

# Day Break

Thursday, 12 April 2018

## Sector Update

Sym.	Target Price	P/E 2018	D/Y 2018	Recom.
INDU	2,321.0	9.6	7.3%	BUY
HCAR	624.0	9.8	4.1%	BUY
PSMC	499.5	10.2	3.9%	HOLD

Industry	Mar-18	MoM	Mar-17	YoY
PASS. CARS	18,988	0%	18,295	4%
TRUCKS/BUSES	1,026	32%	732	40%
PICK-UP/JEEPS	3,392	-6%	2,210	53%
TRACTOR	7,633	18%	6,650	15%
2/W	147,767	5%	132,620	11%
3/W	5,284	-15%	6,257	-16%
Total	184,090	4%	166,764	10%

## Automobile Assembler

### Mar-18: Total volumes up by +4%MoM; HCAR leads the front with +26%MoM growth

- As per latest data released by Pakistan Automotive Manufacturers Association (PAMA), industry sales volume crept up by +4%MoM to the tune of 184k units (+10%YoY).
- With respect to company wise sales, HCAR attained growth of +19%MoM to 5.3k units followed by INDU also witnessing growth of +14%MoM to 5.8k units. However, PSMC reported decline of 14%MoM in its sales volume to 11.2k units.
- We maintain a 'BUY' call on INDU with Dec-18 based target price of PKR 2,321/share, offering +26% upside from the last closing. The company is currently trading at FY18E P/E of 9.6x and offers a dividend yield of 7.3%.

#### Sales volume slightly up by +4%MoM to 184k units; passenger cars sales remain stagnant

As per latest data released by Pakistan Automotive Manufacturers Association (PAMA), industry sales volume crept up by +4%MoM to the tune of 184k units (+10%YoY). All segments witnessed mixed growth levels as 3/W segment reported a decline of 15%MoM, followed by pick-up and jeep segment, slightly down by 6%MoM. However, passenger cars segment remained relatively stable as =>1300cc engine category cars witnessed growth of +16%MoM to 9.8k units while the 800<x<1300 cc suffered decline in volumes. Moreover, tractor and 2/W segment continued to show positive growth levels of 18%/5%MoM to 7.6k/147k units.

#### Major OEM's exhibited mixed growth levels

With respect to company wise sales, HCAR attained growth of +19%MoM to 5.3k units followed by INDU, witnessing growth of +14%MoM to 5.8k units. However, PSMC reported decline of 14%MoM in its sales volume to 11.2k units.

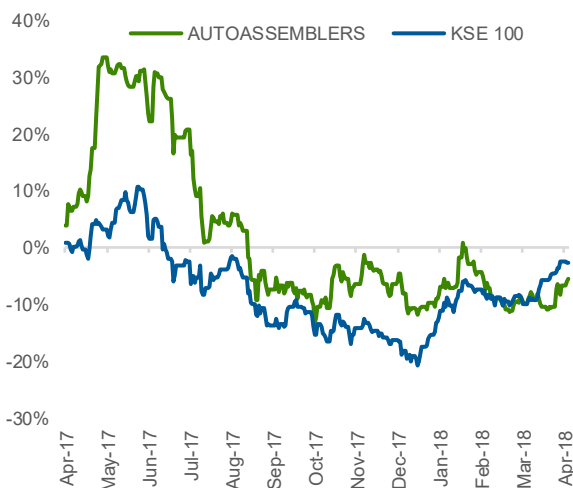
#### HCAR: Civic/City sales back in action as BRV sales improve

The combined sales of Civic/City stood at 4.6k units attaining a growth of +26%MoM primarily driven by sales of City (face-lift model), in our view. Similarly, BRV sales also showed improvement increasing by +13%MoM to 679 units. As a result, total sales volumes for the company stood at 5.3k units, up by +19%MoM. On a cumulative basis, sales for FY18 clocked in at 50k units, up by +42%YoY with BRV sales contributing 18% in the sales mix.

#### INDU: Maintaining strong growth trajectory; volumetric sales up by +14%MoM to 5.8k units

The company registered a volumetric incline of +14%MoM to 5.8k units led by +15%MoM growth in Corolla sales volume to 4.6k units, followed by Fortuner with sales surging by +2.5xMoM to 454 units as demand for recently launched Diesel version kicks in. However, sales of Hilux were dented by 20%MoM to 708 units. This takes total volume for 9MFY18 to 46.4k units, almost in line with last year sales volume.

#### Relative Performance to KSE 100



Source: Bloomberg, PSX & IGI Research

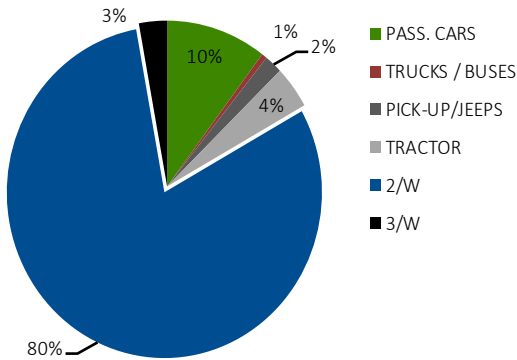
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**Exhibit: Automobile Sales Composition-Mar-18**



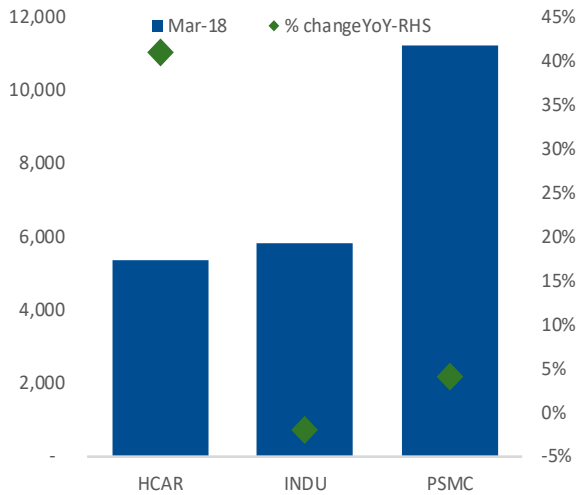
**PSMC: Decline in sales volume across all variants**

PSMC witnessed a volumetric decline of 14%MoM to 11.2k units as demand for imported vehicles came into play. Sales of Wagon R/ Cultus/Swift were down by 12%/10%/4%MoM to 1.8k/1.9k/461 units. In case of light commercial vehicle segment, sales of Bolan and Ravi also reported a decline of 21%MoM and 23%MoM to 1.5k units and 1.5 k units, respectively. Similarly, Mehran also followed the trail witnessing slowdown in its demand, as volumes were down by 23%MoM to 3.9k units. On cumulative basis for the period of 3MCY17, sales were up by +18%YoY to 43.6k units, primarily contributed by strong growth in Cultus (+28%YoY) and Wagon R (+32%YoY) sales volume.

**Recommendation**

We maintain a **'BUY'** call on INDU with Dec-18 based target price of PKR 2,321/share, offering +26% upside from the last closing. The company is currently trading at FY18E P/E of 9.6x and offers a dividend yield of 7.3%.

**Exhibit: Passenger Car Sales - Company Wise (Mar-18)**



Source: PAMA, Bloomberg & IGI Research

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**Time Horizon:** Dec – 2018

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(Discounted Cash Flow)

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