



Oil sales down 5% in FY18 after a gap of 5-years

Umair Naseer^{AC}

umair.naseer@topline.com.pk

Tel: +9221-35303330

Topline Securities, Pakistan

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Oil sales post a decline after a gap of 5-years

| Industry Oil Sales (tons'000) | | | | | | |
|-------------------------------|-------|------|------|--------|--------|------|
| | Jun18 | YoY | MoM | FY17 | FY18 | YoY |
| FO | 645 | -24% | -27% | 9,614 | 7,030 | -27% |
| HSD | 589 | -9% | -35% | 8,537 | 9,041 | 6% |
| MS | 614 | 9% | -6% | 6,675 | 7,396 | 11% |
| Others | 55 | -44% | -52% | 1,123 | 1,127 | 0% |
| Total | 1,903 | -12% | -25% | 25,948 | 24,593 | -5% |

Source: OCAC, Topline Research

- Pakistan Oil sales posted decline of 5% YoY to 25mn tons primarily due to drop in Furnace Oil (FO) sales. This decline in sales growth is after a lag of 5-years when the industry posted a decline of 4% in FY12.
- Furnace Oil sales of the industry dropped 27% to 7mn tons owing to reduced demand from power sector during the year. To recall, government imposed ban on usage of expensive FO for power generation during winters due to high cost of generation and availability of RLNG. Later on, the usage of FO resumed post commencement of summers when demand generally picks up however utilization levels remained on lower side.
- As per Oil Companies Advisory Council (OCAC), out of the total FO sales of 9.6mn tons in FY17, 85% or 8.2mn tons of oil sales were made to power sector. We believe this situation will prevail going forward as upcoming power plants are based on coal or RLNG which is likely to gradually replace FO based power plants.
- Oil sales growth excluding FO stood at 8% in FY18 as compared to sales growth of 13% in FY17. This is also lower than the last 3-year (FY15-17) average growth of 12%, which we believe is an effect of rising pump prices. Petrol/Diesel Prices have risen by 35-40% in FY18 on back of higher international oil prices. This has started impacting industry's white oil sales. This is also evident from June oil sales which is down 12% YoY amid 9% decline in Diesel sales along with lower FO sales.

HASCOL outperforms the market

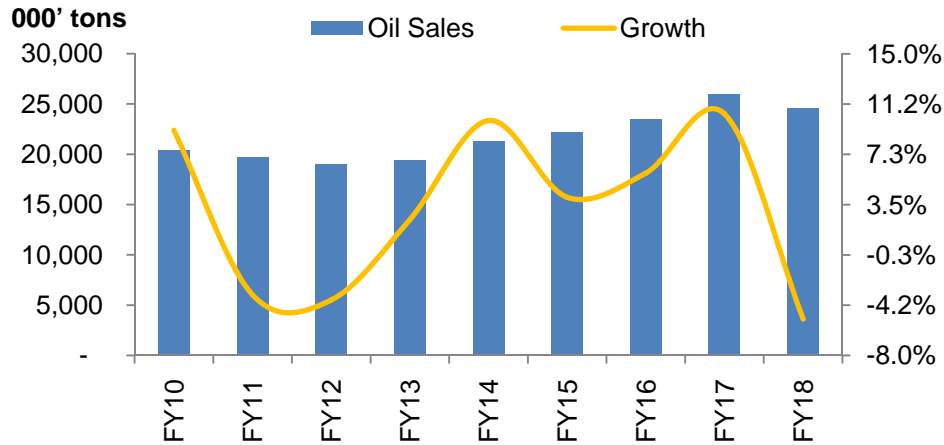
- Hascol Petroleum (HASCOL) outperformed the market growing by 28% YoY in FY18. We attribute its strong performance to increased concentration on Petrol/Diesel sales, expanding storage capacity and retail network.
- Pakistan State Oil (PSO) and Shell Pakistan (SHELL) remained underperformers during the year. PSO, the biggest stakeholder in FO market posted sales decline of 16%. On the other hand, SHELL witnessed strong slowdown in its sales post oil tanker incident on June 25, 2017.
- Going forward, rising pump prices & lower FO sales along with currency devaluation (which could result in exchange losses) would be few of the key challenges faced by the industry. However, inventory gains & revision in OMC margins could offer some support. We continue to rate PSO as our top pick in the sector.

Company-wise Oil Sales (tons'000)

