



## AKD Securities Limited

TREC Holder & Registered Broker  
Pakistan Stock Exchange

Equity Research / Pakistan



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### Today's Daily

#### Downstream Oil: Aug'17 sales are a pat on the back

POL products continued their uphill slope with total volumetric offtake of 2.49mn tons recorded in Aug'17, rising 8%MoM/10%YoY. The retail fuel segment continued to expand their prominence in overall volumes by forming the brunt of growth. FO sales were a relative dampener +6%MoM/-7%YoY, outdone by robust growth in retail fuel segments where HSD and MOGAS sales recorded +6%MoM/+25%YoY and +10%MoM/+25%YoY growth in volumes. 8MCY17 volumes point to a 3%YoY growth in total volumes, led by +14/+8/-7%YoY move in MOGAS/HSD/FO offtake. Cumulative volumes growth for the industry has begun to slow, reverting to 5/10YR volumetric growth CAGR of 6/4%. In terms of market shares, PSO continued to bolster its position, following through with management's plan to leverage its sizeable retail footprint ending Aug'17/8MCY17 with shares of 58/54% with HASCOL maintaining 10/10% share over the same periods. Renewed force to regain market share remains prominent in PSO's numbers, where the OMC is slated to benefit from its vast retail network. Re-iterating our liking for PSO which trades at an appealing valuation set (FY18/FY19F P/E of 6.6/6.1x) also offers 18% upside (TP of PkR498/sh) from current price level.

#### KSE100 - Index

Current 41,779.20  
Previous 41,206.99  
Chg. 1.39%

#### Mkt Cap. (PkRbn/US\$bn)

Current 8,761 / 83.12  
Previous 8,648 / 82.05  
Chg. 1.30%

#### Daily Turnover (mn)

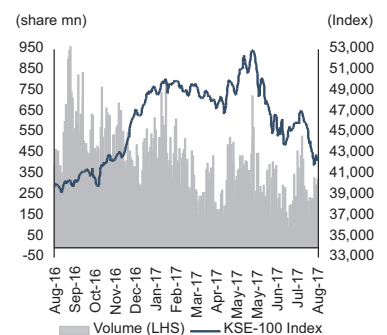
Current 107.77  
Previous 70.56  
Chg. 52.7%

#### Value Traded (PkRmn/US\$m)

Current 6,541 / 62.06  
Previous 5,425 / 51.47  
Chg. 20.6%

### News and Views

- The Executive Board of the National Accountability Bureau (NAB) is likely to meet today (Tuesday) to approve the filing of four references against former Prime Minister Nawaz Sharif, his family and Finance Minister Senator Ishaq Dar with the accountability courts.
- The GoP has decided to resume the process of privatization and divest up to 18.39% of its shareholding in Mari Petroleum Company Limited (MPCL). In this regard, the Privatization Commission invited financial advisory consortium to submit technical and financial proposals by Sep 25'17.
- Port Qasim Authority (PQA) Chairman Agha Jan Akhtar has stated that three more consortium of companies have shown interest to setup three LNG terminals at Port Qasim. Two separate consortiums (comprising LUCK, Sapphire & Hallmore as a group, and ENGRO, FATIMA & SHELL in other group) plan to setup Floating Ship Re-gasification Unit (FRSU) with a capacity of 600mscf, while third terminal is expected to be set up by Pakistan Gasport Consortium Ltd and Fauji foundation.



Ali Asghar Poonawala  
ali.poonawala@akdsecurities.net  
111-253-111 Ext:646

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AKD Daily

Wednesday, Sep 06, 2017



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**Volumes upbeat for Aug'17:** Looking at company-wise sales, HASCOL remained on its path to market penetration where total volumes increased at a steady clip of +1%MoM/+54%YoY for the month, solidifying market share to 10% during Aug'17. Sales were down by 6%MoM for APL, whereas PSO continued its spur in volumes (+15%MoM in Aug'17) reclaiming market share (at 58% for Aug'17 vs. 55% for Jul'17) where retail fuels led the charge (HSD/MOGAS volumes increased 29/22%MoM and 57/45%YoY). APL lagged behind where total volumes for the month were up by only 2%YoY which reflected in a relatively lower market share (8% in Aug'17 vs. 9% in July'17).

**Where do we go now:** Recording strong pickup in total industry volumes (+9%YoY for 2MFY18), FY18E remains promising, with growth up till now (YoY increase in volumes of 0.39mn tons for 2MFY18), slowing considerably over 2MFY17 growth (0.89mn tons added YoY to sales in 2MFY17). Looking further ahead, a slowdown in the short term is becoming highly likely as cumulative 8MCY17 sales growth slows to 5/10YR volumetric growth CAGR of 6%/4%. That said, lower for longer oil prices, coupled with continued retail expansions and delays in resumption of RLNG supply for CNG may nudge volumetric growth higher. 7%YoY decline in FO sales for 8MCY17 alludes to the power space ceding its share of demand as RLNG imports and non-thermal capacity additions to the grid take FO's share of the power mix lower. In this backdrop, a retrenchment of market shares and slowing of earnings growth from volumetric growth alone remains likely where OMCs' with expansive retail outlets and storage are expected to maintain market shares.

