,878	6,135	-20%
HSD	591	608	-3%	707	-16%	5,986	5,709	5%
MOGAS	527	506	4%	591	-11%	4,850	4,417	10%
HOBC (95RON+)	10	9	12%	12	-16%	87	49	76%
JP	69	60	15%	82	-16%	540	569	-5%
KERO	10	8	21%	8	27%	76	78	-3%
LDO	1	2	-21%	1	9%	11	11	5%
Total	1,455	1,736	-16%	1,794	-19%	16,429	16,969	-3%
PSO								
FO	100	395	-75%	202	-50%	3,460	4,528	-24%
HSD	234	269	-13%	292	-20%	2,697	2,664	1%
MOGAS	186	193	-3%	222	-16%	1,974	1,770	12%
HOBC (95RON+)	4	4	-14%	4	-19%	35	25	41%
JP	64	46	39%	76	-17%	502	422	19%
KERO	7	5	41%	5	55%	52	48	8%
LDO	1	1	-22%	1	3%	6	5	22%
Total	596	912	-35%	802	-26%	8,727	9,462	-8%
APL								
FO	30	41	-27%	43	-29%	346	393	-12%
HSD	57	64	-11%	57	-1%	524	513	2%
MOGAS	47	42	12%	51	-7%	399	370	8%
HOBC (95RON+)	1	0	151%	1	-8%	6	2	193%
JP	1	1	20%	1	-21%	4	4	-6%
KERO	2	2	-5%	2	-11%	18	22	-18%
LDO	0	1	-21%	0	7%	5	3	47%
Total	138	151	-9%	155	-11%	1,302	1,307	0%
HASCOL								
FO	54	32	70%	54	0%	392	392	0%
HSD	109	65	67%	109	0%	865	541	60%
MOGAS	79	62	27%	79	0%	621	420	48%
HOBC (95RON+)	1	0		1	0%	6	0	
Total	242	159	52%	242	0%	1,883	1,353	39%

Source: OCAC & AKD Research



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