

## PAKISTAN OMCs

# MARKET VISTA

REP-019

## OMC volumes increase by 17%YoY for Oct'21

- OMC sales clocked in at 2.0mn tons, up 17%YoY while on MoM basis, a meagre improvement of 1%MoM was witnessed. The increase was led by HSD with an increase of 25/18% YoY/MoM where we believe apart from improved business activity, curb in smuggling also played a part after border controls were increased.
- Overall, OMC volumes have increased by 22%YoY for 4MFY22 where FO witnessed the highest increase of 32%YoY on the back of increased power generation while MS/HSD witnessed an increase of 14/26%YoY.
- Market shares remain fluid with PSO/APL/HASCOL/SHEL accounting for market shares of 52/8/1/8% during Oct'21 where a comparison with Oct'20 reveals increasing share of PSO by 7ppts while market share of APL/HASCOL decreased by 2/4ppts.
- We expect OMC volumes to tread the same path with economic activity picking up pace while we believe the incentives provided in FY22 Budget to agriculture sector along with focus on infrastructure spending can provide a significant uplift to volumes in medium term.

**OMC sales increased by 17%YoY for Oct'21:** OMC sales clocked in at 2.0mn tons, up 17%YoY while on MoM basis, a meagre improvement of 1%MoM was witnessed. The increase was led by HSD with an increase of 25/18% YoY/MoM where we believe apart from improved business activity, curb in smuggling also played a part after border controls were increased. Nevertheless, the number points towards significant improvement in overall economic climate. MS sales also remained strong, increasing by 12%YoY where soaring automobile sales and increased business activity are at play, in our opinion however on MoM basis, MS sales declined by 5%. Overall, retail fuel segment witnessed an increase of 18/6% YoY/MoM. Furnace oil sales also increased by 12%YoY after gas shortages have led to an increased use of fuel for power generation however decreased electricity demand due to winter has resulted in a MoM decline of 19%. HOBC sales witnessed an increase of 38%MoM where we believe decreased differential between prices of MS and HOBC encouraged switching towards higher grade of fuel. Overall, OMC volumes have increased by 22%YoY for 4MFY22 where FO witnessed the highest increase of 32%YoY on the back of increased power generation while MS/HSD witnessed an increase of 14/26%YoY.

**PSO – the winner of Oct'21:** PSO turned out to be the star performer with an increase of 35% YoY for Oct'21 against increase in industry volumes of 17%YoY where increase in HSD provided the most thrust to volumes (increasing by 46%YoY) and with widespread network of the company, it provides more credence to our thesis of curb in smuggling contributing towards increase in HSD volumes. In the retail fuel segment, PSO's volumes increased by 39%YoY against 18%YoY for the industry, leading to retail fuel market share of 50% for the company against 42/47% for Oct'20/Sep'21. APL remained among the laggards with a decline in volumes of 3%YoY majorly due to furnace oil sales of company declining by 42/56% YoY/MoM where decreased power generation is to be blamed. To note, APL mainly provides furnace oil to private power plants and captive power generation units. In retail segment, company's volumes witnessed an increase 21/3% YoY/MoM taking its market share for the segment to 7.7% for Oct'21 against 7.5/7.9% for Oct'20/Sep'21. Private players lost market share by 3.2ppts to 31.5% for Oct'21 in the retail fuel segment.

**Outlook:** We expect OMC volumes to tread the same path with economic activity picking up the pace while we believe the incentives provided in FY22 Budget to agriculture sector along with focus on infrastructure spending can provide a significant uplift to volumes in medium term. Additionally, government's continued vow to increase curbs on influx of grey product provided an additional uplift to volumes of HSD in particular and continuation of the same can keep HSD volumes uplifted. We expect MS/HSD to post a growth of 10/9%YoY for FY22. . Even though PSO remains our top pick from the sector, we would like to advise cautiousness in near term as

Shahrukh Saleem, CFA  
shahrukh.saleem@akdsecurities.net  
111-253-111 Ext: 637

### Volume Based Marketshare

PSO	Oct'21	Oct'20	4MFY22	4MFY21
FO	60%	54%	64%	54%
HSD	53%	45%	50%	48%
MOGAS	46%	39%	46%	42%
<b>Total</b>	<b>52%</b>	<b>45%</b>	<b>52%</b>	<b>47%</b>
APL				
FO	11%	22%	15%	20%
HSD	8%	7%	8%	7%
MOGAS	8%	8%	8%	7%
<b>Total</b>	<b>8%</b>	<b>10%</b>	<b>9%</b>	<b>10%</b>
HASCOL				
FO	0%	0%	2%	0%
HSD	1%	6%	1%	6%
MOGAS	2%	7%	2%	7%
<b>Total</b>	<b>1%</b>	<b>5%</b>	<b>1%</b>	<b>5%</b>
SHEL				
HSD	9%	8%	8%	7%
MOGAS	11%	11%	10%	10%
HOBC	43%	22%	46%	15%
<b>Total</b>	<b>8%</b>	<b>8%</b>	<b>7%</b>	<b>7%</b>

