

BMA Flashnote

Pakistan OMCs: Industry volumes for Sept'19 decline 15% YoY

Wednesday, October 02, 2019

OMC sector Performance

	3M	6M	12M
Absolute %	-13%	-32%	-50%
Relative to KSE %	-8%	-16%	-29%

Source: PSX, BMA Research

- Provisional OMC sales data for Sep'19 remained dismal primarily led by decline in demand for High Speed Diesel (HSD) and Furnace Oil (FO). However, total sales volumes depicted improvement of 16% MoM to 1.50mn tons owing to Eid holidays in Aug'19.
- While contraction in FO comes on the back of change in energy mix of the country, lower economic activity remains the prime reason for lower HSD sales. To note, HSD and FO contracted 16/15% and 15%/15% QoQ/YoY during 1QFY20. We expect the trend to continue at the same pace going forward.
- Compared to Sept'18 sales, overall volumes for Sept'19 remained depressed with 15% YoY drop where MoGas contracted by a mere 4% YoY while HSD and FO sales reduced by 24/23% YoY.
- Cumulatively, 1QFY19 sales stood 8% YoY lower compared to SPLY due to decline in by HSD and FO while Mogas, up 5/2% QoQ/YoY, provided some respite.
- Amongst the four key players, Pakistan State Oil Company (PSO) leapt ahead in terms of Market Share (M/S) that stood at 47% for 1QFY20, up 7ppt, after reporting 11% YoY increase in volumes.
- Hascol Petroleum Limited (HASCOL) has witnessed a reduction in its market share to 4.7% for 1QFY20, lower than Shell Pakistan Limited (SHEL) after a reported decline of 68% in sales.
- We maintain our Marketweight stance on the sector and continue to favor APL as our top pick amongst BMA OMC universe.

Provisional OMC volumes for Sept'19

000' Tons	Aug'19	MoM	YoY	1QFY20	YoY	Market Share	
						1QFY20	1QFY19
MOGAS							
PSO	251	-6%	-9%	795	9%	40.9%	38.6%
APL	57	-1%	-6%	173	-7%	8.9%	9.8%
HASCOL	32	-11%	-57%	89	-55%	4.6%	10.4%
SHELL	78	-2%	-3%	242	5%	12.4%	12.1%
Industry	647	2%	-4%	1,942	2%		
HSD							
PSO	251	37%	-7%	706	4%	45.9%	37.3%
APL	56	10%	-20%	168	-14%	10.9%	10.7%
HASCOL	35	57%	-73%	86	-69%	5.6%	15.0%
SHELL	45	27%	-8%	132	0%	8.6%	7.2%
Industry	547	34%	-24%	1,538	-16%		
FO							
PSO	127	40%	-11%	391	27%	54.4%	36.3%
APL	53	71%	24%	123	-9%	17.1%	16.0%
HASCOL	4	-16%	-91%	28	-83%	3.9%	18.9%
Industry	237	30%	-23%	719	-15%		
Total Sales							
PSO	684	14%	-7%	2,065	11%	47.0%	39.2%
APL	169	19%	-5%	473	-11%	10.8%	11.1%
HASCOL	71	13%	-72%	205	-68%	4.7%	13.4%
SHELL	124	7%	-7%	378	1%	8.6%	7.9%
Industry	1,495	16%	-15%	4,393	-8%		

Source: OCAC, BMA Research

BMA Capital Management Ltd. 801 Unitower, I.I.Chundrigar Road, Karachi, 74000, Pakistan For further queries, please contact: bmaresearch@bmacapital.com or call UAN: 111-262-111

