

Day Break

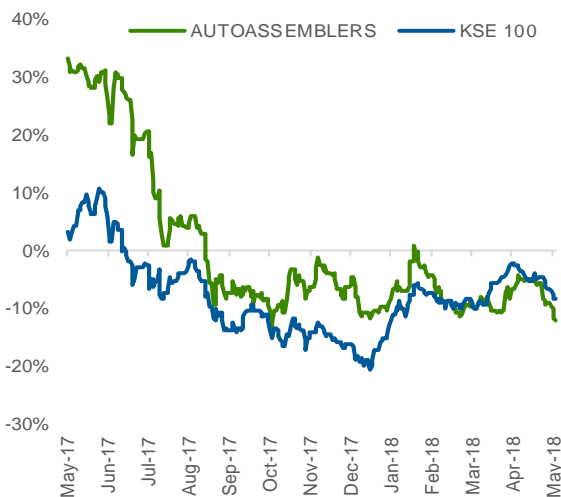
Monday, 14 May 2018

Sector Update

Sym.	Target Price	P/E 2018	D/Y 2018	Recom.
INDU	2,321.0	8.7	8.0%	BUY
HCAR	624.0	9.5	4.2%	BUY
PSMC	499.5	9.0	4.0%	HOLD

Industry	Apr-18	MoM	Apr-17	YoY
PASS. CARS	21,540	13%	15,801	36%
TRUCKS/BUSES	983	-4%	829	19%
PICK-UP/JEEPS	4,027	19%	2,466	63%
TRACTOR	7,979	5%	6,263	27%
2/W	154,501	5%	132,254	17%
3/W	4,265	-19%	5,296	-19%
Total	193,295	5%	162,909	19%

Relative Performance to KSE 100



Source: Bloomberg, PSX & IGI Research

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Automobile Assembler

Apr-18: Volumes up by +5%MoM to 193k units; PSMC sales back in action with +32%MoM growth

- As per the latest data released by Pakistan Automotive Manufacturers Association (PAMA), industry sales volume crept up by +5%MoM, clocking at 193k units (+19%YoY). All segments witnessed mixed growth levels as 3/W segment reported a decline of 19%MoM, countered by pick-up and jeep segment, up by +19%MoM to 4k units.
- With respect to company wise sales, PSMC attained growth of +32%MoM to 14.8k units followed by INDU, witnessing growth of +7%MoM to 6.2k units. However, HCAR reported decline of 14%MoM in its sales volume to 4.6k units.
- We maintain a 'BUY' call on INDU with Dec-18 based target price of PKR 2,321/share, offering +38% upside from the last closing. The company is currently trading at FY18E P/E of 8.7x and offers a dividend yield of 8.0%.

Sales volume slightly up by +5%MoM to 193k units; passenger cars sales lead the growth chart

As per the latest data released by Pakistan Automotive Manufacturers Association (PAMA), industry sales volume crept up by +5%MoM, clocking at 193k units (+19%YoY). All segments witnessed mixed growth levels as 3/W segment reported a decline of 19%MoM, countered by pick-ups and jeep segment, up by +19%MoM to 4k units. However, passenger cars segment showed healthy performance with sales increasing by +13%MoM (+36%YoY) to 21.5k units. Within the passenger car segment, =>1300cc engine category cars suffered decline of 3%MoM to 9.5k units while the 800<x<1300 cc arrested the decline by posting growth of +30%MoM to 12k units. Moreover, tractor and 2/W segment continued to show decent growth of +5%MoM to 7.9k/154k units.

Major OEM's exhibited mixed growth levels

With respect to company wise sales, PSMC attained growth of +32%MoM to 14.8k units followed by INDU, witnessing growth of +7%MoM to 6.2k units. However, HCAR reported decline of 14%MoM in its sales volume to 4.6k units.

