

# Day Break

Wednesday, 14 December 2016

## Sector Update

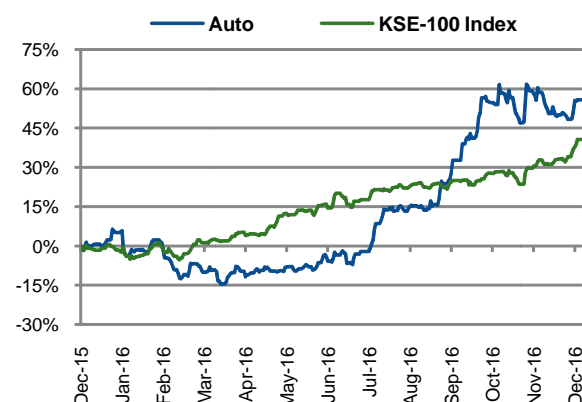
Industry	Nov-16	MoM	Nov-15	YoY
Passenger Cars	16,018	11%	15,724	2%
Commercial	654	11%	455	44%
Pick-up / Jeeps	1,840	20%	3,305	-44%
Farm Tractor	5,145	10%	2,270	127%
Motorcycle	138,690	3%	110,894	25%
3-wheeler	5,650	9%	3,671	54%
Total	167,997	4%	136,319	23%

INDU	Nov-16	MoM	Nov-15	YoY
Corolla	5,019	27%	4,960	1%
Fortuner	24	33%	37	-35%
Hilux	340	691%	519	-34%
Total	5,383	34%	5,516	-2%

HCAR	Nov-16	MoM	Nov-15	YoY
Civic + City	3,096	3%	1,523	103%

PSMC	Nov-16	MoM	Nov-15	YoY
Mehran	3,051	-1%	3,298	-7%
Cultus	1,295	9%	1,413	-8%
Ravi	1,476	0%	2,749	-46%
Bolan	1,799	25%	3,307	-46%
Total	10,729	2%	13,456	-20%

### Relative Performance to KSE 100



Source: Bloomberg, KSE 100 & IGI Research

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## Automobile Assembler

### Passenger car volumes remained flat at 16.0k units

- As per latest data released by Pakistan Automotive Manufacturers Association, industry sales increased by +23%YoY to 168.0k units for the month of Nov-16, with a significant growth in motorcycles of +25%YoY to 138.7k units, followed by tractors witnessing surge of 2.3xYoY to 5.2k units.
- For Nov-16, HCAR maintained its sales growth, with twofold (+2x) increase in volumes to 3.1k units compared to 1.5k units in Nov-15. INDU's sales volumes showed resilience and regained its ground, with sale volume of 5.4k units (-2%YoY/+34%MoM) for Nov-16. PSMC sales volume ebbed by 20%YoY because of the lower sales of Bolan/Ravi, both down by 46%YoY to 1.8k units/1.5k units each respectively, owing to high base effect (Rozgar Scheme).
- We have rolled over our target price to Dec-17 and maintain our underweight stance on automobile assemblers. We currently have a "Hold" call on INDU and "Sell" call on HCAR with target price of PKR 1,694/share and PKR 457/share.

### Automobile sales up by +23%YoY to 168.0k units during Nov-16

As per latest data released by Pakistan Automotive Manufacturers Association, industry sales increased by +23%YoY to 168.0k units for the month of Nov-16, with a significant growth in motorcycles of +25%YoY to 138.7k units, followed by tractors witnessing surge of 2.3xYoY to 5.2k units. However, growth in passenger car sales remained muted (+2% to 16.0k units) due to the high base effect of PSMC (Rozgar Scheme), offsetting growth in HCAR's volumetric growth post launch of its Model in Jul-16.

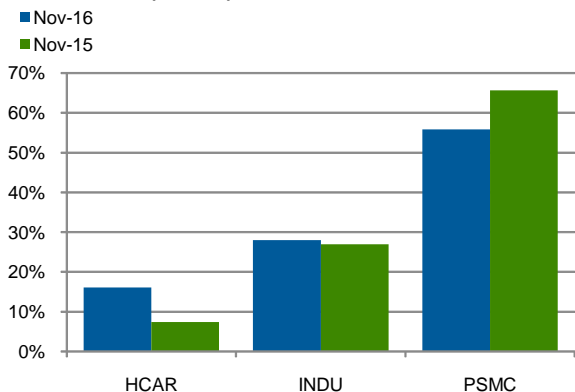
For 5MFY17, total industry volumes improved by +14%YoY to 750.3k units, however passenger cars volumes receded by 5%YoY to 71.9k units.

