

SECTOR UPDATE

Automobile Assemblers

Jan-2020: A bleak start to 2020 auto sales as passenger car falls 48%y/y to 10k units

- ✓ The latest sales data released by Pakistan Automotive Manufacturers Association (PAMA) for Jan-20, reports industry sales volume dropped by 11%/y/y to 156k units as all segments witnessed decline across the board.
- ✓ Amongst our coverage companies we have a liking for INDU with our Dec-20 target price of PKR 1,403 /share. The company is currently trading at FY20 P/E of 11.7x, offering a dividend yield of 5.6%.

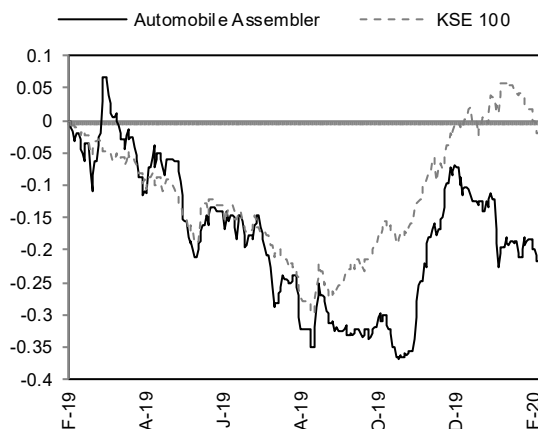
Industry sales down 11%/y/y as all segments reported decline across the board

The latest sales data released by Pakistan Automotive Manufacturers Association (PAMA) for Jan-20, reports industry sales volume dropped by 11%/y/y to 156k units as all segments witnessed decline across the board. However, on a sequential basis, sales increased by +9% where tractor, trucks, buses and 3/w segment demonstrated significant growth. A mixed growth was seen within passenger car segments resulting in relatively flat sales volume (10.k units). On a cumulative basis for the 7MFY20 industry sales dropped by 14%/y/y to 1,040k units as segments witnessed double digit decline in their volumes. To note, industry sales have been on declining trend as worsening economic situation spurred by increase in interest rates and car prices (PKR depreciation pass-over and increase in FED) have kept consumers demand at bay.

INDU and HCAR sales recovered on sequential basis; PSMC remained laggard

With respect to company wise, HCAR witnessed significant rebound in sales volumes to 2.2k units followed by INDU recording +72% increase to 4.0k units on sequential basis. However, PSMC sales suffered 36%/m/m decline to 5.5k units. Compared to last year sales figure the big three sales showcased significant drop with PSMC turning out as a major laggard with a drop of 53%/y/y.

Relative Price Performance



Source: Bloomberg, PSX & IGI Research

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Exhibit: Monthly PAMA Sales								
KUNITS	Jan-20	Dec-19	M/M	Jan-19	Y/Y	7MFY20	7MFY19	Y/Y
Below 1,000cc	2.35	2.35	-25%	2.35	9%	47.94	46.17	17%
1,000cc<->1,300cc	2.27	2.27	-9%	2.27	-57%	32.42	45.42	-59%
Above 1,300cc	5.47	5.47	8%	5.47	-59%	55.99	87.22	-64%
PASS. CARS	10.09	10.09	-11%	10.09	-44%	136.35	178.81	-44%
TRUCKS / BUSES	0.44	0.44	28%	0.44	-40%	4.33	7.01	-47%
PICK-UP/JEEPS	1.81	1.81	-3%	1.81	-38%	20.82	29.70	-51%
TRACTOR	2.19	2.19	-36%	2.19	-52%	35.80	46.60	-41%
2/W	136.12	136.12	-8%	136.12	3%	1,467.11	1,432.95	-11%
3/W	6.33	3.26	-22%	3.26	-30%	40.01	50.24	-42%
TOTAL	156.96	142.43	-9%	142.43	-5%	1,704.42	1,745.30	-17%

