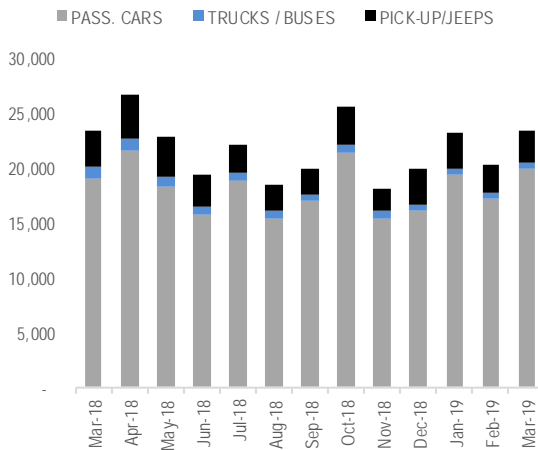


Day Break

Thursday, 11 April 2019

Sector Update

Exhibit: Industry Car sales volume



Automobile Assemblers

Mar-19: Industry volumes up by +3%MoM 167k unit; passenger cars lead the front with +17%MoM growth

- The latest sales data released by Pakistan Automotive Manufacturers Association (PAMA), shows industry sales volume declined by 9%YoY to 167k units where only passenger cars displayed +5%YoY growth in sales. On a cumulative basis, for 9MFY19 sales weakened by 7%YoY to 1,541k units, marred by high interest rates, increase in car prices and impact of non-tax filer in our view.
- With respect to company wise, PSMC attained double-digit growth of +27%MoM to 13.82k units, followed by HACR also witnessing +16%YoY (3.81k units) growth in its sales. However, INDU sales dropped by 7%MoM to 5.16k units.
- We have a “BUY” call on INDU, based on our revised Dec-19 target price of PKR 1,662/share, offering +32% upside from its last closing. The company is currently trading at FY19E P/E of 6.74x and offers a dividend yield of 10.4%.

Industry sales recorded at 167k units as passenger cars led the growth chart

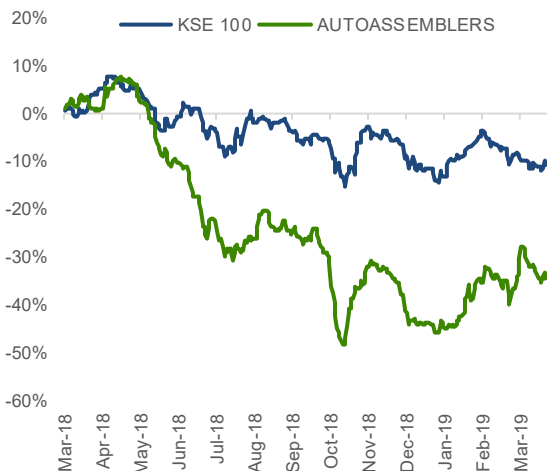
The latest sales data released by Pakistan Automotive Manufacturers Association (PAMA), reports industry sales volume declined by 9%YoY to 167k units as all segments witnessed drop in their sales except passenger car which recorded positive growth of +5%YoY. On a cumulative basis, for 9MFY19 sales have weakened by 7%YoY to 1,541k units, marred by high interest rates increase in car prices and impact of non-tax filer in our view.

On a sequential basis, industry volumes increased by +3%MoM as majority of the segments witnessed double digit growth in volumes. Sales of tractor exhibited hefty growth of +42%YoY to 5.7k units. Similarly, in passenger cars segment, sales increased by +17%MoM to 19.9k units as all engine category witnessed positive growth in their volumes. In 2/W segment sales remained flat at 132k units while in 3/W segment sales receded by 5%MoM to 5.1k units.

Major OEM's displayed mixed growth; HCAR and PSMC reported positive growth in their volumes

With respect to company wise, PSMC attained double-digit growth of +27%MoM to 13.82k units, followed by HACR also witnessing +16%YoY (3.81k units) growth in its sales. However, INDU sales dropped by 7%MoM to 5.16k units.

