

# Day Break

Wednesday, 13 November 2019

## Sector Update

### Automobile Assemblers

#### Oct-19: Volumes continue to suffer; 4MFY20 sales dropped by 11% YoY to 170k units

- The latest sales data released by Pakistan Automotive Manufacturers Association (PAMA) for Oct-19, reports industry sales volume declined by 11%YoY to 170k units as all segments witnessed drop in their sales.
- With respect to company wise, HCAR witnessed significant drop of 72%YoY to 1.4k units followed by INDU at 61%YoY to 2.5k units. Likewise, PSMC sales collapsed by 48%YoY to 6.9k units.
- To note, industry sales have been on a declining trend since the last six months as worsening economic situation spurred by increase in interest rates and car prices (PKR depreciation pass-over and increase in FED) kept consumers demand at bay. Moreover, hefty tax measures adopted for non-tax filers have also hindered demand in the sector.
- We have an underweight stance on the sector as we expect macro-economic headwinds will keep demand at bay. Amongst our coverage companies we have a liking for INDU with our rolled over Dec-20 target price of PKR 1,196.2 /share. The company is currently trading at FY20 P/E of 13.8x, offering a dividend yield of 4.7%

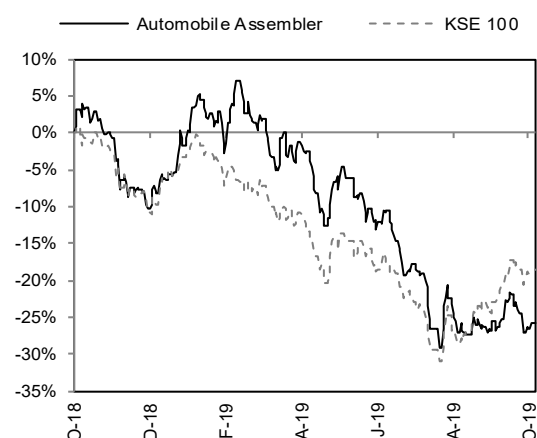
#### Industry sales down by 11%YoY as all segments reported drop across the board

The latest sales data released by Pakistan Automotive Manufacturers Association (PAMA) for Oct-19, reports industry sales volume declined by 11%YoY to 170k units as all segments witnessed drop in their sales. However, on a sequential basis, sales increased by +20% MoM owing to +25% growth in 2 and 3/W segment followed by +52% jump in tractor sales. On a cumulative basis for the 4MFY20 industry sales dropped by 20% to 580k units as passenger car sales and 3/W segment suffered massive decline of 44%, each. To note, industry sales have been on a declining trend since the last six months as worsening economic situation spurred by increase in interest rates and car prices (PKR depreciation pass-over and increase in FED) kept consumers demand at bay. Moreover, hefty tax measures adopted for non-tax filers have also hindered demand in the sector.

#### Big three sales on a declining trajectory

With respect to company wise, HCAR witnessed significant drop of 72%YoY to 1.4k units followed by INDU at 61%YoY to 2.5k units. Likewise, PSMC sales collapsed by 48%YoY to 6.9k units. On a sequential basis, INDU's sales recovered +18% while PSMC and HCAR sales witnessed decline of 15% and 4% during the month of Oct-19.

Exhibit: Relative Performance to KSE 100



Source: Bloomberg, PSX & IGI Research

**Suleman Ashraf**

Research Analyst

[suleman.ashraf@igi.com.pk](mailto:suleman.ashraf@igi.com.pk)

