

Pakistan OMCs

Total OMC sales grow by 14% YoY

Total OMC sales grew by 14% YoY to 1,692kT during May21, aided largely by increased off-take in all three major categories. The OMC sector continued to maintain its elevated levels during the month, reflecting the prevalent recovery and high economic activity.

MS Sales grow by 13% YoY in 11MFY21: MS sales benefitted from high vehicle sales during the fiscal year, allowing the commodity to post a growth of 13% YoY to 7,459kT. Furthermore, the converging parity between CNG and petrol, coupled with constrained gas supply also compelled several motorists to switch over to MS as the primary fuel source for their vehicles. During May21, MS sales picked up by 9% MoM/15% YoY to 731kT. Onwards, we foresee MS sales to remain elevated as lockdowns restrictions ease further amidst declining COVID-19 infection rates. PSO emerged as the market leader in the commodity with a share of 43%

HSD sales pick up by 19% YoY: The prevalent economic recovery has reflected in rising HSD sales, which grew by 19% to 6,920kT during 11MFY21. Furthermore, the government's action against curbing smuggled petroleum (~2,000 pumps sealed) also supported the commodity's growth during the fiscal year. Sequentially, however, HSD sales dipped by 3% to 761kT because of the extended Eid Holidays, limiting economic activity during the period. Onwards, we foresee HSD sales to remain high as the government focuses on economic growth, targetting a GDP growth target in excess of 5%. PSO emerged as the market leader with a share of 49%.

FO sales surge by 46% YoY: FO sales have grown by 46% YoY to 2,647kT primarily because of the prevalent gas shortage, compelling the use of FO-based power plants. Moreover, comparatively lower prices of the commodity and the restrictions on gas supply also incentivized the fuel's usage from the private sector. Sequentially, FO sales fell by 5% MoM to 168kT as the warmer season commenced and the gas supply normalized. Moreover, high prices of FO, inline with global oil prices, also limited the use of FO from the private sector. Onwards, we believe FO consumption will continue to fall as new coal-based power plants come online. PSO emerged as the market leader with a share of 32%.

PSO remains our top pick in the sector: We continue to recommend PSO within the OMC's space with a **PT of PKR 291/sh**, offering an **upside of 21%** from its last close. Our preference for the stock stems from: 1) improving cash-flows as circular debt control takes precedence, 2) high off-take growth amidst economic recovery and action against smuggled petroleum, 3) structural changes in the OMC policy to enable retail network growth in the Punjab region, and 4) changes in the pricing mechanism to insulate the company against oil price and exchange rate volatility.

Pakistan Oil Marketing Companies (OMCs)

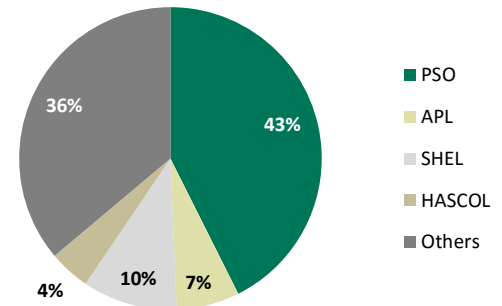
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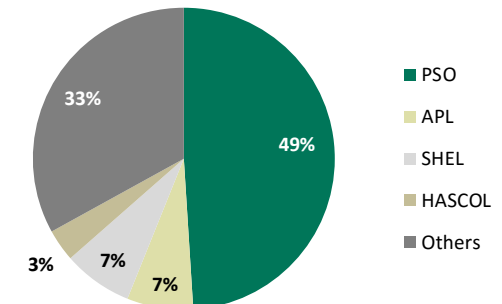
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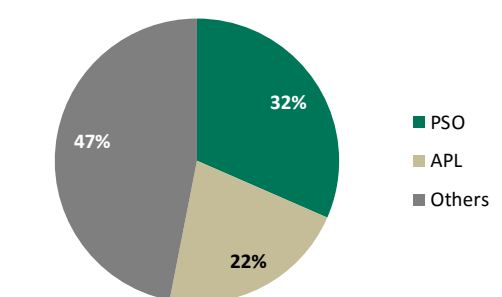
MS Market share – May21



HSD Market share – May21



FO Market share – May21



Pakistan OMC off-take - May'21								
kT	May21	Apr21	MoM	May20	YoY	11MFY21	11MFY20	YoY
Industry								
MS	731	671	9%	636	15%	7,459	6,607	13%
HSD	761	786	-3%	686	11%	6,920	5,819	19%
FO	168	176	-5%	145	16%	2,647	1,819	46%
PSO								
MS	311	300	4%	248	26%	3,137	2,545	23%
HSD	373	373	0%	352	6%	3,294	2,598	27%
FO	53	76	-30%	13	317%	1,310	767	71%
APL								
MS	49	50	-1%	57	-14%	554	601	-8%
HSD	54	50	9%	50	8%	495	574	-14%
FO	36	32	13%	29	26%	464	340	36%
SHEL								
MS	74	72	2%	63	17%	792	751	5%
HSD	57	58	-3%	36	59%	548	439	25%
FO	-	-	n.m	-	n.m	-	0	-100%
HASCOL								
MS	32	18	77%	55	-42%	406	495	-18%
HSD	26	15	73%	58	-55%	310	439	-29%
FO	-	-	n.m	4	-100%	2	66	-97%

Source: OCAC

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Rating Definitions

- Outperform >18.5% potential upside
- Neutral: 12.5% to 18.5% potential upside
- Underperform <12.5% potential upside