Day Break

Friday, 12 March 2021

Sector Update

Automobile Assemblers

Jan-21: Car sales up +31%y/y – The trend continues

- As per data released by Pakistan Automotive Manufacturers Association (PAMA) for Feb-21, industry sales volume excluding 2/3 wheeler increased by +35%y/y while decline by 8%m/m to ~21k units. Moreover sales of 2/3 wheeler sales increased by +11%y/y while simultaneously decline by 5% m/m to 154k units.
- With respect to company wise, PSMC witnessed an increase of +56%y/y and remained flattish on sequential basis to 11.1K units during Feb-21. Likewise, the other two premium car makers INDU decline by 3%y/y to 4.3k units whilst HCAR portrayed an increase of 13%y/y to 2.4k units.
- We expect auto volumes will continue its recovery path deep into 2021 with recent Feb-21 sales data fortifying our view. However, we believe gross margins of auto OEMs are foreseen to remain modest given in-ability to pass on impact of rising costs and anticipated PKR/USD volatility. At current market price INDU remain our top pick in the auto space.

Feb-21 auto sales data fortifies strong rising trend intact

As per data released by Pakistan Automotive Manufacturers Association (PAMA) for Feb-21, industry sales volume excluding 2/3 wheeler increased by +35%y/y while decline by 8%m/m to ~21k units. Moreover sales of 2/3 wheeler sales increased by +11%y/y while simultaneously decline by 5% m/m to 154k units.

Passenger cars and other company wise data

Further dissecting, passenger car segment sales increased by +31%y/y to 13.5k units, with majority sales coming from below1,000c engine size (+2xy/y to 5.1k units.). Meanwhile, sales of SUV segment stayed strong rising by 2xy/y to 1.05k units, but remain in the favor of new entrants. Sales of Honda's BRV (237units) and Toyota Fortuner (275units) compared to new entrant Hyundai Tucson, up by +39%m/m to 546 units.

Commercial vehicles sales continued its upward momentum:

Monthly tractor sales are up by 42% y/y to 4.4k units mainly on account of sales tax subsidy. However, decline by 15% m/m. MTL witnessed an increase of 49% y/y to 3.0k units (-22% m/m), while, AGTL portrayed an increase of 30% y/y to 1.4k units (7% m/m). Similarly, sales of busses also saw a +20%y/y growth to +77 units.

Major OEMs volumes keeping up the sales momentum

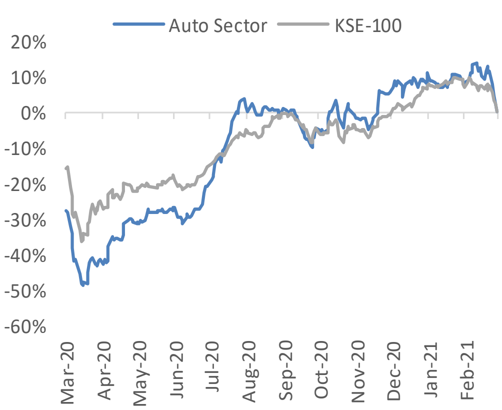
With respect to company wise, PSMC witnessed an increase of +56%y/y and remained flattish on sequential basis to +11.2K units during Feb-21. Likewise, the other two premium car makers INDU decline by 3%y/y to 4.3k units whilst HCAR portrayed an increase of 13%y/y to 2.4k units.

HCAR: Civic/City sales back to action

The combined sales of Civic/City stood at +2.1k units, primarily driven by sales of Civic despite the rumors of launching Civic/City new variant. On the other hand BR-V sales saw a massive decrease of 39%m/m and 13% y/y respectively.

On a cumulative basis, sales for 8m'21 clocked in at +18.5k units, up by +48% y/y primarily driven by combined duo sales of civic/city.

Relative Performance to KSE 100



Source: Bloomberg, PSX & IGI Research

Analyst

Shumail Rauf

shumail.rauf@igi.com.pk

Tel: (+92-21) 111-234-234 Ext.: 957

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Exhibit: Monthly Automobile Assemblers Sales Summary