| | Jun18 | YoY | MoM | FY17 | FY18 | YoY |
|---------------|-------|------|------|--------|--------|------|
| APL | | | | | | |
| FO | 53 | -16% | -21% | 665 | 645 | -3% |
| HSD | 58 | -19% | -24% | 850 | 831 | -2% |
| MS | 60 | 18% | -1% | 556 | 639 | 15% |
| Others | 4 | 6% | 4% | 46 | 52 | 13% |
| Total | 176 | -7% | -16% | 2,117 | 2,167 | 2% |
| PSO | | | | | | |
| FO | 439 | -32% | 81% | 7,035 | 4,554 | -35% |
| HSD | 228 | -13% | -37% | 3,878 | 3,821 | -1% |
| MS | 233 | 5% | -4% | 2,651 | 2,908 | 10% |
| Others | 40 | -38% | -53% | 752 | 773 | 3% |
| Total | 940 | -21% | 1% | 14,315 | 12,056 | -16% |
| Shell | | | | | | |
| FO | 0 | NM | NM | 72 | 2 | -98% |
| HSD | 42 | -49% | -34% | 1,062 | 609 | -43% |
| MS | 78 | -12% | -7% | 1,099 | 914 | -17% |
| Others | 6 | -51% | -11% | 224 | 157 | -30% |
| Total | 126 | -32% | -18% | 2,457 | 1,682 | -32% |
| Hascol | | | | | | |
| FO | 60 | 12% | -17% | 594 | 640 | 8% |
| HSD | 73 | -15% | -51% | 916 | 1,209 | 32% |
| MS | 62 | -5% | -17% | 666 | 934 | 40% |
| Others | 1 | | | 1 | 9 | |
| Total | 195 | -5% | -34% | 2,178 | 2,791 | 28% |

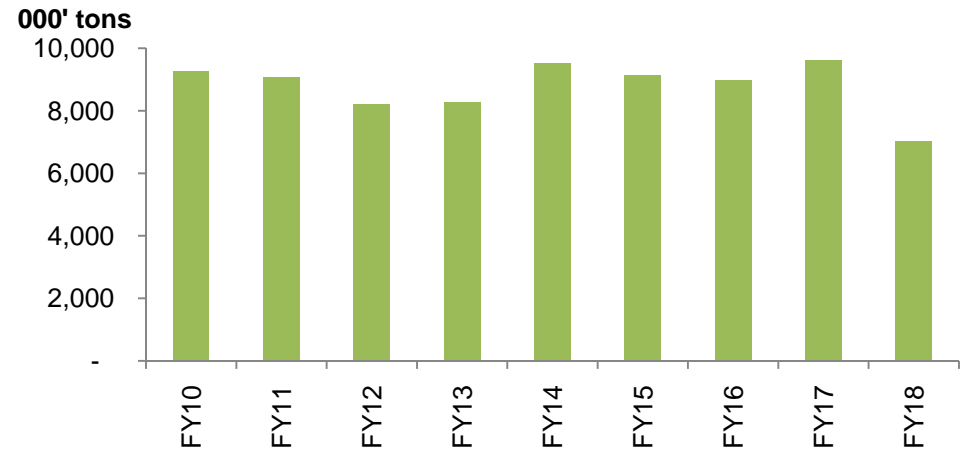
Source: OCAC, Topline Research

Industry Oil Sales



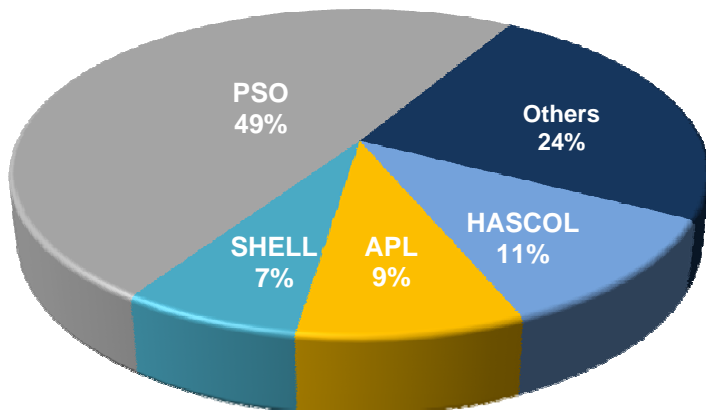
Source: OCAC, Topline Research

Industry Furnace Oil Sales



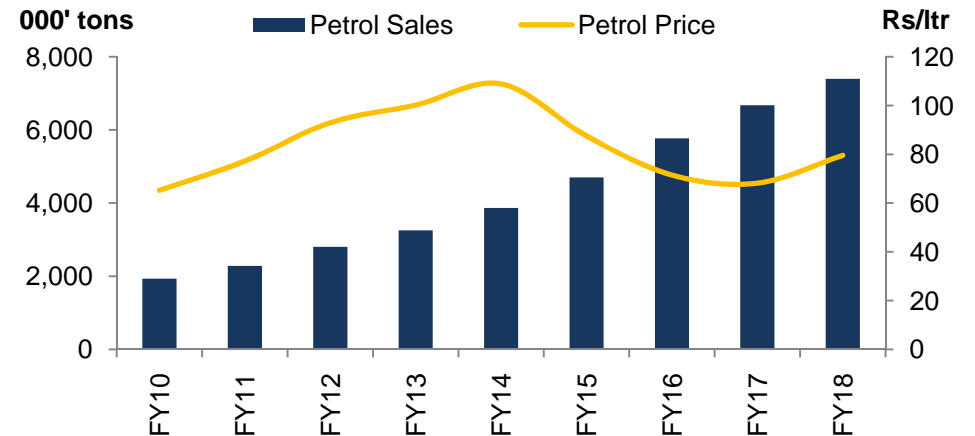
Source: OCAC, Topline Research

Company wise Market Share



Source: OCAC, Topline Research

Petrol Sales & Pump Prices



Source: OCAC, PSO

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|---------|--|
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|---------------|---------------------------------------|
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