Relative Performance to KSE 100



Source: Bloomberg, PSX & IGI Research

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Exhibit:

Monthly PAMA Sales

UNITS	Mar-19	Feb-19	MoM	Mar-18	YoY	9MFY19	9MFY18
=>1300	8,576	8,239	4%	9,768	-12%	78,808	73,913
800<x<1000	6,086	4,570	33%	5,458	12%	39,931	51,065
1000<x<1300	5,235	4,262	23%	3,762	39%	41,620	36,395
PASS. CARS	19,897	17,071	17%	18,988	5%	160,359	161,373
TRUCKS / BUSES	492	563	-13%	1,026	-52%	5,428	7,305
PICK-UP/JEEPS	2,886	2,590	11%	3,392	-15%	24,664	31,362
TRACTOR	5,729	4,044	42%	7,633	-25%	37,742	52,239
2/W	132,887	133,137	0%	147,767	-10%	1,267,373	1,349,763
3/W	5,123	5,418	-5%	5,284	-3%	46,096	58,277
TOTAL	167,014	162,823	3%	184,090	-9%	1,541,662	1,660,319

Source: PAMA, IGI Research

HCAR: BR-V comes as a laggard; total volumes for 12MM19 down by 3%YoY to 48.4k units

For the month of Mar-19, sales of Civic/City increased by +17%MoM to 3.45k units with BR-V also showcasing a positive growth of +9%MoM to 362 units. Hence, total company's sales volume are up by +16%MoM to 3.8k units. On a cumulative basis for the 12-month (March year-end) period total volumes inched down by 3%YoY to 48.4k units attributed to decline in BRV volumes by 40%YoY to 5.4k units with Civic/City sales (42.95k units) partially absorbing the impact by +5%YoY growth.

INDU: Corolla keeping up the trend; total sales up by +7%YoY to 49.6k units for 9MFY19

The company registered a volumetric decline of 7%MoM to 5.2k units for the month of Mar-19 as all units reported decline in their volumes. To mention, Fortuner sales witnessed substantial decline of 50%MoM to 166 units while Corolla sales dropped by 4%MoM to 4.74k units. However, Hilux sales almost remained flat at 250 units (slightly down by 1%MoM). For the 9MFY19, total sales volume for the company increased by +7%YoY to 49.6k units backed by positive sales growth of +12%YoY in Corolla (42.9k units) with Hilux and Fortuner trailing behind with a drop of 16%/27% YoY to 4.6k/2.01k units .

PSMC: Cumulative sales for 3MCY19 recorded at 36.4k units, down by 4%YoY

PSMC sales displayed +27%MoM increase in its sales to 13.82k units as all segments reported double digit growth. On an individual basis, Mehran and Bolan led the volumetric chart with a growth of +35%/30%MoM to 3.94k/2.14k units. Likewise, Wagon R and Cultus sales increased by +23%/22%MoM to 2.98k/2.25k units. On a cumulative basis, for 3MCY19 total sales have dropped by 4%YoY to 36.4k units owing to substantial decline (24%/7%) YoY in Mehran /Bolan sales (9.58k/5.40k units) with Wagon R/ Cultus managed to attain growth of +28%/2%YoY to 8.5k/6.2k units.

Exhibit:

Company wise sales

UNITS	Mar-19	Feb-19	MoM	Mar-18	YoY	2019*	2018*	YoY
CITY/CIVIC	3,449	2,950	17%	4,665	-26%	42,945	40,906	5%
BRV	362	331	9%	679	-47%	5,424	9,097	-40%
HCAR	3,811	3,281	16%	5,344	-29%	48,369	50,003	-3%
COROLLA	4,741	4,945	-4%	4,642	2%	42,989	38,244	12%
FORTUNER	166	332	-50%	454	-63%	2,009	2,741	-27%
TOYOTA HILUX	250	252	-1%	708	-65%	4,568	5,442	-16%
INDU	5,157	5,529	-7%	5,804	-11%	49,566	46,427	7%
WAGON R	2,982	2,419	23%	1,835	63%	8,501	6,630	28%
CULTUS	2,253	1,843	22%	1,927	17%	6,281	6,123	3%
SWIFT	386	344	12%	461	-16%	1,101	1,452	-24%
RAVI	2,108	1,675	26%	1,551	36%	5,555	5,503	1%
BOLAN	2,144	1,645	30%	1,559	38%	5,398	5,779	-7%
MEHRAN	3,942	2,925	35%	3,899	1%	9,576	12,583	-24%
PSMC 2W	2,184	1,951	12%	1,964	11%	6,009	5,529	9%
PSMC	15,999	12,802	25%	13,196	21%	42,421	43,599	-3%

Source: PAMA, IGI Research

*= total sales based on respective year end

Recommendation

We have a "BUY" call on INDU, based on our Dec-19 target price of PKR 1,662/share, offering +32% upside from its last closing. The company is currently trading at FY19E P/E of 6.74x and offers a dividend yield of 10.4%.

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