	Feb-21	Jan-21	m/m	Feb-20	y/y	8m'21	8m'20	y/y
Below 1,000cc	5,158	4,813	7%	2,342	2x	29,774	32,847	-9%
1,000cc<>1,300cc	2,298	2,786	-18%	2,234	3%	18,079	15,657	15%
Above 1,300cc	6,114	6,944	-12%	5,769	6%	47,286	31,033	52%
Passenger Cars	13,570	14,543	-7%	10,345	31%	95,139	79,537	20%
Trucks	252	290	-13%	338	-25%	2,192	2,435	-10%
Buses	77	73	5%	64	20%	447	488	-8%
Jeeps&SUVs	1,058	1,199	-12%	484	2x	6,419	2,745	2x
Pick-ups	1,808	1,773	2%	1,354	34%	12,347	9,362	32%
Tractors	4,450	5,209	-15%	3,141	42%	31,424	20,588	53%
2-Wheeler	149,637	157,558	-5%	133,855	12%	1,231,996	1,051,820	17%
3-Wheeler	4,772	5,006	-5%	5,152	-7%	35,848	28,699	25%

INDU: INDU sales take a dip

For the month in review, INDU sales displayed a decrease of 20%m/m and 3%y/y respectively. We ascribed this decline in INDU's sales is due to supply chain issues that according to INDU's management should start seeing resolution around Mar-Apr 2021.Drop in sales was majorly led by flagship corolla down by 23%m/m and 66%y/y coupled with Toyota Hilux which declined by 37%y/y and 29%m/m respectively. We believe, the decline in sales of corolla is temporary, attributable to consumers holding back on their buying decision in anticipation of launch of new corolla face lift. More so, launching of Corolla cross is to target the rising demand of SUV segment (PC-to-SUV stood at 9x compared to previous ~20x during 2017-2019, almost ~54% growth.

PSMC: Once again stole the show

PSMC sales during the month once again showcased stellar growth increasing +56% y/y. We ascribed this growth in PSMC's sales is due to New Year euphoria, rumors of a possible increase in price of Suzuki products.

On an individual basis all units except Swift and Cultus reported increase in their volumes with sales of Alto witnessed major increase of 3xy/y and 11%m/m to +4.2k units. However, sales of Cultus and swift witnessed a decline of 4%/3% y/y respectively. We believe this decline is due to supply constraints at Asian ports. Given the temporary nature of this problem, we believe sales of Suzuki cultus rising in the coming month once this issues is resolved.

Outlook

We expect auto volumes will continue its recovery path deep into 2021 with recent Feb-21 sales data fortifying our view. However, we believe gross margins of auto OEMs are foreseen to remain modest given in-ability to pass on impact of rising costs courtesy rising CRC prices and anticipated PKR/USD volatility. At current market price INDU remain our top pick in the auto space.

Exhibit: Monthly Automobile Assemblers Sales Summary

	Feb-21	Jan-21	m/m	Feb-20	y/y	8m'21	8m'20	y/y
INDU	**4,384**	**5,452**	-20%	**4,510**	-3%	**35,975**	**22,707**	**58%**
Corolla	1,177	1,525	-23%	3,715	-68%	11,129	18,902	-41%
Yaris	2,566	2,992	-14%	-		18,403	-	
Fortuner	275	419	-34%	211	30%	1,941	913	2x
Toyota Hilux	366	516	-29%	584	-37%	4,502	2,892	56%
PSMC	**11,175**	**11,121**	0%	**7,176**	56%	**70,806**	**70,170**	**1%**
Swift	179	364	-51%	186	-4%	1,541	1,466	5%
Cultus	1,484	1,470	1%	1,535	-3%	10,471	9,845	6%
Wagon R	814	1,316	-38%	699	16%	7,608	5,812	31%
Mehran	-	-		3		-	1,702	
Bolan	913	986	-7%	719	27%	5,481	4,073	35%
Alto	4,245	3,827	11%	1,620	3x	24,293	27,072	-10%
Ravi	1,268	1,050	21%	615	2x	6,458	5,660	14%
PSMC 2/w	2,272	2,108	8%	1,799	26%	14,954	14,540	3%
HCAR	**2,429**	**2,450**	**-1%**	**2,141**	**13%**	**18,545**	**12,497**	**48%**
City/Civic	2,192	2,063	6%	1,868	17%	16,213	10,665	52%
BRV	237	387	-39%	273	-13%	2,332	1,832	27%
Hyundai	**546**	**393**	**0**	**-**		**2,146**	**-**	
Tucson	546	393	39%	-		2,146	-	
AGTL	**1,442**	**1,347**	**7%**	**1,106**	**30%**	**8,987**	**7,869**	**14%**
Fiat	1,442	1,347	7%	1,106	30%	8,987	7,869	14%
MTL	**3,008**	**3,862**	**-22%**	**2,020**	**49%**	**22,408**	**12,557**	**78%**
Massey Ferguson	3,008	3,862	-22%	2,020	49%	22,408	12,557	78%
HINO	**84**	**83**	**1%**	**112**	**-25%**	**610**	**1,118**	**-45%**
Hino Bus	24	13	85%	27	-11%	137	219	-37%
Hino Truck	60	70	-14%	85	-29%	473	899	-47%
GHNL	**100**	**89**	12%	**55**	82%	**590**	**356**	66%
Nissan	-	-		-		-	-	
Dong Feng	-	-		-		-	-	
JAC	36	34	6%	11	3x	163	31	5x
JAC Pick-up	64	55	16%	44	45%	427	325	31%
GHNI	**109**	**155**	-30%	**248**	-56%	**1,277**	**1,646**	-22%
Isuzu Truck	97	123	-21%	195	-50%	1,009	1,180	-14%
Isuzu Bus	7	2	4x	6	17%	92	115	-20%
D-Max	5	30	-83%	47	-89%	176	351	-50%
ATLH	**104,005**	**114,001**	-9%	**90,005**	16%	**836,046**	**700,194**	19%
Honda 2/w	104,005	114,001	-9%	90,005	16%	836,046	700,194	19%
SZEW	**1,553**	**2,007**	-23%	**1,537**	1%	**10,581**	**8,042**	32%
Sazgar 3/w	1,553	2,007	-23%	1,537	1%	10,581	8,042	32%