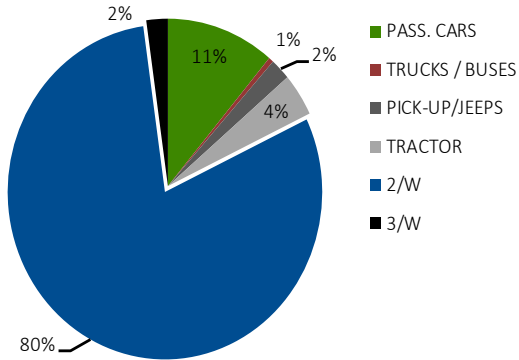
HCAR: Monthly decline in sales across all units

The combined sales of Civic/City stood at 4.0k units, depicting monthly decline of 17%. However, on yearly basis, volumes witnessed robust growth of +58%, driven by sales of City (upgraded version), in our view. Moreover, sales of BR-V nose-dived by 18%MoM to 558 units, although slightly up by +6%YoY.

INDU: Keeping up the trend as volumetric sales up by +7%MoM to 6.2k units

The company registered a volumetric incline of +7%MoM to 6.2k units witnessing positive growth level across all units. To mention, Corolla sales gained +7% growth on monthly basis to ~5k units with new model of Fortuner showing robust growth of 15%MoM to 523 units. Hilux sales, however were relatively flattish at 714 units (up by +1%YoY). This takes total volume for 10MFY18 to 52.6k units (+2%YoY) led by healthy sales in high margin segment wherein Hilux/Fortuner sales posted growth of +25%/3.2xYoY to 6.2/3.2k units, offsetting the decline in Corolla volumes (down by 5%YoY to 43.2k units).

Exhibit: Automobile Sales Composition-Apr-18



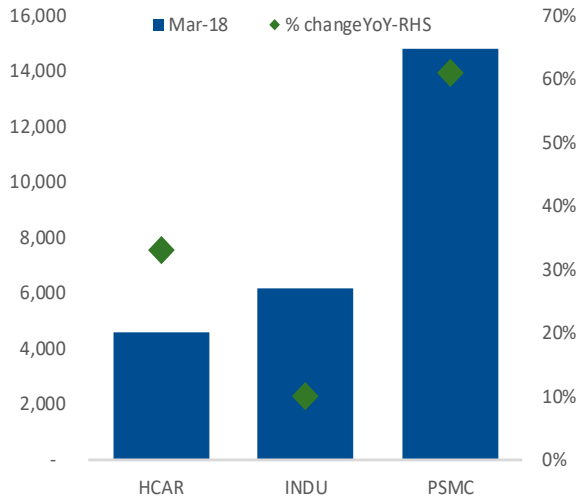
PSMC: Impressive performance as sales rebounded by +32%MoM to 14.8 k units

PSMC showed strong growth performance as volumes rebounded by +32%MoM to 14.8k units. Sales of Wagon R/ Cultus/Swift were up by +66%/8%/15%MoM to 3.1k/2.1k/532 units. Similarly, in the light commercial vehicle segment, sales of Bolan and Ravi showed impressive growth of +43%MoM and 44%MoM to 2.2k units each. Mehran also followed the trail as volumes resurged by +19%MoM to 4.6k units. On cumulative basis for the period of 4MCY17, sales were up by +27%YoY to 52k units, primarily contributed by strong growth in Cultus (+34%YoY) and Wagon R (+49%YoY) sales volume.

Recommendation

We maintain a 'BUY' call on INDU with Dec-18 based target price of PKR 2,321/share, offering +38% upside from the last closing. The company is currently trading at FY18E P/E of 8.7x and offers a dividend yield of 8.0%.

Exhibit: Passenger Car Sales - Company Wise (Apr-18)



Source: PAMA, Bloomberg & IGI Research

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Buy	If target price on aforementioned security(ies) is more than 10%, from its last closing price(s)
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Time Horizon: Dec – 2018

Valuation Methodology: The analyst(s) has used following valuation methodology to arrive at the target price of the said security (ies):
(Discounted Cash Flow)

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