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Today's Daily

■ OMCs: Slow month for volume belies market share shifts

POL products continued to soften as Aug'18 total volumetric offtake of 1.35mn tons fell 18%MoM/46%YoY, signifying the slowest month for sales since Feb'07. FO sales remained the major culprit - 46%MoM/-79%YoY, while retail fuel segment also tapered (HSD and MOGAS sales recorded -20%MoM/-38%YoY and -1%MoM/-11%YoY). 8MCY18 volumes point to 18%YoY dip in total volumes, where MOGAS was the only catalyst (+3%YoY) while HSD/FO offtake fell -7%/-45%YoY, sapping growth from overall sales. Sizeable shifts in market share (PSO/APL/HASCOL at 8MCY18 shares of 44/10/13% vs. 55/9/10% in 8MCY17) are the norm where smaller unlisted players seem to be taking the charge. In this backdrop, APL offers upsides from its well-heeled financial footing and legacy business franchise, where current levels imply 27.8% total gain inclusive of FY19 D/Y of 11.8%.

KSE100 - Index

Current 41,581.96
Previous 41,742.24
Chg. -0.38%

Mkt Cap. (PkrBn/US\$bn)

Current 8,647 / 69.60
Previous 8,678 / 69.85
Chg. -0.36%

Daily Turnover (mn)

Current 159.21
Previous 159.84
Chg. -0.4%

Value Traded (Pkrmn/US\$m)

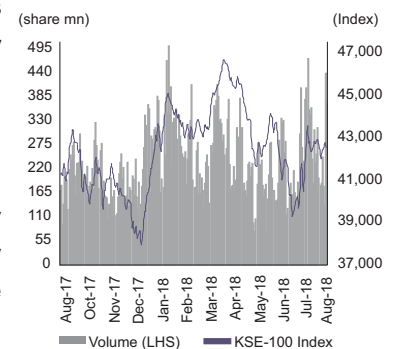
Current 5,239 / 42.17
Previous 7,063 / 56.85
Chg. -25.8%

AKD Daily

Tuesday, Sep 04, 2018

News and Views

- The country's inflation surged to 5.8 per cent in August, up from 3.4pc in the same month last year – marking the biggest jump in three years and eight months. Inflation is steadily on the rise, following the recovery in global commodity prices including oil, consolidating domestic demand and depreciation of the rupee.
- Members of the Economic Coordination Committee (ECC) have failed to evolve a mechanism to deal with the recurring circular debt, currently amounting to nearly Pkr600 billion ahead of another spike in electricity prices that are set to rise by 33%. Addressing fertilizer shortage, the ECC decided that three non-functional urea manufacturing plants would be supplied RLNG for a four-month period with 50 per cent cost of RLNG being borne by the government.
- Coordinator CPEC of the Planning Commission Hassan Daud told a Senate committee that China has so far extended US\$5bn loan under the CPEC project on an average interest of 2.29% for 25 years period with a grace period of seven years and US\$1bn dollars as grant.



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OMCs: Slow month for volume belies market share shifts

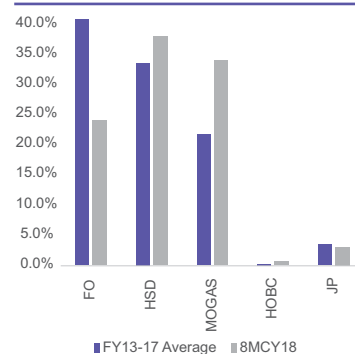
POL products continued to soften as Aug'18 total volumetric offtake of 1.35mn tons fell 18%MoM/46%YoY, signifying the slowest month for sales since Feb'07. FO sales remained the major culprit -46%MoM/-79%YoY, while retail fuel segment also tapered (HSD and MOGAS sales recorded -20%MoM/-38%YoY and -1%MoM/-11%YoY). 8MCY18 volumes point to 18%YoY dip in total volumes, where MOGAS was the only catalyst (+3%YoY) while HSD/FO offtake fell -7%/-45%YoY, sapping growth from overall sales. Sizeable shifts in market share (PSO/APL/HASCOL at 8MCY18 shares of 44/10/13% vs. 55/9/10% in 8MCY17) are the norm where smaller unlisted players seem to be taking the charge. In this backdrop, APL offers upsides from its well-heeled financial footing and legacy business franchise, where current levels imply 27.8% total gain inclusive of FY19 D/Y of 11.8%.

Slow Aug'18 for volumes: Looking at company-wise sales, HASCOL staggered on its path to market penetration, where volumes slipped -32%MoM/-39%YoY for the month, slowing market share to 11.5% during Aug'18. Sales were up 6%MoM for APL, whereas PSO continued its falter in volumes (-26%MoM in Aug'18) reneging market share (at 35.6% for Aug'18 vs. 58.2% for Aug'17). For the industry, FO sales remained the major culprit -46%MoM/-79%YoY, while retail fuel segment also tapered (HSD and MOGAS sales recorded -20%MoM/-38%YoY and -1%MoM/-11%YoY) in a month. Individual players could largely be seen holding on to retail volumetric share, with PSO being a clear black sheep as it lost market share in all its business segments.