### Exhibit: PAMA Monthly Auto Sales Numbers (Units)

	Nov-16	MoM	Nov-15	YoY	5MFY17	YoY
=>1300	8,521	17%	6,913	23%	37,572	8%
800<x<1000	4,850	7%	6,605	-27%	22,317	-29%
1000<x<1300	2,647	0%	2,206	20%	11,988	24%
Passenger Cars	16,018	11%	15,724	2%	71,877	-5%
Commercial	654	11%	455	44%	3,234	53%
Pick-up / Jeeps	1,840	20%	3,305	-44%	9,614	-46%
Farm Tractor	5,145	10%	2,270	127%	17,541	54%
Motorcycle	138,690	3%	110,894	25%	623,096	17%
3-wheeler	5,650	9%	3,671	54%	24,956	45%
Total	167,997	4%	136,319	23%	750,318	14%

Source: IGI Research, PAMA

**Market share (Nov-16)**



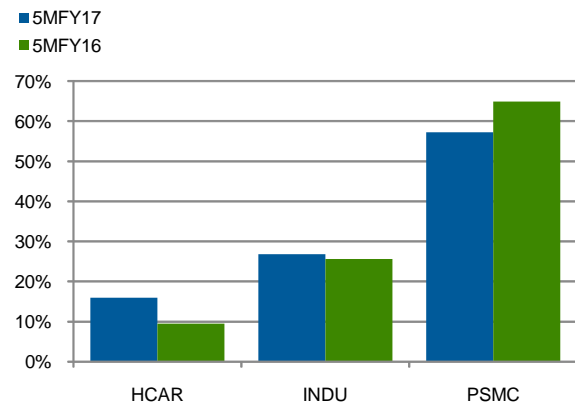
**HCAR: Remained the outperformer**

HCAR maintained its sales growth in Nov-16, with twofold (+2x) increase in volumes to 3.1k units compared to 1.5k units in Nov-15, however remained relatively flat (+3%) on monthly basis. We believe the growth is mainly on account of upsurge in demand of Civic 10<sup>th</sup> Generation model launched in 1QFY17. For the period of 5MFY17, the company's volumes swelled by +48%YoY to 14.2k units, owing to growth fuelled by new Civic Model.

**INDU: Corolla variant showing resilience**

INDU's sales volumes showed resilience and regained its ground, with sales volume of 5.4k units (-2%YoY/+34%MoM) for Nov-16. The company flagship variant Corolla sales volumes stood at 5.0k units (+1%YoY/+27%MoM). However, Hilux sales decreased by 34%YoY to 340units, on expectation of launch of Hilux New Generation dubbed "Hilux Revo", which has been made available since Dec-16. For 5MFY17, INDU's sales slowed down by 8%YoY to 23.8k units owing to decline of Corolla sales by 8%YoY to 23.8k units. In addition to increased competition from HCAR, the production breakdown in the company's assembly line also held back volumes during 5MFY17.

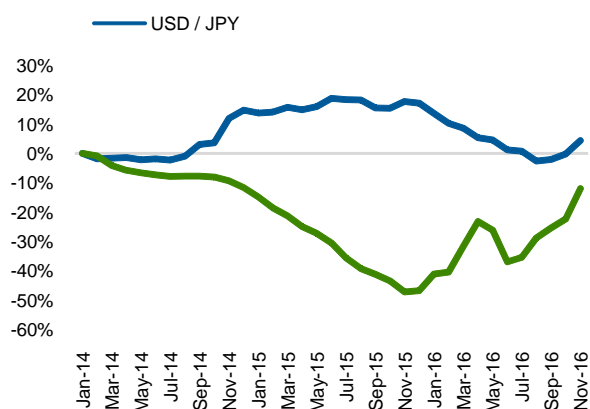
**Market share (5MFY17)**



**PSMC: Subdued sales as uncertainty over new model launch remains**

PSMC sales volume ebbed by 20%YoY because of the lower sales of Bolan/Ravi, both down by 46%YoY to 1.8k units/1.5k units each respectively, owing to high base effect (Rozgar Scheme). However, some support to the plummeting volumes of PSMC was provided by Wagon R with a robust volumetric growth of +70%YoY to 1.4k units during the month of Nov-16. On sequential basis, sales increased by a mere +2%MoM with the support of Bolan (+25%MoM) and Cultus (+9%MoM). For the period 5MFY17, PSMC sales dipped by 22%YoY to 50.7k units compared to 65.2k units in the same period last year due to abnormally high base of 5MFY16.

**JPY and CRC movement (base Jan-14)**



**Recommendation**

We have rolled over our target price to Dec-17 and maintain our underweight stance on automobile assemblers as INDU and HCAR have rallied significantly ahead of it fundamentals. We currently have a "Hold" call on INDU and "Sell" call on HCAR with target price of PKR 1,694/share and PKR 457/share, respectively.

**Exhibit: PAMA Monthly Auto Sales Numbers (Units) Company- wise**

	Nov-16	MoM	Nov-15	YoY	5MFY17	YoY
HCAR	3,096	3%	1,523	103%	14,155	48%
INDU	5,383	34%	5,516	-2%	23,783	-8%
PSMC	10,729	2%	13,456	-20%	50,723	-22%
AGTL	2,140	-3%	744	188%	6,767	75%
MTL	2,968	22%	1,421	109%	10,596	48%
HINO	268	0%	238	13%	1,550	43%
GHNL	64	2%	54	19%	343	36%
GHNI	201	18%	101	99%	887	83%
ATLH	84,073	4%	70,002	20%	374,558	14%

Source: PAMA, Bloomberg, Company Acc.

Source: IGI Research, PAMA

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**Time Horizon:** Dec - 2017

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