Source: OCAC & AKD Research



AKD Securities Limited

LNG prices continue to climb up which can result in significant buildup of receivables on PSO's balance sheet. However, medium term outlook remains strong as company continues to improve its retail footprint while it is also making heavy inroads into the lubricant segment.

**OMC Industry Volumetric Snapshot (000 Tonnes)**

Industry	Oct'21	Oct'20	YoY	Sep'21	MoM	4MFY22	4MFY21	YoY
FO	325	291	12%	400	-19%	1,598	1,214	32%
HSD	837	669	25%	707	18%	2,936	2,322	26%
MOGAS	766	687	12%	805	-5%	3,116	2,744	14%
HOBBC	14	16	-10%	10	38%	48	46	6%
JP	39	32	22%	32	22%	124	88	41%
KERO	5	4	17%	6	-20%	22	25	-9%
LDO	1	0	204%	2	-34%	7	4	66%
<b>Total</b>	<b>1,988</b>	<b>1,699</b>	<b>17%</b>	<b>1,962</b>	<b>1%</b>	<b>7,851</b>	<b>6,442</b>	<b>22%</b>
<b>PSO</b>								
FO	194	158	23%	237	-18%	1,021	657	56%
HSD	444	304	46%	348	28%	1,458	1,109	31%
MOGAS	352	268	32%	361	-2%	1,429	1,154	24%
HOBBC	4	6	-26%	3	65%	13	16	-18%
JP	37	30	25%	31	20%	120	81	48%
KERO	3	2	87%	5	-33%	14	9	59%
LDO	1	0	82%	2	-52%	4	2	89%
<b>Total</b>	<b>1,036</b>	<b>767</b>	<b>35%</b>	<b>986</b>	<b>5%</b>	<b>4,058</b>	<b>3,027</b>	<b>34%</b>
<b>APL</b>								
FO	37	63	-42%	83	-56%	238	243	-2%
HSD	63	50	27%	57	11%	232	169	37%
MOGAS	60	52	16%	63	-4%	247	200	24%
HOBBC	1	1	-47%	1	-1%	2	3	-30%
JP	0	1	-28%	1	-25%	1	1	8%
KERO	2	2	-23%	1	23%	7	14	-51%
LDO	1	0	Nm	1	17%	3	2	66%
<b>Total</b>	<b>164</b>	<b>169</b>	<b>-3%</b>	<b>205</b>	<b>-20%</b>	<b>731</b>	<b>632</b>	<b>16%</b>
<b>HASCOL</b>								
FO	1	0	NM	0	NM	33	2	1434%
HSD	7	39	-83%	10	-35%	31	130	-76%
MOGAS	16	47	-66%	19	-14%	52	183	-72%
HOBBC	0	0	-59%	0	-49%	1	1	0%
<b>Total</b>	<b>23</b>	<b>86</b>	<b>-73%</b>	<b>29</b>	<b>-20%</b>	<b>117</b>	<b>316</b>	<b>-63%</b>
<b>SHEL</b>								
HSD	73	53	38%	59	23%	240	173	39%
MOGAS	81	73	11%	82	-1%	323	285	13%
HOBBC	6	3	80%	5	30%	22	7	215%
<b>Total</b>	<b>160</b>	<b>131</b>	<b>22%</b>	<b>146</b>	<b>10%</b>	<b>587</b>	<b>470</b>	<b>25%</b>

Source: OCAC & AKD Research

## Disclosure Section

Neither the information nor any opinion expressed herein constitutes an offer or a solicitation of an offer to transact in any securities or other financial instrument and is for the personal information of the recipient containing general information only. AKD Securities Limited (hereinafter referred as AKDS) is not soliciting any action based upon it. This report is not intended to provide personal investment advice nor does it provide individually tailored investment advice. This report does not take into account the specific investment objectives, financial situation/financial circumstances and the particular needs of any specific person. Investors should seek financial advice regarding the appropriateness of investing in financial instruments and implementing investment strategies discussed or recommended in this report and should understand that statements regarding future prospects may not be realized. AKDS recommends that investors independently evaluate particular investments and strategies and it encourages investors to seek the advice of a financial advisor.