Tel: (+92-21) 111-234-234 Ext.: 957

Exhibit: Monthly PAMA Sales

UNITS	Oct-19	Sep-19	MoM	Oct-18	YoY	4MFY20	4MFY19	YoY
Below 1,000cc	4,692	5,793	-19%	4,958	-5%	19,990	16,811	19%
1,000cc<>1,300cc	1,709	1,781	-4%	5,740	-70%	7,475	18,458	-60%
Above 1,300cc	3,168	3,349	-5%	10,644	-70%	13,121	37,294	-65%
<b>PASS. CARS</b>	<b>9,569</b>	<b>10,923</b>	<b>-12%</b>	<b>21,342</b>	<b>-55%</b>	<b>40,586</b>	<b>72,563</b>	<b>-44%</b>
TRUCKS / BUSES	299	264	13%	658	-55%	1,369	2,663	-49%
PICK-UP/JEEPS	1,363	896	52%	3,508	-61%	4,981	10,638	-53%
TRACTOR	2,861	3,761	-24%	6,348	-55%	12,256	20,079	-39%
2/W	152,603	122,718	24%	156,399	-2%	511,031	598,255	-15%
3/W	4,269	3,423	25%	4,330	-1%	10,617	19,100	-44%
<b>TOTAL</b>	<b>170,964</b>	<b>141,985</b>	<b>20%</b>	<b>192,585</b>	<b>-11%</b>	<b>580,840</b>	<b>723,298</b>	<b>-20%</b>

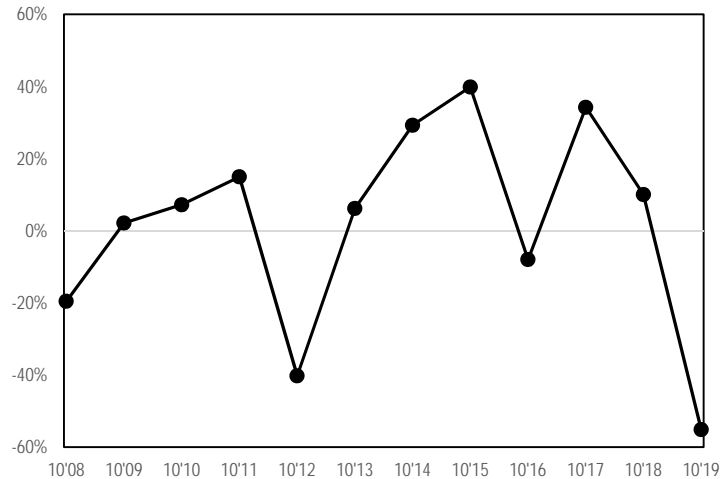
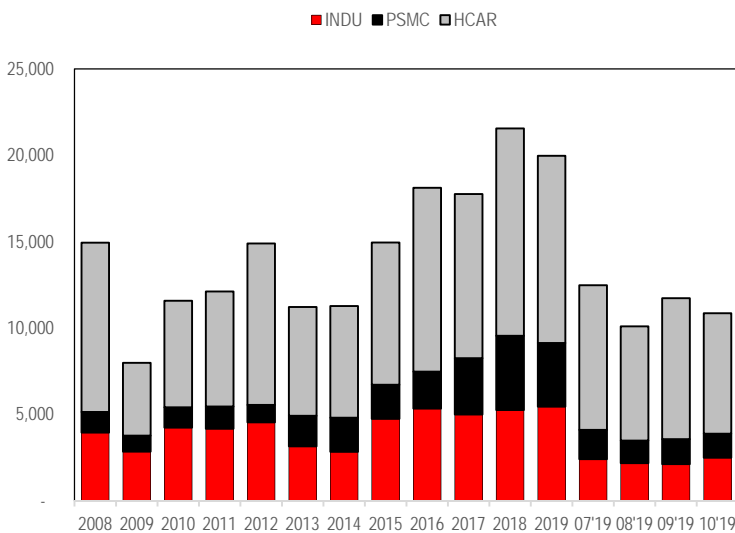
Source: PAMA, IGI Research

