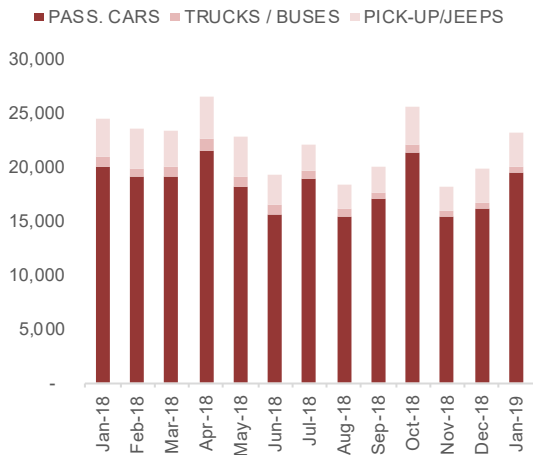


# Day Break

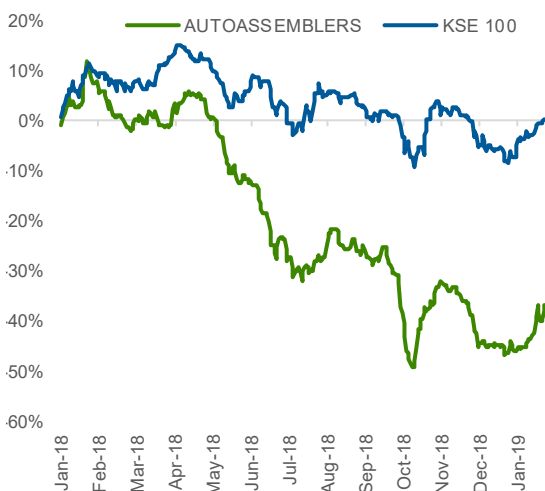
Tuesday, 12 February 2019

## Sector Update

Exhibit: Industry Car sales volume



Relative Performance to KSE 100



Source: Bloomberg, PSX & IGI Research

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## Automobile Assemblers

### Jan-19: Off to a rough start; Industry volumes declined by 14%YoY

- The latest sales data released by Pakistan Automotive Manufacturers Association (PAMA), shows industry sales volume declined by 14%YoY to 173k units while showing recovery of +16% on monthly basis. Similarly, on cumulative basis, for 7MFY19 sales have weakened by 7%YoY to 1,209k units. The decline is attributed to high interest rates, increase in car prices and impact of non-tax filer in our view.
- With respect to company wise, PSMC's sales volumes remained relatively flattish at 11.7k units witnessing a drop of 15% YoY. However, INDU's volumetric growth remained relatively stronger with a surge of +17%MoM/16%YoY to 6.25k units. Similarly, HCAR volumes increased by +34%MoM/ to 4.52k units, inching up by +3%YoY.
- We maintain a 'BUY' call on INDU with our Dec-19 target price of PKR 1,485/share, implying an upside of +15% from its last closing. The company is currently trading at FY19E P/E of 7.86x and offers a dividend yield of 8.9%.

### Industry sales recorded at 173k units as major segments reported decline in their volumes

The latest sales data released by Pakistan Automotive Manufacturers Association (PAMA), shows industry sales volume declined by 14%YoY to 173k units while showing recovery of +16% on monthly basis. Similarly, on cumulative basis, for 7MFY19 sales have weakened by 7%YoY to 1,209k units. The decline is attributed to high interest rates, increase in car prices and impact of non-tax filer in our view.

On sequential basis, strong recovery was seen across all segments, witnessing double-digit growth in their volumes. Most importantly, tractor sales witnessed a jump of +5.0xMoM to 3.50k units. Similarly, 3/W and 2/W segment reported growth of +61%/12%MoM to 139k/7.2k units. Likewise, passenger car segment witnessed a growth of +20%MoM to 19.3k units as cumulative sales in 1000cc engine category and above reported positive growth of +34%MoM to 15.0k units.

