

# Day Break

Friday, 11 August 2017

## SECTOR UPDATE

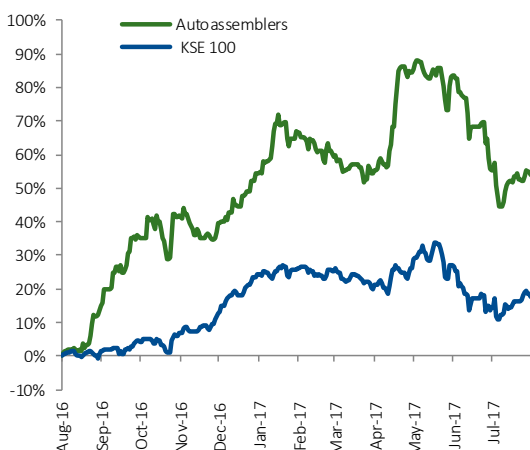
**Exhibit:** Industry volumes in Jul-17, (kunits)

Category	Jul-17	Jun-17	Jul-16	MoM	YoY
Pass. Cars	16.3	12.9	12.9	27%	35%
Trucks / Buse	0.8	0.7	0.7	10%	13%
Pick-Up/Jeep	3.2	2.6	2.6	25%	81%
Tractor	4.6	4.4	4.4	4%	125%
2/W	147.1	120.6	120.6	22%	43%
3/W	5.0	3.1	3.1	60%	28%
<b>Total</b>	<b>177.1</b>	<b>144.3</b>	<b>144.3</b>	<b>23%</b>	<b>43%</b>

**Exhibit:** Company-wise Sales in Jul-17, (kunits)

Company	Jul-17	Jun-17	Jul-16	MoM	YoY
INDU	4.6	3.6	4.2	28%	11%
PSMC	10.4	9.0	7.6	16%	37%
HCAR	4.5	2.9	2.1	58%	113%
AGTL	1.5	1.5	0.6	-1%	147%
MTL	3.1	2.9	1.4	7%	115%
HINO	0.3	0.3	0.6	-1%	-53%
GHNL	0.0	0.0	0.1	64%	-82%
GHNI	0.3	0.3	0.2	-9%	51%
ATLH	91.6	71.5	60.2	28%	52%
PSMC 2W	1.5	1.8	1.4	-12%	9%
SZEW	1.7	1.4	1.1	19%	58%

**Exhibit:** Sector Performance



Source: PAMA, Bloomberg & IGI Research

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## Automobile Assembler

### Auto volumes up by +23%MoM in Jul-17

- As per latest data released by Pakistan Automotive Manufacturers Association (PAMA), industry sales increased by +23%MoM (+43%YoY) to 177.04kunits. Segment-wise passenger cars witnessed a +23%MoM (+35%YoY) growth with =>1,300cc engine category leading the chart. Similarly, 2/wheeler, Pick-up & Jeeps also printed healthy growth during the month.
- All three major OEMs registering growth, led by HCAR registered a volumetric growth of + 57.5% MoM to 4,511 units, followed by INDU depicting growth of +28%MoM (+11%YoY) to 4,618 units, whereby sales of Corolla reported a growth of +23% MoM (+5%YoY) to 3,875units. PSMC's passenger car volumes showed a healthy growth of +16%MoM (+37%YoY) to 10.4k units in Jul-17 led by Ravi and Bolan variants
- We recommend a **'BUY'** call on the scrip with our Dec-17 target price of PKR 2,472/share, offering +37% upside from its last closing. The company is currently trading at FY18E P/E of 10.2x and offers a dividend yield of 6.9%.

### FY18 kicks-off on strong auto sales

As per latest data released by Pakistan Automotive Manufacturers Association (PAMA), industry sales increased by +23%MoM (+43%YoY) to 177.04kunits. Segment-wise passenger cars witnessed a +23%MoM (+35%YoY) growth with =>1,300cc engine category leading the chart. Similarly, 2/wheeler, Pick-up & Jeeps also printed healthy growth during the month. We attribute high sales growth during the month to end of Eid season (holiday) and continuing strong auto demand.