Company-wise sales

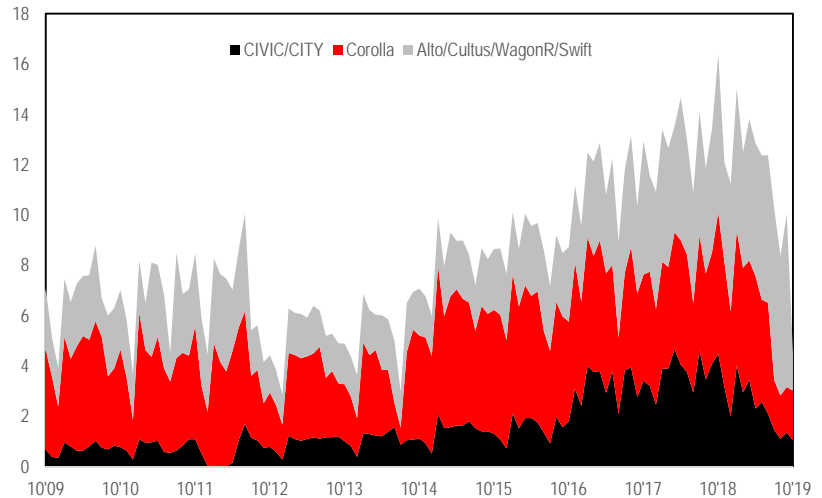
- **HCAR sales came across massive fall off 72%YoY during the month, attaining 14.2k units sales during the 7 month period:** HCAR sales for the month of Oct-19 dropped by 72%YoY to 1.4k units as sales of Civic/City witnessed 77%YoY drop. Similarly, sales of BR-V also decreased by 33%YoY to 78 units, however improved +4.0x on sequential basis. On a cumulative basis, for 7MMY20 volumes suffered 54%YoY drop to 14.2k units as sales of Civic/City witnessed decline of 76% to 11.9k units.
- **INDU sales gained some respite on sequential basis; 4MFY20 sales dropped by 58%YoY to 9.2k units:** The Company witnessed 4-year low sales volumes, depicting a drop of 61%YoY to 2.5k units. All units reported double digit decline in their sales with Corolla coming across a hefty drop of 65% on year to ~2.0k units. Likewise, Fortuner and Hilux also observed a major drop (61%/23%) in their sales to 0.1k units and 0.4k units respectively. On the flip side, sales increased 18%MoM with Corolla and Hilux moving up by +10% and +86%. For the 4MFY20, INDU volumes decreased substantially by 58% to 9.2k units as sales of Corolla worsened 60%YoY to 7.5k units.
- **PSMC sales on a bumpy track again as Alto sales slips 18%MoM; total sales for 10MCY19 down by 16%YoY to 115k units:** For the month in review, total sales decreased by 48%YoY to ~7.0k units as all units reported decline in their volumes with sales of Ravi and WagonR witnessed major blow of 84%/81%. Similar trend was also observed on sequential basis as volumes dropped 16% while Cultus stood out with +7%MoM growth. To note sales, of Alto took a downturn (18% drop) after reaching high at 4.9k units in the preceding month. On a cumulative basis, for 10MCY19 PSMC sales decreased 16%YoY to 115k units as major units reported ~30% decline on average with Alto partially absorbing the impact.

Exhibit: Monthly average sales of HCAR, INDU and PSMC (in Ths Units)

Exhibit: Passenger Cars YoY change in sales for Oct



**Exhibit: Top passenger cars break-up company wise**



**Recommendation**

We have an underweight stance on the sector as we expect macro-economic headwinds will keep demand at bay. Amongst our coverage companies we have a liking for INDU with our rolled over Dec-20 target price of PKR 1,196.2 /share. The company is currently trading at FY20 P/E of 13.8x, offering a dividend yield of 4.7%.

Exhibit: **Monthly Sales**

UNITS	Oct-19	Sep-19	MoM	Oct-18	YoY	4MFY20	4MFY19	YoY	FY19	FY18
Below 1,000cc	4,692	5,793	-19%	4,958	-5%	19,990	16,811	19%	51,294	63,435
1,000cc<>1,300cc	1,709	1,781	-4%	5,740	-70%	7,475	18,458	-60%	55,377	45,859
Above 1,300cc	3,168	3,349	-5%	10,644	-70%	13,121	37,294	-65%	100,959	91,156
<b>PASS. CARS</b>	<b>9,569</b>	<b>10,923</b>	<b>-12%</b>	<b>21,342</b>	<b>-55%</b>	<b>40,586</b>	<b>72,563</b>	<b>-44%</b>	<b>207,630</b>	<b>200,450</b>
TRUCKS / BUSES	299	264	13%	658	-55%	1,369	2,663	-49%	6,763	9,154
PICK-UP/JEEPS	1,363	896	52%	3,508	-61%	4,981	10,638	-53%	32,640	38,606
TRACTOR	2,861	3,761	-24%	6,348	-55%	12,256	20,079	-39%	50,405	66,247
2/W	152,603	122,718	24%	156,399	-2%	511,031	598,255	-15%	1,685,758	1,631,742
3/W	4,269	3,423	25%	4,330	-1%	10,617	19,100	-44%	57,435	67,635
<b>TOTAL</b>	<b>170,964</b>	<b>141,985</b>	<b>20%</b>	<b>192,585</b>	<b>-11%</b>	<b>580,840</b>	<b>723,298</b>	<b>-20%</b>	<b>2,040,631</b>	<b>2,013,834</b>