Exhibit:

#### Monthly PAMA Sales

UNITS	Jan-19	Dec-18	MoM	Jan-18	YoY	7MFY19	7MFY18
=>1300	9,750	6,523	49%	8,643	13%	61,993	55,732
800<x<1000	4,318	4,896	-12%	6,532	-34%	29,275	39,235
1000<x<1300	5,285	4,722	12%	4,749	11%	32,123	28,391
PASS. CARS	19,353	16,141	20%	19,924	-3%	123,391	123,358
TRUCKS / BUSES	602	470	28%	938	-36%	4,373	5,500
PICK-UP/JEEPS	3,160	3,282	-4%	3,638	-13%	19,188	24,343
TRACTOR	3,486	654	5.3x	5,863	-41%	27,969	38,152
2/W	139,593	124,486	12%	162,031	-14%	999,335	1,061,886
3/W	7,213	4,473	61%	8,425	-14%	35,555	46,793
<b>TOTAL</b>	<b>173,407</b>	<b>149,506</b>	<b>16%</b>	<b>200,819</b>	<b>-14%</b>	<b>1,209,811</b>	<b>1,300,032</b>

Source: PAMA, IGI Research

**Major OEM’s exhibited mixed growth levels**

With respect to company wise, PSMC’s sales volumes remained relatively flattish at 11.7k units witnessing a drop of 15% YoY. However, INDU’s volumetric growth remained relatively stronger with a surge of +17%MoM/16%YoY to 6.25k units. Similarly, HCAR volumes increased by +34%MoM/ to 4.52k units, inching up by +3%YoY.

**HCAR: Sales of Civic/City displaying robust growth while BRV following up**

For the month of Jan-19, sales of Civic/City recovered strongly, up by +2.0xMoM to 4.03k units. Similarly, BR-V sales also picked up pace, increasing by +30%MoM to 492 units. On cumulative basis for the 9-month period, total sales have inched up by +3%YoY to 41.3k units, led by healthy sales of Civic/City, clocking at 35.5k units (+13%YoY) while arresting the decline of 39%YoY of BRV (4.7k units)

**INDU: Corolla keeping up the healthy growth trend**

The company registered a volumetric increase of +16%MoM to 6.30k units for the month of Jan-19. On individual basis, Corolla and Fortuner lead the growth chart, displaying a growth of +28%/69%MoM to 5.40k/0.30k units. However, sales of Hilux leaned back, declining by 36%MoM to 638 units. For the 7MFY19, total sales volume for the company increased by +9%YoY to 38.9k units backed by positive sales growth of +13%/+6%YoY in Corolla and Hilux with Fortuner coming as laggards (down by 28%YoY).

**PSMC: Sales of Wagon R and Cultus leading the growth chart**

PSMC sales suffered a decline of 15%YoY to 11.75k units wherein only Wagon R /Cultus contributed positively with a growth of +15%/7%YoY to 2.70k/2.05k units. However, sales of Ravi/Bolan/ Mehran collapsed by 11%/27%/37%YoY to 2.0k/2.2k/4.3k units.

Exhibit:  
**Automobile sales composition-Jan-19**

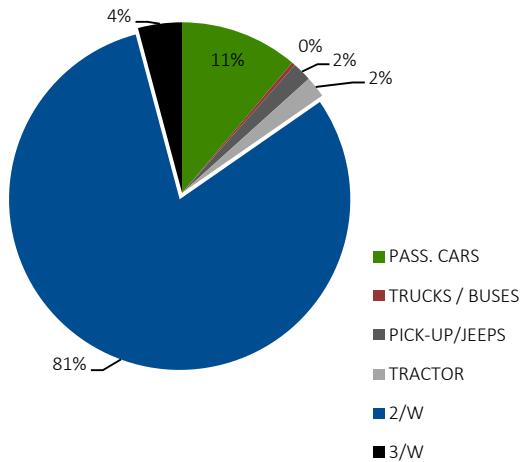
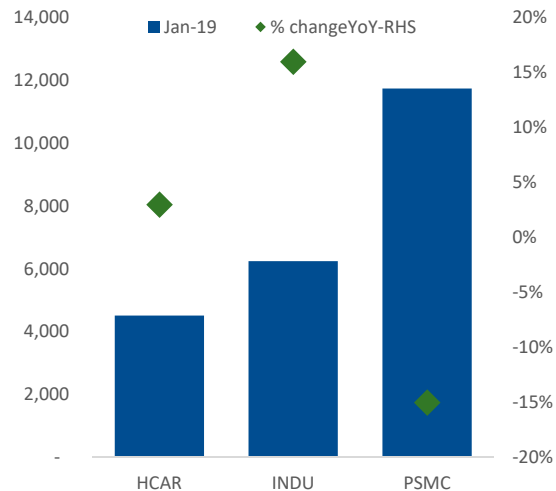


Exhibit:  
**Company wise passenger car sales for Jan-19**



Source: PBS, SBP, IGI Research

**Recommendation**

We maintain a 'BUY' call on INDU with our Dec-19 target price of PKR 1,485/share, implying an upside of +15% from its last closing. The company is currently trading at FY19E P/E of 7.86x and offers a dividend yield of 8.9%.

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