

## Auto Sales register 23% MoM decline as year-end approaches; YoY growth still buoyant

### Daily Summary

#### Equities

|          |           | Turnover<br>All Shares<br>(mn) | Market Cap<br>All Shares<br>(PKR bn) |
|----------|-----------|--------------------------------|--------------------------------------|
|          | KSE100    |                                |                                      |
| 10.01.11 | 12,306.70 | 135.40                         | 3,331.66                             |
| 07.01.11 | 12,389.04 | 151.76                         | 3,352.29                             |
| Change   | (82.34)   | (16.36)                        | (20.63)                              |

#### Forex (PKR/USD)

| Bid   | Offer | O/N   | 6-month |
|-------|-------|-------|---------|
| 85.72 | 85.75 | 12.13 | 13.40   |

#### Money Market Repo (%)

#### Board Meetings

| Date     | Time  | Company                    |
|----------|-------|----------------------------|
| 24.01.11 | 10:30 | Fauji Fertilizer Bin Qasim |
| 25.01.11 | 10:30 | Pakistan Petroleum Ltd.    |
| 16.02.11 | 12:30 | Kot Addu Power Company     |

#### KSE : Top Five Volume (mn)

| Scrip  | Volume | Change | Rate (PKR) | Change |
|--------|--------|--------|------------|--------|
| SILK   | 17.57  | 13.50  | 2.93       | 0.12   |
| LOTPTA | 14.43  | 0.74   | 14.66      | -0.07  |
| FFBL   | 12.7   | -6.50  | 38.65      | 0.21   |
| ENGRO  | 7.26   | 2.49   | 208        | 6.45   |
| KESC   | 5.52   | 1.31   | 3.07       | -0.09  |

#### Commodity Prices

|               | Price    | Change |
|---------------|----------|--------|
| WTI (USD/bbl) | 89.25    | 1.25   |
| Gold (USD/oz) | 1,375.68 | 6.11   |

#### Foreign Investors Portfolio Investment (FIPI)

|          | Gross Buy<br>(USD mn) | Gross Sell<br>(USD mn) | Net flow<br>(USD mn) |
|----------|-----------------------|------------------------|----------------------|
| 10.01.11 | 5.02                  | (2.21)                 | 2.81                 |

Source: KSE, NCCPL, SBP, Bloomberg & IGI Research

- According to PAMA, car+pickup sales declined by 23% MoM in Dec10 to 9,049 units compared to 11,765 units in the previous month, mainly on the back of the year-end phenomenon. However, 7% YoY growth in Dec10 volumes lifted 1H FY11 cars+pickup volume growth to 11% YoY with total sale of 68,099 units, up from 61,507 units sold in 1H FY10.
- INDU's volumetric growth remained laggard in 1H FY11 at 22,408 units, up just 7% from 20,902 units in the corresponding period last year. This is mainly due to a sharp decline in Dec10 Corolla volumes of 1,568 units (-23% YoY; -46% MoM).
- PSMC posted a 14%YoY increase in its car+pickup volumes at 38,320 units during 1H FY11. Honda posted the largest increase in car sales volume with 6,875 units sold during 1H FY11, up 21% YoY.
- Millat Tractor Limited's (MTL) Massey Ferguson tractor posted a massive jump of 41% YoY in Dec10 with volumes of 5,293 units. This is the highest ever monthly sale witnessed by the company.
- Given that a price increase in the near term is unlikely, any appreciation in the JPY/PKR parity and strengthening steel prices could adversely impact local auto manufacturers. However, slight weakness of the JPY against the PKR in Dec10 (down 0.76% MoM) combined with higher farmer income and consequently higher auto sales could bolster bottomline for auto manufacturers in 2H FY11.

According to the monthly auto statistics released by Pakistan Auto Manufacturers Association (PAMA), car and pickup sales have declined by 23% MoM in Dec10 to 9,049 units compared to 11,765 units, in the previous month, mainly on the back of the year-end phenomenon. However, 7% YoY growth in Dec10 volumes lifted 1H FY11 cars+pickup volume growth to 11% YoY with total sale of 68,099 units, up from 61,507 units sold in 1H FY10.

### 1H FY11 - Auto Sales

| Passenger Cars        | Dec'10       | Dec'09       | YoY         | 1H FY11       | 1H FY10       | YoY        | Nov'10        | MoM         |
|-----------------------|--------------|--------------|-------------|---------------|---------------|------------|---------------|-------------|
| < 1000cc              | 2,306        | 1,971        | 17%         | 14,550        | 13,022        | 12%        | 2,747         | -16%        |
| 1000cc                | 1,611        | 1,552        | 4%          | 11,361        | 10,987        | 3%         | 2,008         | -20%        |
| 1300cc & Above        | 2,424        | 2,655        | -9%         | 27,252        | 24,335        | 12%        | 4,302         | -44%        |
|                       | <b>6,341</b> | <b>6,178</b> | <b>3%</b>   | <b>53,163</b> | <b>48,344</b> | <b>10%</b> | <b>9,057</b>  | <b>-30%</b> |
| LCVs, Jeeps & Pickups | 2,708        | 2,299        | 18%         | 14,936        | 13,163        | 13%        | 2,708         | 0%          |
| <b>Total</b>          | <b>9,049</b> | <b>8,477</b> | <b>7%</b>   | <b>68,099</b> | <b>61,507</b> | <b>11%</b> | <b>11,765</b> | <b>-23%</b> |
| PSMC                  | 6,228        | 5,336        | 17%         | 38,320        | 33,675        | 14%        | 6,813         | -9%         |
| INDU                  | 2,033        | 2,424        | -16%        | 22,408        | 20,902        | 7%         | 3,753         | -46%        |
| HCAR                  | 628          | 567          | 11%         | 6,875         | 5,671         | 21%        | 1,075         | -42%        |
| Others                | 160          | 150          | 7%          | 496           | 1,259         | -61%       | 124           | 29%         |
| <b>Total</b>          | <b>9,049</b> | <b>8,477</b> | <b>6.7%</b> | <b>68,099</b> | <b>61,507</b> | <b>11%</b> | <b>11,765</b> | <b>-23%</b> |