Source: PAMA, IGI Research

Company-wise sales

- HCAR sales recorded strong recovery on m/m basis but weakened 51% on year:** HCAR sales for the month of Jan-20 dropped by 51% y/y to 2.2k units as sales of Civic/City reported substantial decline of 53% followed by BRV also showing 33% y/y drop. On the flip side, sales recorded strong rebound on sequential basis with BRV leading the growth by 2.7x m/m. On a cumulative basis, for the 10-month period volumes suffered 45% y/y drop to 22.5k units as sales of Civic/City decreased 41% y/y to 19.2k units.
- INDU sales decreased by 36% y/y, improved +72% on sequential basis:** For the month of Jan-20, company sales slumped by 36% y/y to 18.2k units as Corolla sales showcased 36% decline to 3.4k units with Fortuner sales recorded 42% drop to 150 unit. On a sequential basis, volumes of all units improved with high margin segment witnessing strong recovery in sales, particularly Hilux. To note, total sales for the 7-month period sales dropped by 53% y/y to 18.2k units
- PSMC sales remained laggard, witnessing 53% y/y and 36% m/m drop in sales:** For PSMC sales decreased to 5.5k units as all units showcased double digit decline. However, sales of Cultus recovered +85% m/m to 1.7k units. Alto sales, however normalized after witnessing strong demand in preceding months. Amongst all units, sales of Wagon R suffered massive decline of 82% y/y to 0.6k units.

Exhibit: Monthly average sales of HCAR, INDU and PSMC

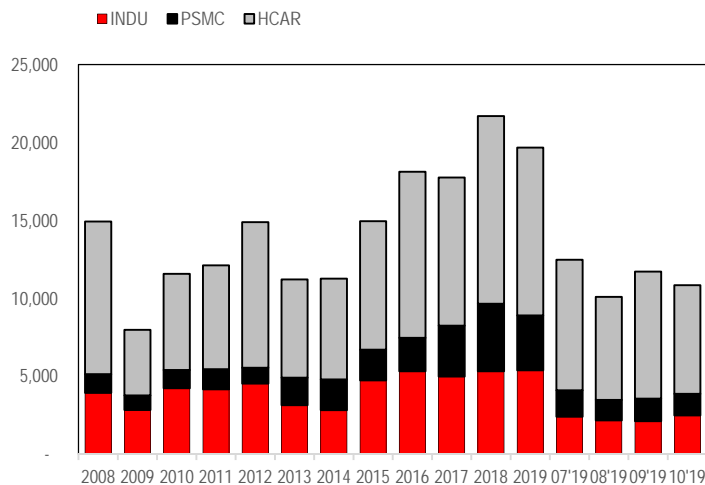
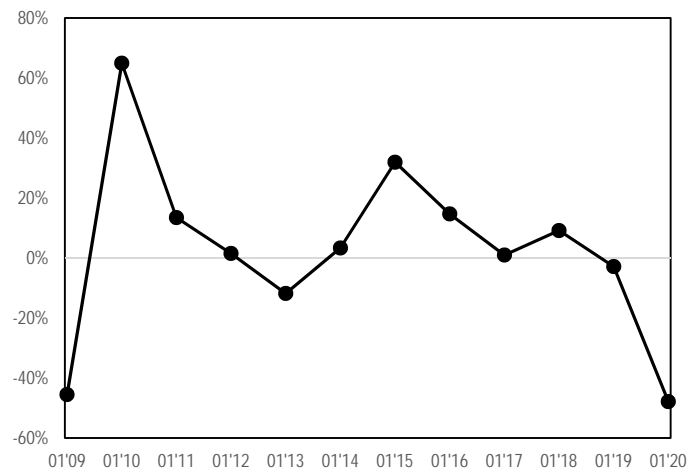


Exhibit: Passenger Cars y/y change in sales for Jan



Recommendation

We have a “BUY” call on INDU based on our Dec-20 target price of PKR 1,403/share, offering 40% upside from its last closing. The company is currently trading at FY20 P/E of 11.7x, offering a dividend yield of 5.6%.