### Volume Based Marketshare

PSO	Aug'17	Jul'17	Jun'17	8MCY17	8MCY16
FO	73%	75%	77%	78%	62%
HSD	50%	41%	41%	44%	47%
MOGAS	44%	40%	39%	35%	41%
Total	58%	55%	56%	54%	52%
APL	Aug'17	Jul'17	Jun'17	8MCY17	8MCY16
FO	8%	7%	8%	8%	6%
HSD	8%	11%	11%	10%	8%
MOGAS	7%	9%	9%	8%	8%
Total	8%	9%	9%	9%	7%
HASCOL	Aug'17	Jul'17	Jun'17	8MCY17	8MCY16
FO	6%	6%	6%	7%	6%
HSD	14%	16%	13%	13%	8%
MOGAS	13%	13%	12%	12%	8%
Total	10%	11%	10%	10%	7%
GO	Aug'17	Jul'17	Jun'17	8MCY17	8MCY16
HSD	3%	3%	3%	3%	-

Source: OCAC & AKD Research



**Outlook:** Keeping our focus on the growth in retail fuel demand, and furthering our hypothesis of market penetration, focus on sourcing and availability in this segment fueling earnings growth for OMCs, we highlight the emphasis placed on this segment by PSO. Remaining the laggard of the sector, PSO has underperformed its listed peers, which in light of 8MCY17 sales growth of 9%YoY (led by FO/HSD sales growth of 17/1%) is unwarranted, in our view. Renewed force to regain market share remains prominent in PSO's operations where the OMC is slated to benefit from retail fuels segment. Re-iterating our liking for PSO which trades at an appealing valuation set (FY18/FY19F P/E of 6.6/6.1x) also offers 18% upside (TP of PkR498/sh) from current price level.

### August'17 and 8MCY17 OMC Volumes Snapshot (000 Tonnes)

( Industry	Aug'17	Aug'16	YoY	MoM	8MCY17	8MCY16	YoY	5YRCAGR	10YRCAGR
FO	905	975	-7%	6%	6,214	6,699	-7%	2.1%	1.5%
HSD	800	642	25%	6%	5,790	5,341	8%	4.4%	1.5%
MOGAS	679	543	25%	10%	4,672	4,090	14%	18.7%	18.9%
HOBC (95/97RON)	12	3	262%	11%	81	26	208%	-	-
JP	78	78	1%	41%	526	581	-10%	0.9%	0.5%
KERO	10	13	-26%	-8%	82	79	4%	-4.5%	-5.4%
LDO	2	1	57%	-24%	13	11	17%	-1.7%	-18.3%
Total	2,486	2,255	10%	8%	17,379	16,829	3%	6.2%	3.9%
<b>PSO</b>	<b>Aug'17</b>	<b>Aug'16</b>	<b>YoY</b>	<b>MoM</b>	<b>8MCY17</b>	<b>8MCY16</b>	<b>YoY</b>	<b>5YRCAGR</b>	<b>10YRCAGR</b>
FO	661	743	-11%	3%	4,847	4,151	17%	0.6%	0.5%
HSD	404	257	57%	29%	2,532	2,519	1%	-2.5%	-1.9%
MOGAS	300	207	45%	22%	1,639	1,663	-1%	13.5%	16.8%
HOBC (95/97RON)	5	1	265%	11%	13	12	9%	-	-
JP	70	50	40%	39%	375	271	38%	7.5%	3.3%
KERO	6	8	-20%	-3%	52	62	-15%	0.3%	-5.9%
LDO	1	0	30%	-44%	5	9	-38%	7.1%	-19.5%
Total	1,447	1,267	14%	15%	9,463	8,687	9%	1.9%	1.4%
<b>APL</b>	<b>Aug'17</b>	<b>Aug'16</b>	<b>YoY</b>	<b>MoM</b>	<b>8MCY17</b>	<b>8MCY16</b>	<b>YoY</b>	<b>5YRCAGR</b>	<b>10YRCAGR</b>
FO	72	54	35%	22%	470	383	23%	3.2%	2.0%
HSD	63	76	-17%	-23%	595	453	31%	4.0%	18.9%
MOGAS	50	52	-5%	-13%	393	328	20%	26.8%	34.7%
HOBC (95/97RON)	1	0	1992%	21%	4	0	-	-	-
JP	1	1	-29%	74%	4	5	-8%	-0.1%	-23.6%
KERO	3	4	-42%	-9%	19	21	-9%	-1.1%	5.1%
LDO	1	0	289%	-3%	6	2	-	-	-
Total	190	187	2%	-6%	1,490	1,192	25%	7.6%	9.0%
<b>HASCOL</b>	<b>Aug'17</b>	<b>Aug'16</b>	<b>YoY</b>	<b>MoM</b>	<b>8MCY17</b>	<b>8MCY16</b>	<b>YoY</b>	<b>5YRCAGR</b>	<b>10YRCAGR</b>
FO	58	55	7%	14%	407	394	3%	27.1%	-
HSD	110	57	92%	-8%	755	448	69%	83.5%	-
MOGAS	87	55	59%	5%	577	343	68%	97.5%	-
HOBC (95/97RON)	1	-	-	-3%	3	-	-	-	-
Total	256	166	54%	1%	1,742	1,185	47%	46.3%	-

Source: OCAC & AKD Research



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Accumulate	> 5% to < 20% upside potential
Neutral	≤ 5% to ≥ -5% potential
Reduce	< -5% to > -20% downside potential
Sell	≤ -20% downside potential



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