Source: PAMA, IGI Research

### Broad based growth in passenger car sales in 1H FY11

Passenger car sales registered an increase of 11% YoY during 1H FY11 and stood at 53,163 units. While a broad-based increase was witnessed across the segments, sales

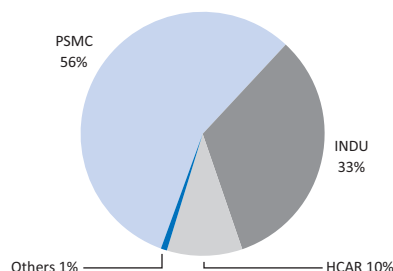
Sarah Afridi

sarah.afridi@igi.com.pk  
(+92-21) 111-234-234 Ext. 826

Research Department

Karachi, Pakistan  
www.igisecurities.com.pk  
igiresearch@igi.com.pk  
(+92-21) 0800-2-34-34

**Cars + Pick-ups: Market share by assembler 1H FY11**



Source: PAMA, IGI Research

in the 1000cc segment remained behind the curve, posting just 3% YoY growth to 11,361 units in 1H FY11. Car sales in the high end segment (1300cc+) showed most resilience and witnessed a YoY increase of 12% during 1H FY11 to stand at 27,252 units as compared to 24,335 units in the same period last year. In the 'less than 1000cc' segment, cars sales surged by 12% YoY to 14,550 units in 1H FY11 compared to 13,022 units in the same period last year.

**Indus Motor lags peers**

Indus Motor (INDU) posted a 16% YoY decline in car+pickup volumes in Dec10 with volumes of just 2,033 units, down from 2,424 units sold during Dec09. This is mainly due to a sharp decline in Corolla volumes of 1,568 units (-23% YoY; -46% MoM) on the back of deferred purchases. Consequently, INDU's volumetric growth remained laggard in 1H FY11 at 22,408 units, up just 7% from 20,902 units in the corresponding period last year. During 1H FY11 Indus Motor recorded a 108bps decline in market share at 33%

**PSMC jacks up market share on higher sales**

The market leader Pak Suzuki posted a 14% YoY increase in its car+pickup volumes at 38,320 units during 1H FY11, mainly on the back of low base effect. Demand for PSMC's models competing in the 'less than 1000cc' and '1000cc' category also increased by 5% YoY. Furthermore, the company's LCVs posted 20% YoY growth in sales on the back of higher demand for flood relief activities. During 1H FY11, PSMC managed to improve its market share by 152bps to 56%.

**Honda Atlas: 21% YoY growth in 1HFY11 volumes**

Competing only in the 1300cc+ category, Honda saw a 21% increase in its car sales volume during 1H FY11. Demand for Honda Civic jumped up 26% YoY, while Honda City sales increased by 18% YoY. Hence, the company's overall market share increased by 88bps YoY to 10%.

**Highest ever Tractor sales in Dec10**

18% YoY growth in Dec10 Tractor sales provided some respite to overall demand for the 1H FY11. Decline in overall tractor sales trimmed to 3% YoY at 32,743 units during 1H FY11. Millat Tractor Limited's (MTL) Massey Ferguson tractor posted a massive jump of 41% YoY in Dec10 with volumes of 5,293 units. This is the highest ever monthly sale witnessed by the company.

| Tractor Sales |         |         |      |        |        |      |
|---------------|---------|---------|------|--------|--------|------|
|               | 1H FY11 | 1H FY10 | YoY  | Dec-10 | Dec-09 | YoY  |
| AGTL          | 12,233  | 14,501  | -16% | 2,754  | 3,048  | -10% |
| MTL           | 20,510  | 19,108  | 7%   | 5,293  | 3,745  | 41%  |
| Total         | 32,743  | 33,609  | -3%  | 8,047  | 6,793  | 18%  |

Source: PAMA, IGI Research

**Price hikes restrained; JPY/PKR parity to set the tone for profitability**

Recently, the GoP decided to reverse the decision to increase the age limit for the import of used cars as local manufacturers agreed to reduce car prices. Given that a price increase in the near term is unlikely, any appreciation in the JPY/PKR parity and strengthening steel prices could adversely impact local manufacturers. However, slight weakness in the JPY against the PKR in Dec10 (down 0.76% MoM) combined with higher farmer income and consequently higher auto sales could bolster bottomline for auto manufacturers in 2H FY11.

## News in Focus

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### **Petroleum sales up 11% YoY during Dec10**

According to OCAC data, petroleum products consumption increased by 11% YoY during Dec10. The total volume of the POL products consumption (ex non-energy) was recorded at 1.67 mtons in Dec10 as against 1.5 mtons. in Dec09. According to the data, Mogas consumption spiked by 32 % YoY, HSD by 13% YoY and FO by 6% YoY. For the 1H FY11 though, overall POL sales declined by 3%YoY, largely due to impact of floods during the 1Q FY11.

## Market Comment

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The index opened on a strong note hitting an intraday high 12,535. However, late selling in the heavyweight OGDC (-2.47%) dragged the index down by 82.34 points with the KSE100 closing at 12,306. Power and fertilizer stocks performed well closing in the green zone. 101.7mn shares (Value USD 78.5mn) were traded in the KSE100 Index. Volume leader was **SILK PA** (17.5mn shares), followed by **LOTPTA PA** (14.4mn shares) and **FFBL PA** (12.6mn shares).