Where do we go now: On a broad note, all volume segments slipped, well below long term growth rates (5YR CAGRs), particularly stark for FO (-46%YoY vs. 5YR CAGR of -10.3%) pulling overall volumes much lower. From a short, secular shift in FO sales, we now find an industry undergoing a major shift in competitive dynamics. These variations have shifted industry volumes to rely solely on retail fuels (HSD+MS make up 71.8% of volumes in 8MCY18 vs. 55% over FY13-17), as commercial/industrial sale based FO offtake (now makes up 24.0% of industry volumes vs. 40.6% over FY13-17) leading to a major shift in market shares as well. Moreover, these shifts have favored unlisted players and are evident in Aug'18 market shares, where listed OMCs now make up 69.3% of industry volumes vs. 84.3% in 8MCY17.

Outlook: Focusing on preservation of market share, backed by steady standing in MS/HSD (10/10% for 8MCY18 vs. 8/10% in 8MCY17), APL stands on firm footing to capitalize on growth in this segment. Even so, on growth parameters alone HASCOL continues to outpace the industry (8MCY18 MS/HSD volumes rose 1/8%YoY), which seems to be slowing

Inflection in Downstream Volume Composition (%)



Source: OCAC & AKD Research

Volume Based Marketshare

	August'18	August'17	8MCY18	8MCY17
PSO				
FO	10.7%	73.1%	54.6%	74.2%
HSD	36.9%	50.4%	39.0%	43.0%
MOGAS	38.0%	44.2%	37.0%	39.3%
Total	35.6%	58.2%	43.7%	54.5%
APL				
FO	25.6%	8.3%	12.0%	7.6%
HSD	13.4%	9.9%	10.0%	10.3%
MOGAS	10.3%	9.7%	9.5%	8.4%
Total	13.4%	9.2%	10.2%	8.6%
HASCOL				
FO	24.1%	9.2%	13.6%	6.6%
HSD	11.3%	12.4%	14.9%	13.1%
MOGAS	8.8%	10.1%	12.0%	12.3%
Total	11.5%	10.3%	13.0%	10.0%
SHEL				
HSD	7.8%	7.1%	7.5%	10.4%
MOGAS	12.3%	12.6%	12.8%	14.5%
HOBC	28.1%	26.8%	26.6%	27.2%
JP	5.8%	11.1%	9.0%	15.5%
KERO	0.0%	0.0%	4.3%	1.9%
Total	8.7%	6.6%	7.6%	8.1%

Source: OCAC & AKD Research

Smaller players gaining shares

	August'18	August'17
GO	5.8%	2.6%
BYCO	5.0%	3.1%
ADMORE	2.0%	0.4%
TPPL*	11.1%	8.4%
Total	23.8%	14.5%

Source: PSX & AKD Research
*TPML has been amalgamated into TPPL



as well. From a valuations standpoint, APL offers upsides from its well-heeled financial footing, where current levels imply 16% capital gain and FY19 D/Y of 11.8%.

OMC Industry Volumetric Snapshot (000 Tonnes)

Industry	August'18	August'17	YoY	July'18	MoM	8MCY18	8MCY17	YoY
FO								
FO	191	905	-79%	351	-46%	3,422	6,241	-45%
HSD	493	800	-38%	614	-20%	5,383	5,798	-7%
MOGAS	606	679	-11%	614	-1%	4,840	4,678	3%
HOBC (95RON+)	7	12	-39%	9	-21%	78	81	-5%
JP	42	78	-47%	43	-4%	442	526	-16%
KERO	8	10	-17%	7	21%	66	82	-19%
LDO	1	2	-24%	2	-23%	11	13	-16%
Total	1,348	2,486	-46%	1,640	-18%	14,241	17,419	-18%
PSO								
FO	20	661	-97%	146	-86%	1,869	4,634	-60%
HSD	182	404	-55%	228	-20%	2,097	2,491	-16%
MOGAS	230	300	-23%	227	2%	1,789	1,838	-3%
HOBC (95RON+)	3	5	-49%	2	3%	24	38	-36%
JP	39	70	-45%	40	-3%	397	440	-10%
KERO	6	6	-12%	4	42%	44	55	-20%
LDO	0	1	-22%	1	-37%	5	5	1%
Total	480	1,447	-67%	648	-26%	6,225	9,499	-34%
APL								
FO	49	72	-33%	44	11%	411	472	-13%
HSD	66	63	5%	61	9%	540	595	-9%
MOGAS	62	50	25%	62	1%	462	393	18%
HOBC (95RON+)	1	1	-29%	1	2%	6	4	50%
JP	1	1	5%	0	29%	5	4	23%
KERO	2	3	-14%	2	8%	17	19	-9%
LDO	1	1	-6%	1	9%	5	6	-15%
Total	181	190	-5%	170	6%	1,447	1,493	-3%
HASCOL								
FO	46	58	-21%	66	-31%	465	410	13%
HSD	56	110	-49%	89	-38%	800	757	6%
MOGAS	53	87	-39%	71	-25%	581	577	1%
HOBC (95RON+)	0	1	-42%	3	-85%	8	3	127%
Total	155	256	-39%	229	-32%	1,854	1,747	6%
SHEL								
HSD	38	44	-13%	45	-15%	402	602	-33%
MOGAS	75	77	-3%	75	0%	621	679	-9%
HOBC (95/97RON)	2	3	-31%	2	17%	21	22	-7%
JP	2	8	-68%	3	-25%	40	82	-51%
KERO	-	0	-100%	-	-	3	2	83%
Total	117	132	-11%	125	-6%	1,086	1,412	-23%

Source: OCAC & AKD Research



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