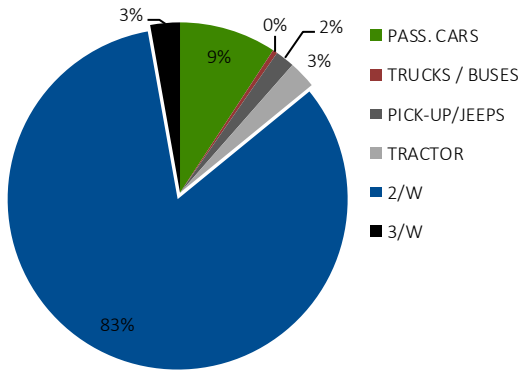
### HCAR: Keeping up the trend

HCAR registered a volumetric growth of + 57.5% MoM to 4,511 units whereby sales of new Civic model and City leaped up by +80.2% MoM to 3,821 units, however sales of BR-V declined by 8.7% MoM to 690 units owing to peak sales post launch in Apr-17. To recall, HCAR sales have augmented by +52%YoY to 39,103k units in FY17 on the back of new Civic 10th generation launch and City facelift. Recently, in Aug-17 the company has officially announced a slightly upgraded version of City variant for both Basic and Aspire 2017. Moreover, the company has also increased prices by +2.5% or PKR 30 –40k/unit on average for new upgraded City variant.

### INDU: Corolla sales takes a hit pre-launch of facelift

INDU's volume witnessed growth of +28%MoM (+11%YoY) to 4,618 units, whereby sales of Corolla reported a growth of +23% MoM (+5%YoY) to 3,875units. INDU's Fortuner variant sales clocked in at 270units, up by +13%MoM (+6xYoY) whereas Hilux sales recorded growth of +35%MoM (+3%YoY) to 473 units. To recall, sales of company's flagship model Corolla has shown a declining trend in past quarter owing to pre-launch of its Corolla facelift announced earlier the month – 4QFY17 sales of corolla declined by 20% QoQ to 11,982units. Moreover, Fortuner and Hilux sales also took a hit post launch of Fortuner and Hilux variant in 1QFY17.

**Exhibit:** Automobile Sales Composition-Jul 17



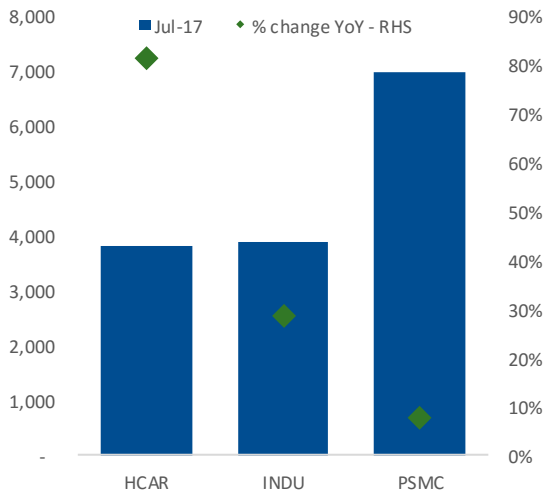
**PSMC: Sales swing back to action**

PSMC’s passenger car volumes showed a healthy growth of +16%MoM (+37%YoY) to 10.4k units in Jul-17 led by Ravi and Bolan variants. On yearly sales registered a hefty +37%YoY owing to low base effect from last year. Nevertheless, PSMC sales of other variants Wagon R/Cultus, also showed a strong growth of +16% / +7%YoY to 1.9k/1.8k units respectively, whereas Mehran sales stood at 3.4k units up by +7%MoM. To recall, the company discontinued Swift variants (available in two variants) reporting sales of 288 units down by 23%MoM (down by 17%YoY) in Jul-17. Although not officially announced company is expected to launch new 4th generation Swift variant model by early next year.

**Recommendation**

We maintain an ‘Overweight’ stance on automobile assemblers, with INDU as our top pick. We recommend a **‘BUY’** call on the scrip with our Dec-17 target price of PKR 2,472/share, offering +37% upside from its last closing. The company is currently trading at FY18E P/E of 10.2x and offers a dividend yield of 6.9%.

**Exhibit:** Passenger Car Sales - Company Wise (Jul-17)



Source: PAMA, Bloomberg & IGI Research

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**Time Horizon:** Dec - 2017

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