

OMCs Sec, Market Cap. (KSE):	Rs81.63bn
Top Pick (s):	PSO, SHEL
Sector Outlook:	Positive
OMCs Univ. P/E (2012E):	4.83x
OMCs Univ. Div. Yield (2012E):	8.6%
OMCs Univ. Ear. Growth (2012E):	-19.4%

## PSO improves market share in Dec-11, SHEL's down!

### Highlights

- Petroleum consumption up only 2.2% YoY in 1HFY12
- Consumption down 13.6% MoM in Dec-11, led by HSD, FO
- PSO market share massively up in Dec-11, SHEL's goes into single-digit

### PETROLEUM CONSUMPTION IN PAKISTAN

Product	Dec-11	MoM	1HFY12	YoY
MS	221	-11%	1,381	24%
Kerosene	14	-19%	76	-6%
JP-1	59	14%	338	-8%
HSD	485	-30%	3,359	-2%
LDO	4	56%	18	-45%
Fuel Oil	655	3%	4,474	3%
Others*	10	-64%	227	-25%
<b>Total</b>	<b>1,449</b>	<b>-14%</b>	<b>9,873</b>	<b>2%</b>

Source: OCAC

\*JP-8+HOBC

In today's Value Seeker, we present an analysis of the petroleum consumption in the country during Dec-11 and 1HFY12, alongwith recommendations on Oil Marketing sector scrips.

### Petroleum consumption up only 2.2% YoY in 1HFY12

Petroleum products' consumption in the country inched up only 2.2% YoY in 1HFY12. Total product consumption volumes (ex non-energy products) stood at 9.87mn tons in 1HFY12 against 9.66mn tons recorded in 1HFY11. This low growth in cumulative petroleum product volumes can primarily be attributed to decline in volumes almost across all the petroleum products (HSD, Kero, JP-1/JP-8, HOBC) while the same was offset thanks to FO and Petrol (MS) pulling overall volumes growth into the positive territory. Local refineries' share deteriorated in the products' local-import mix, as 62% of the country's petroleum consumption demand was met through imports during 1HFY12 (58% in Dec-11) as compared to 60% in 1HFY11 (56% in Dec-10).

### Consumption down 13.6% MoM in Dec-11, led by HSD, FO

Dec-11 has been depressing as far as petroleum consumption is concerned, as total consumption volumes stood at ~1.45mn tons (lowest since Sep-11), posting a significant decline of 13.6% MoM. While most of the major petroleum products saw MoM decline in volumes during Dec-11, HSD that contributes around 34% to the overall basket, recorded a massive drop of 29.9% MoM, causing as much as 91% of the monthly decline in total volumes in Dec-11. In addition, MS, another major product that shares about 15% of total consumption volumes, was down 11% MoM sharing 12.3% in the monthly decline in overall consumption volumes. Monthly decline in volumes can be attributed to acute gas shortages (encouraging MS consumption in absence of CNG, resulting in MS growth of 17.5% YoY), liquidity issues lingering across the energy chain making FO importers unable to provide product on time for consumption. HSD's volume was gravely affected amid winters with low transportation and agricultural activities observed in the country.

### PSO market share massively up in Dec-11, SHEL's goes into single-digit

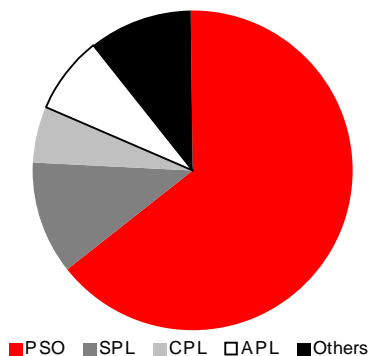
Against substantial decline in industry volumes Dec-11, PSO posted a lowest volume decline of 8.6% compared to other peers' thereby improving its overall market share by 373bps to 68% in Dec-11 (1HFY12 market share still at 61.8%, down 370bps). On an already declining spree, SHEL lost almost 1/3rd of its market share (238bps) in Dec-11 to only 9% from 11.4% in Nov-11, amid huge decline of 31.7% MoM in volumes (cumulative market share in 1HFY12 stands at 10.2%, down 505bps). In Dec-11, APL also brunt some of the declining industry volumes as the company saw a fat 25% MoM decline in its volumes, costing 112bps on its market share to 7.1%. However, APL's cumulative performance in 1HFY12 still stands superior to the industry peers as the company posted a massive volume growth of 35% YoY compared to industry's only 2.2% during 1HFY12, resulting in a market share of 8.2%, up 211bps YoY. We recommend 'Buy' on APL (TP: Rs435), 'Hold' PSO (TP: Rs252) and 'Sell' on SHEL (TP: Rs162).

Khurram Schehzad

kshehzad@investcapital.com

+92 21 35 20 87 25

Market Share Nov-11



Market Share Dec-11

