

# Day Break

Friday, 12 May 2017

## Sector Update

Sym.	Target Price	P/E 2018	D/Y 2018	Recom
INDU	UR	14.6x	4.8%	UR
HCAR	721.5	24.6x	1.2%	SELL
PSMC	740.5	20.2x	1.0%	SELL

**Exhibit:** Sales volume for the month of Apr-17 (units)

Industry	Apr-17	MoM	10MFY17	YoY
Passenger Cars	16,390	-10%	155,960	2%
Commercial	829	13%	7,003	38%
Pick-up / Jeeps	1,939	-12%	20,977	-34%
Farm Tractor	6,263	-6%	44,691	68%
Motorcycle	129,893	-2%	1,284,097	19%
3-wheeler	5,296	-15%	59,080	50%
Total	160,610	-4%	1,571,808	18%

### INDU

Corolla	4,753	-8%	45,447	-6%
Fortuner	212	-13%	1,023	110%
Hilux	674	35%	4,913	14%
Total	5,639	-5%	51,383	-3%

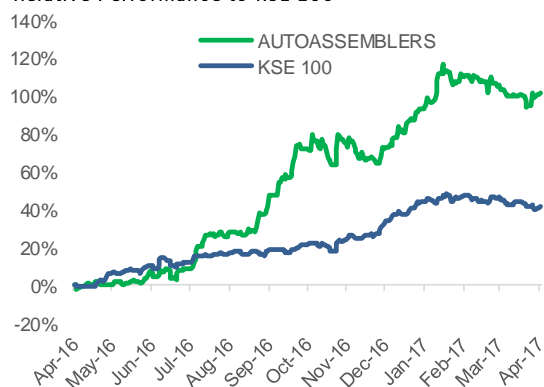
### HCAR

Civic + City	3,519	-7%	31,639	49%
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### PSMC

Wagon R	1,484	-17%	14,079	81%
Cultus	1,321	-22%	13,226	0%
Swift	301	-26%	3,582	8%
Ravi	1,053	-28%	15,041	-44%
Bolan	1,181	-29%	16,119	-40%
Mehran	3,831	2%	31,867	1%
Total	9,171.0	-15%	93,914.0	-14%

### Relative Performance to KSE 100



Source: Bloomberg, KSE 100 & IGI Research

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## Automobile Assembler

### Auto volumes down by 4%MoM in Apr-17; INDU our preferred stocks despite volumetric slowdown

- Total OEM sales for 10MFY17 stood at 1.57mn units (up by +18%YoY). However on a monthly basis overall sector sales slowed down across all categories of OEMs to 0.16mn units, down by 4%MoM. The company is expected to launch new facelift model of corolla in Jul-17.
- Under the trucks/buses section, Ghandhara Industries Limited (GHNI) manufacturers of M/HDV posted highest ever monthly sale of 295 units (up by +30%MoM), compared to average monthly sale of 194 units in 9MFY17.
- Corolla facelift, expected by Aug-17 to elevate sales and rescue deteriorating company sales
- We maintain our overweight stance on automobile assemblers, however IGI coverage companies (HCAR, PSMC, and INDU) have well performed since our initial call. Currently we have a Sell call on both HCAR and PSMC, while we are reviewing our investment case on INDU considering recent development.

As per the latest Pakistan Automotive Manufacturers Association (PAMA), total OEM sales for 10MFY17 stood at 1.57mn units (up by +18%YoY). However on a monthly basis overall sector sales slowed down across all categories of OEMs to 0.16mn units, down by 4%MoM. We highlight key reason for monthly slowdown to various model launches across passenger car segments.

### Auto sales decline by 4%MoM; with volumes experiencing a slow down across all the categories...

Passenger car category saw a decline of 10%MoM to 16.9k units, led by over 1,300cc engine size. Variant wise, corolla sales dropped by 8%MoM to 4.7k Units. In the mid-size engine category, Pakistan Suzuki Motors Company (PSMC) flagship models Wagon R and Cultus both saw a decline of 17% and 22% on a monthly basis. Key reason for drop in these two variants we believe is due to recent launch of Cultus and price increase of Wagon R variant causing a sales delay.

### ...expect for Trucks; leading the sales growth chart, with GHNI sales growth up by +13%MoM

Under the trucks/buses section, Ghandhara Industries Limited (GHNI) manufacturers of M/HDV posted highest ever monthly sale of 295 units (up by +30%MoM), compared to average monthly sale of 194 units in 9MFY17. Resultantly, overall trucks sale recorded a healthy a growth of +13%MoM to 728 units.

### INDU: Corolla sales temporarily down; whereby Hilux/Revo saves the day

INDU's volume down by 5%YoY to the tune of 5,639 units during Apr-17. Corolla sales dropped by 8%MoM to 4,753 units as 11<sup>th</sup> generation model matures. However, Hilux/Revo sales jacked up to post +35%MoM growth

with sales units touching a high of 674 units during the month.

#### New corolla facelift expected by Aug-17; should elevate volumes

INDU stock performance CY17 to date is at +24%, compared to its peers HCAR and PSMC at +36% and +45%. Understandably the stock performance is reflective of company's deteriorating sales growth – down by 3%YoY in 10MFY17 compared to +49%YoY growth in HCAR. However, as per our channel checks, the company is expected to facelift of its flagship model of Corolla starting FY18, whereby we feel sales volumes could easily gather pace. The company has revised its model prices on average by PKR 70,000-150,000/unit (up by +~10%). Henceforth we flag, recent volumetric slowdown could partially be attributable to anticipation of Corolla facelift model.

#### Recommendation

We maintain our overweight stance on automobile assemblers, however IGI coverage companies (HCAR, PSMC, and INDU) have well performed since our initial call. Currently we have a Sell call on both HCAR and PSMC, while we are reviewing our investment case on INDU considering recent development.

Exhibit:

#### Monthly PAMA Sales

UNITS	Apr-17	MoM	YoY	10MFY17	Y/Y
=>1300	8,573	-9%	8%	80,668	11%
800<x<1000	2,805	-19%	14%	27,306	30%
1000<x<1300	5,012	-8%	8%	47,986	-18%
PASS. CARS	16,390	-10%	9%	155,960	2%
TRUCKS / BUSES	829	13%	33%	7,003	38%
PICK-UP/JEEPS	1,939	-12%	-11%	20,977	-34%
TRACTOR	6,263	-6%	42%	44,691	68%
2/W	129,893	-2%	11%	1,284,097	19%
3/W	5,296	-15%	19%	59,080	50%
<b>TOTAL</b>	<b>160,610</b>	<b>-4%</b>	<b>12%</b>	<b>1,571,808</b>	<b>18%</b>

#### Company-wise Sales

UNITS	Apr-17	M/M	Y/Y	10MFY17	Y/Y
INDU	5,639	-5%	3%	51,383	-3%
PSMC	9,171	-15%	2%	93,915	-14%
HCAR	3,519	-7%	28%	31,639	49%
AGTL	2,180	-16%	13%	16,106	63%
MTL	4,034	1%	65%	28,193	76%
HINO	50	-25%	-37%	631	-5%
GHNL	48	-4%	-43%	650	-2%
GHNI	324	30%	103%	2,241	98%
ATLH	84,185	-1%	15%	795,580	18%
PSMC (2/W)	1,641	5%	14%	15,240	5%
<b>TOTAL</b>	<b>110,791</b>	<b>-3%</b>	<b>15%</b>	<b>1,035,578</b>	<b>15%</b>

Source: PAMA, IGI Research

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