October 2, 2018

PAKISTAN
OMCs

REP-019
MARKET VISTA

Mediocre offtake as retail fuel growth jolts market shares

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- **Lugged lower by tapering FO offtake (-58%YoY) total volumetric POL sales for September'18 totalled 1.76 mn tonnes +30%MoM/-17%YoY, whereas ex-FO, industry sales were consistent (+4.2%YoY) signaling tepid growth outlook.**
- **The 48%YoY decline in 9MCY18 FO sales volumes has reduced FO's share in total POL volumes to 23.3% vs 35.8% during 9MCY17, whereas HSD now makes up 38.1% of total POL volumes (+450bpsYoY).**
- **Cumulative 9MCY18 POL volumes equaled 15.9mn tonnes, recording -19%YoY move, where price-sensitive retail sales growth was hindered by HSD sales flat lining by -9%YoY, while MS offtake of 5.51mn tonnes grew +4%YoY, raising the share of MS in total industry volumes to an all-time high of 34.5% vs. 26.7% in 9MCY17.**
- **Amongst listed players, 9MCY18 HASCOL/APL/PSO/SHEL underwent sales volume moves of +6/-5/-36/-25%YoY, moving market shares to 13.2/10.2/43.5/7.6% (+310/+150/-1100/-60bpsYoY) where growth continues to be a function of retail sales dynamics**
- **APL remains well-entrenched in the retail sphere, focusing on highways and major storage expansions, having an unleveraged balance sheet with cash and ST investments at PkR5.84bn, immune from tightening and offering competitive yields (FY19 D/Y of 9.4%).**

PSO continues to fall: PSO's total volumes moved for September'18/9MCY18 stood at 0.74/6.96mn tonnes, moving -41%YoY/-36%YoY. Constrained generation on FO in the face of alternate thermal generation capacity being on boarded, severely diminished PSO's edge (long term FSAs) as it recoded -76%YoY move in FO sales vs. -58%YoY for total industry in September'17. Additionally, 9MCY18 sales volumes for MOGAS were flat (0%YoY), even though the industry recorded growth (+4%YoY) in this burgeoning segment. Cumulative sales volumes for the OMC stood at 6.96 mn tonnes down 36% YoY (vs. -19%YoY for total industry), with JP/KERO volumes falling -11/-20%YoY whereas FO sales fell -62%YoY. RLNG remains the only 'saving grace' for the state OMC, where volumes imported during 1QFY19 are flat (~1.1mn tonnes) whereas prices have moved higher by 49.8%YoY (Average DES price during 1QFY19 at US$10.16/mmbtu) furthering gross profit accretion.

APL is holding on: Tagging wider industry trends, APL sold 0.18mn tonnes of products for the month of September'18 a move of -2%YoY/+43%YoY, adding to cumulative 9MCY18 sales of 1.62mn tonnes, -5%YoY. On cumulative basis HSD/MOGAS/FO sales tapered by +-12/+17/-16%YoY allowing APL to raise its market share over the period to ~10% vs. ~9% in 9MCY17.

HASCOL is still in the game: HASCOL recorded sales of 0.25mn tonnes for September'18, +62%MoM/+13%YoY, as cumulative 9MCY18 sales stood at 2.1mn tonnes climbing +6%YoY. Both growth figures rest below 5YR historical CAGR for the OMC (55.6% in total volumetric growth) signaling the strenuous nature of raising market share, and the fading out of the low-base effect, as the OMC cements its position as the second largest player in the country by volumes.

Investment Perspective: Continued tapering of FO sales is expected to play prominently into overall industry sales volumes till Dec'18. This has made local sourcing of FO increasingly important, as imports have all but seized. In this backdrop, APL remains well-entrenched in the retail sphere, focusing on highways and major storage expansions, while maintaining an unleveraged balance sheet with cash and ST investments at PkR5.84bn, immune from rate hikes and offering competitive yields (FY19 D/Y of 9.4%).