Asad Ali

asad.ali@bmacapital.com

+92 21 111 262 111 Ext: 2062

REP-005



www.jamapunji.pk

Disclaimer

This research report is for information purposes only and does not constitute nor is it intended as an offer or solicitation for the purchase or sale of securities or other financial instruments. Neither the information contained in this research report nor any future information made available with the subject matter contained herein will form the basis of any contract. Information and opinions contained herein have been compiled or arrived at by BMA Capital Management Limited from publicly available information and sources that BMA Capital Management Limited believed to be reliable. Whilst every care has been taken in preparing this research report, no research analyst, director, officer, employee, agent or adviser of any member of BMA Capital Management Limited gives or makes any representation, warranty or undertaking, whether express or implied, and accepts no responsibility or liability as to the reliability, accuracy or completeness of the information set out in this research report. Any responsibility or liability for any information contained herein is expressly disclaimed. All information contained herein is subject to change at any time without notice. No member of BMA Capital Management Limited has an obligation to update, modify or amend this research report or to otherwise notify a reader thereof in the event that any matter stated herein, or any opinion, projection, forecast or estimate set forth herein, changes or subsequently becomes inaccurate, or if research on the subject company is withdrawn. Furthermore, past performance is not indicative of future results.

The investments and strategies discussed herein may not be suitable for all investors or any particular class of investor. Investors should make their own investment decisions using their own independent advisors as they believe necessary and based upon their specific financial situations and investment objectives when investing. Investors should consult their independent advisors if they have any doubts as to the applicability to their business or investment objectives of the information and the strategies discussed herein. This research report is being furnished to certain persons as permitted by applicable law, and accordingly may not be reproduced or circulated to any other person without the prior written consent of a member of BMA Capital Management Limited. This research report may not be relied upon by any retail customers or person to whom this research report may not be provided by law. Unauthorized use or disclosure of this research report is strictly prohibited. Members of BMA Capital Management and/or their respective principals, directors, officers and employees may own, have positions or effect transactions in the securities or financial instruments referred herein or in the investments of any issuers discussed herein, may engage in securities transactions in a manner inconsistent with the research contained in this research report and with respect to securities or financial instruments covered by this research report, may sell to or buy from customers on a principal basis and may serve or act as director, placement agent, advisor or lender, or make a market in, or may have been a manager or a co-manager of the most recent public offering in respect of any investments or issuers of such securities or financial instruments referenced in this research report or may perform any other investment banking or other services for, or solicit investment banking or other business from any company mentioned in this research report. Investing in Pakistan involves a high degree of risk and many persons, physical and legal, may be restricted from dealing in the securities market of Pakistan. Investors should perform their own due diligence before investing. No part of the compensation of the authors of this research report was, is or will be directly or indirectly related to the specific recommendations or views contained in the research report. By accepting this research report, you agree to be bound by the foregoing limitations.

BMA Capital Management Limited and / or any of its affiliates, which operate outside Pakistan, do and seek to do business with the company(s) covered in this research document. Investors should consider this research report as only a single factor in making their investment decision. BMA Research Policy prohibits research personnel from disclosing a recommendation, investment rating, or investment thesis for review by an issuer/company prior to the publication of a research report containing such rating, recommendation or investment thesis.

Stock Rating

Investors should carefully read the definitions of all rating used within every research reports. In addition, research reports carry an analyst's independent view and investors should ensure careful reading of the entire research reports and not infer its contents from the rating ascribed by the analyst. Ratings should not be used or relied upon as investment advice. An investor's decision to buy, hold or sell a stock should depend on said individual's circumstances and other considerations. BMA Capital Limited uses a three tier rating system: i) Buy, ii) Neutral and iii) Underperform (new rating system effective Jan 1'18) with our rating being based on total stock returns versus BMA's index target return for the year. A table presenting BMA's rating definitions is given below:

Buy	>20% expected total return
Neutral	10%-20% expected total return
Underperform	<10% expected total return

*Total stock return = capital gain + dividend yield

Old rating system

Overweight	Total stock return > expected market return + 2%
Marketweight	Expected market return \pm 2%
Underweight	Total stock return < expected market return - 2%

Valuation Methodology

To arrive at our period end target prices, BMA Capital uses different valuation methodologies including

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