The appropriateness of a particular investment or strategy will depend on an investor's individual circumstances and objectives. The securities or strategies discussed in this report may not be suitable for all investors, and certain investors may not be eligible to purchase or participate in some or all of them.

Reports prepared by AKDS research personnel are based on public information. AKDS makes every effort to use reliable, comprehensive information, but we make no representation that it is accurate or complete. Facts and views presented in this report have not been reviewed by and may not reflect information known to professionals in other business areas of AKDS including investment banking personnel. AKDS has established information barriers between certain business groups maintaining complete independence of this research report.

This report has been prepared independently of any issuer of securities mentioned herein and not in connection with any proposed offering of securities or as agent of any issuer of any securities. Neither AKDS, nor any of its affiliates or their research analysts have any authority whatsoever to make any representation or warranty on behalf of the issuer(s). AKDS Research Policy prohibits research personnel from disclosing a recommendation, investment rating, or investment thesis for review by an issuer prior to the publication of a research report containing such rating, recommendation or investment thesis.

We have taken all reasonable care to ensure that the information contained herein is accurate, up to date, and complies with all prevailing Pakistani legislations. However, no liability can be accepted for any errors or omissions, or for any loss resulting from the use of the information provided as any data and research material provided ahead of an investment decision are for information purposes only. We shall not be liable for any errors in the provision of this information, or for any actions taken in reliance thereon. We reserve the right to amend, alter, or withdraw any of the information contained in these pages at any time and without notice. No liability is accepted for such changes.

## Stock Ratings

Investors should carefully read the definitions of all ratings used in each research report. In addition, research reports contain information carrying the analyst's view and investors should carefully read the entire research report and not infer its contents from the rating ascribed by the analyst. In any case, ratings or research should not be used or relied upon as investment advice. An investor's decision to buy, sell or hold a stock should depend on individual circumstances and other considerations. AKDS uses a three tier rating system: i) Buy, ii) Neutral and iii) Sell with total returns (capital upside + dividend yield) benchmarked against the expected one year forward floating (variable) risk free rate (10yr PIB) plus risk premium.

## Valuation Methodology

To arrive at our period end target prices, AKDS uses different valuation techniques including:

- Discounted Cash Flow (DCF, DDM)
- Relative Valuation (P/E, P/B, P/S etc.)
- Equity & Asset return based methodologies (EVA, Residual Income etc.)

### New Rating Definitions

<b>Buy</b>	> 14.5% expected total return (Rf: 8.5% + Rp: 6%)
<b>Neutral</b>	> 8.5% to < 14.5% expected total return
<b>Sell</b>	< 8.5% expected total return (Rf: 8.5%)

## Analyst Certification of Independence

The analysts hereby certify that their views about the companies and their securities discussed in this report are accurately expressed and that they have not received and will not receive direct or indirect compensation in exchange for expressing specific recommendations or views in this report.

## Regional Disclosures (Outside Pakistan)

The information provided in this report and the report itself is not intended for distribution to, or use by, any person or entity in any jurisdiction or country where such distribution or use would be contrary to law or regulation or which would subject AKDS or its affiliates to any registration or licensing requirements within such jurisdiction or country.

Furthermore, all copyrights, patents, intellectual and other property in the information contained in this report are held by AKDS. No rights of any kind are licensed or assigned or shall otherwise pass to persons accessing this information. You may print copies of the report or information contained within herein for your own private non-commercial use only, provided that you do not change any copyright, trade mark or other proprietary notices. All other copying, reproducing, transmitting, distributing or displaying of material in this report (by any means and in whole or in part) is prohibited.

For the United States

## Compliance Notice.

This research report prepared by AKD Securities Limited is distributed in the United States to Major US Institutional Investors (as defined in Rule 15a-6 under the Securities Exchange Act of 1934, as amended) only by Decker & Co, LLC, a broker-dealer registered in the US (registered under Section 15 of Securities Exchange Act of 1934, as amended). All responsibility for the distribution of this report by Decker & Co, LLC in the US shall be borne by Decker & Co, LLC. All resulting transactions by a US person or entity should be effected through a registered broker-dealer in the US. This report is not directed at you if AKD Securities Limited or Decker & Co, LLC is prohibited or restricted by any legislation or regulation in any jurisdiction from making it available to you. You should satisfy yourself before reading it that Decker & Co, LLC and AKD Securities Limited are permitted to provide research material concerning investment to you under relevant applicable legislations and regulations.



**AKD Securities Limited**  
602, Continental Trade Centre,  
Clifton Block 8, Karachi, Pakistan.  
research@akdsecurities.net