Volume Based Market share

PSO	Sept'18	Sept'17	9MCY18	9MCY17
FO	46.3%	80.7%	53.9%	74.5%
HSD	37.9%	43.5%	38.8%	42.8%
MOGAS	40.6%	46.6%	37.4%	39.2%
Total	41.9%	58.9%	43.5%	54.5%
APL				
FO	14.0%	8.3%	12.2%	7.6%
HSD	9.7%	9.9%	10.0%	10.3%
MOGAS	9.1%	9.7%	9.5%	8.4%
Total	10.1%	9.2%	10.2%	8.6%
HASCOL				
FO	15.7%	9.2%	13.8%	6.6%
HSD	18.1%	12.4%	15.2%	13.0%
MOGAS	10.9%	10.1%	11.9%	12.4%
Total	14.3%	10.3%	13.2%	10.1%
SHEL				
HSD	6.8%	7.1%	7.4%	10.5%
MOGAS	11.9%	12.6%	12.7%	14.6%
HOBC	28.3%	26.8%	26.7%	26.8%
JP	5.6%	11.1%	8.7%	15.6%
KERO	0.0%	0.0%	3.8%	1.9%
Total	7.6%	6.6%	7.6%	8.2%

Source: OCAC & AKD Research

Unlisted players gaining share

	Sept'18	Sept'17
GO	4.1%	2.9%
BYCO	5.3%	3.9%
ADMORE	2.0%	0.4%
TPPL*	10.3%	8.0%
Total	21.6%	15.2%

*TPML has been amalgamated into TPPL

Source: OCAC & AKD Research

AKD Securities Limited

OMC Industry Volumetric Snapshot (000 Tonnes)

Industry	Sept'18	Sept'17	YoY	Aug'18	MoM	9MCY18	9MCY17	YoY
FO	307	725	-58%	191	61%	3,729	7,104	-48%
HSD	713	671	6%	493	45%	6,096	6,668	-9%
MOGAS	676	637	6%	606	12%	5,516	5,293	4%
HOBC (95RON+)	7	11	-32%	7	0%	85	93	-9%
JP	43	61	-30%	42	3%	484	585	-17%
KERO	9	11	-18%	8	6%	75	93	-19%
LDO	2	2	1%	1	27%	13	15	-13%
Total	**1,757**	**2,117**	**-17%**	**1,348**	**30%**	**15,998**	**19,851**	**-19%**
PSO								
FO	142	585	-76%	20	600%	2,012	5,289	-62%
HSD	270	292	-7%	182	48%	2,367	2,854	-17%
MOGAS	275	297	-8%	230	19%	2,064	2,072	0%
HOBC (95RON+)	2	5	-52%	3	-4%	27	43	-39%
JP	40	59	-33%	39	3%	436	489	-11%
KERO	7	8	-18%	6	16%	50	63	-20%
LDO	1	1	-29%	0	52%	6	5	5%
Total	**736**	**1,247**	**-41%**	**480**	**54%**	**6,961**	**10,816**	**-36%**
APL								
FO	43	4	1025%	49	-12%	454	538	-16%
HSD	69	64	8%	66	5%	610	690	-12%
MOGAS	61	52	19%	62	-2%	523	446	17%
HOBC (95RON+)	1	1	-1%	1	0%	6	4	47%
JP	1	0	51%	1	28%	6	5	22%
KERO	2	2	-16%	2	-23%	19	21	-10%
LDO	1	1	-15%	1	0%	5	6	-12%
Total	**177**	**124**	**43%**	**181**	**-2%**	**1,624**	**1,711**	**-5%**
HASCOL								
FO	48	51	-5%	46	5%	513	469	9%
HSD	129	93	38%	56	132%	929	866	7%
MOGAS	74	78	-5%	53	39%	655	656	0%
HOBC (95RON+)	0	1	-52%	0	-11%	8	4	105%
Total	**252**	**223**	**13%**	**155**	**62%**	**2,106**	**1,996**	**6%**
SHEL								
HSD	49	42	15%	45	9%	451	702	-36%
MOGAS	80	72	12%	75	7%	701	772	-9%
HOBC (95/97RON)	2	3	-20%	2	17%	23	25	-9%
JP	2	2	10%	3	-26%	42	91	-54%
KERO	-	-	-100%	-	-	3	2	63%
Total	**134**	**119**	**13%**	**125**	**8%**	**1,220**	**1,622**	**-25%**

Source: OCAC & AKD Research

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Neutral	> 10% to < 16% expected total return
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Accumulate	> 5% to < 20% upside potential
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