Exhibit: Monthly Sales											
UNITS	Jan-20	Dec-19	M/M	Jan-19	Y/Y	7MFY20	7MFY19	Y/Y	FY19	FY18	FY17
Below 1,000cc	2,350	4,616	-49%	4,318	-46%	47,944	46,169	4%	51,294	67,959	57,178
1,000cc<>1,300cc	2,268	2,125	7%	5,285	-57%	32,415	45,417	-29%	55,377	49,689	34,679
Above 1,300cc	5,467	3,246	68%	9,750	-44%	55,991	87,220	-36%	100,959	99,140	93,871
PASS. CARS	10,085	9,987	1%	19,353	-48%	136,350	178,806	-24%	207,630	216,788	185,728
TRUCKS / BUSES	437	312	40%	602	-27%	4,328	7,014	-38%	6,763	9,946	8,629
PICK-UP/JEEPS	1,806	2,116	-15%	3,185	-43%	20,818	29,696	-30%	32,640	41,845	27,340
TRACTOR	2,191	1,145	91%	3,486	-37%	35,802	46,596	-23%	50,405	70,866	54,937
2/W	136,120	125,604	8%	141,607	-4%	1,467,110	1,432,945	2%	1,685,758	1,781,359	1,556,338
3/W	6,325	3,262	94%	7,213	-12%	40,009	50,239	-20%	57,435	72,961	68,742
TOTAL	156,964	142,426	10%	175,446	-11%	1,704,417	1,745,296	-2%	2,040,631	2,193,765	1,901,714
Company-wise Sales											
UNITS	Jan-20	Dec-19	M/M	Jan-19	Y/Y	7MFY20	7MFY19	Y/Y	FY19	FY18	FY17
INDU	4,022	2,332	72%	6,249	-36%	39,187	55,521	-29%	65,399	63,068	59,911
PSMC*	5,545	8,732	-36%	11,746	-53%	94,491	111,679	-15%	130,002	144,070	114,044
HCAR*	2,210	1,005	120%	4,518	-51%	22,513	41,277	-45%	44,234	51,495	39,109
AGTL	882	140	530%	1,950	-55%	13,513	17,056	-21%	18,451	27,839	19,833
MTL	1,309	1,005	30%	1,492	-12%	22,083	29,130	-24%	31,560	42,707	34,506
HINO	109	125	-13%	250	-56%	2,769	4,770	-42%	4,247	8,265	7,509
GHNI	332	196	69%	277	20%	2,925	3,177	-8%	3,655	4,000	2,905
ATLH	95,016	85,030	12%	95,009	0%	991,227	950,854	4%	1,114,956	1,150,346	960,105
PSMC	5,545	8,732	-36%	11,746	-53%	94,491	111,679	-15%	130,002	144,070	114,044
SZEW	2,524	615	310%	2,505	1%	11,317	15,026	-25%	15,845	21,978	21,109
TOTAL	117,494	107,912	9%	135,742	-13%	1,294,516	1,340,169	-3%	1,558,351	1,657,856	1,373,777
Variant-wise Sales											
UNITS	Jan-20	Dec-19	M/M	Jan-19	Y/Y	7MFY20	7MFY19	Y/Y	FY19	FY18	FY17
CITY/CIVIC	1,878	884	112%	4,026	-53%	19,226	36,546	-47%	39,189	42,812	36,950
BRV	332	121	174%	492	-33%	3,287	4,731	-31%	5,045	8,683	2,159
HCAR	2,210	1,005	120%	4,518	-51%	22,513	41,277	-45%	44,234	51,495	39,109
COROLLA	3,445	2,085	65%	5,353	-36%	33,659	46,471	-28%	56,720	51,412	52,676
FORTUNER	150	76	97%	258	-42%	1,468	2,956	-50%	2,609	4,186	1,375
TOYOTA HILUX	427	171	150%	638	-33%	4,060	6,094	-33%	6,070	7,470	5,860
INDU	4,022	2,332	72%	6,249	-36%	39,187	55,521	-29%	65,399	63,068	59,911
ALTO	1,794	3,700	-52%	-	n.m	27,137	-	n.m	1,685	-	-
WAGON R	567	1,207	-53%	3,100	-82%	16,127	27,616	-42%	32,614	29,206	17,671
CULTUS	1,701	918	85%	2,185	-22%	16,288	17,801	-8%	22,763	20,483	17,006
SWIFT	144	277	-48%	371	-61%	3,106	4,203	-26%	5,050	4,916	4,245
RAVI	783	1,714	-54%	1,772	-56%	11,026	15,890	-31%	18,281	21,506	17,944
BOLAN	554	841	-34%	1,609	-66%	9,587	15,215	-37%	17,628	21,738	19,245
MEHRAN	2	75	-97%	2,709	-100%	11,220	30,954	-64%	31,981	46,221	37,933
PSMC	5,545	8,732	-36%	11,746	-53%	94,491	111,679	-15%	130,002	144,070	114,044
PSMC 2W	1,876	1,898	-1%	1,874	0%	20,404	19,491	5%	23,352	21,725	18,478
AGTL	882	140	530%	1,950	-55%	13,513	17,056	-21%	18,451	27,839	19,833
MTL	1,309	1,005	30%	1,492	-12%	22,083	29,130	-24%	31,560	42,707	34,506
ATLH	95,016	85,030	12%	95,009	0%	991,227	950,854	4%	1,114,956	1,150,346	960,105

Source: PAMA, IGI Research

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Time Horizon: Dec – 2019

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