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IGI Finex Securities Limited

Research Analyst(s)

Research Identity Number: BRP009

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Contact Details

Research Team

Saad Khan	Head of Research	Tel: (+92-21) 111-234-234 Ext: 810	saad.khan@igi.com.pk
Abdullah Farhan	Senior Analyst	Tel: (+92-21) 111-234-234 Ext: 912	abdullah.farhan@igi.com.pk
Shumail Rauf	Research Analyst	Tel: (+92-21) 111-234-234 Ext: 957	shumail.rauf@igi.com.pk
Areesha Ishrat	Trainee Analyst	Tel: (+92-21) 111-234-234 Ext: 810	areesha.ishrat@igi.com.pk
Bharat Kishore	Database Officer	Tel: (+92-21) 111-234-234 Ext: 974	bharat.kishore@igi.com.pk

Equity Sales

Faisal Jawed Khan	Head of Equities	Tel: (+92-21) 35301779	faisal.jawed@igi.com.pk
Zaeem Haider Khan	Regional Head (North)	Tel: (+92-42) 38303559-68	zaeem.haider@igi.com.pk
Muhammad Naveed	Regional Manager (Islamabad & Upper North)	Tel: (+92-51) 2604861-62	muhammad.naveed@igi.com.pk
Irfan Ali	Regional Manager (Faisalabad)	Tel: (+92-41) 2540843-45	irfan.ali@igi.com.pk
Asif Saleem	Branch Manager (RY Khan)	Tel: (+92-68) 5871652-56	asif.saleem@igi.com.pk
Mehtab Ali	Branch Manager (Multan)	Tel: (+92-61) 4512003	mahtab.ali@igi.com.pk

IGI Finex Securities Limited
Trading Rights Entitlement Certificate (TREC) Holder of Pakistan Stock Exchange Limited |
Corporate member of Pakistan Mercantile Exchange Limited

Head Office
Suite No 701-713, 7th Floor, The Forum, G-20,
Khayaban-e-Jami Block-09, Clifton, Karachi-75600
UAN: (+92-21) 111-444-001 | (+92-21) 111-234-234
Fax: (+92-21) 35309169, 35301780
Website: www.igisecurities.com.pk

Stock Exchange Office
Room # 134, 3rd Floor, Stock Exchange Building,
Stock Exchange Road, Karachi.
Tel: (+92-21) 32429613-4, 32462651-2
Fax: (+92-21) 32429607

Lahore Office Shop # G-009, Ground Floor, Packages Mall Tel: (+92-42) 38303560-69 Fax: (+92-42) 38303559	**Islamabad Office** Mezzanine Floor, Office 5, 6 & 7, Kashmir Plaza, Block- B, Jinnah Avenue, Blue Area Tel: (+92-51) 2604861-2, 2604864, 2273439 Fax: (+92-51) 2273861
Faisalabad Office Room #: 515-516, 5th Floor, State Life Building, 2- Liaqat Road Tel: (+92-41) 2540843-45 Fax: (+92-41) 2540815	**Rahim Yar Khan Office** Plot # 12, Basement of Khalid Market, Model Town, Town Hall Road Tel: (+92-68) 5871652-3 Fax: (+92-68) 5871651
Multan Office Mezzanine Floor, Abdali Tower, Abdali Road Tel: (92-61) 4512003, 4571183	

IGI Finex Securities Limited
Research Analyst(s)
Research Identity Number: BRP009