## Company-wise Sales

UNITS	Oct-19	Sep-19	MoM	Oct-18	YoY	4MFY20	4MFY19	YoY	FY19	FY18
INDU	2,496	2,121	18%	6,409	-61%	9,203	21,828	-58%	65,399	58,450
PSMC*	6,973	8,157	-15%	13,436	-48%	30,120	42,914	-30%	130,002	133,622
HCAR*	1,384	1,446	-4%	5,005	-72%	5,838	18,459	-68%	44,234	46,984
AGTL	853	2,044	-58%	2,516	-66%	5,323	6,118	-13%	18,451	26,334
MTL	1,994	1,663	20%	3,816	-48%	6,823	13,830	-51%	31,560	39,606
HINO	158	158	0%	457	-65%	930	1,881	-51%	4,247	7,603
GHNI	164	166	-1%	303	-46%	945	1,194	-21%	3,655	3,694
ATLH	100,018	75,007	33%	107,669	-7%	335,134	373,698	-10%	1,114,956	1,058,747
PSMC	6,973	8,157	-15%	13,436	-48%	30,120	42,914	-30%	130,002	133,622
SZEW	1,098	1,007	9%	984	12%	2,690	5,424	-50%	15,845	20,303
<b>TOTAL</b>	<b>122,111</b>	<b>99,926</b>	<b>22%</b>	<b>154,031</b>	<b>-21%</b>	<b>427,126</b>	<b>528,260</b>	<b>-19%</b>	<b>1,558,351</b>	<b>1,528,965</b>

## Variant-wise Sales

UNITS	Oct-19	Sep-19	MoM	Oct-18	YoY	4MFY20	4MFY19	YoY	FY19	FY18
CITY/CIVIC	1,035	1,368	-24%	4,482	-77%	4,961	16,643	-70%	39,189	38,991
BRV	349	78	347%	523	-33%	877	1,816	-52%	5,045	7,993
<b>HCAR</b>	<b>1,384</b>	<b>1,446</b>	<b>-4%</b>	<b>5,005</b>	<b>-72%</b>	<b>5,838</b>	<b>18,459</b>	<b>-68%</b>	<b>44,234</b>	<b>46,984</b>
COROLLA	1,982	1,795	10%	5,618	-65%	7,485	18,814	-60%	56,720	47,537
FORTUNER	101	104	-3%	258	-61%	367	864	-58%	2,609	3,916
TOYOTA HILUX	413	222	86%	533	-23%	1,351	2,150	-37%	6,070	6,997
<b>INDU</b>	<b>2,496</b>	<b>2,121</b>	<b>18%</b>	<b>6,409</b>	<b>-61%</b>	<b>9,203</b>	<b>21,828</b>	<b>-58%</b>	<b>65,399</b>	<b>58,450</b>
ALTO	4,048	4,924	-18%	-	n.m	16,991	-	n.m	1,685	-
WAGON R	530	680	-22%	3,339	-84%	2,698	11,228	-76%	32,614	27,270
CULTUS	1,179	1,101	7%	2,401	-51%	4,777	7,230	-34%	22,763	18,589
SWIFT	151	186	-19%	544	-72%	675	1,837	-63%	5,050	4,628
RAVI	421	397	6%	2,194	-81%	1,980	5,808	-66%	18,281	19,700
BOLAN	399	403	-1%	1,634	-76%	1,505	5,412	-72%	17,628	20,077
MEHRAN	245	466	-47%	3,324	-93%	1,494	11,399	-87%	31,981	43,358
<b>PSMC</b>	<b>6,973</b>	<b>8,623</b>	<b>-15%</b>	<b>13,436</b>	<b>-48%</b>	<b>30,120</b>	<b>42,914</b>	<b>-30%</b>	<b>128,317</b>	<b>133,622</b>
PSMC 2W	1,899	1,856	2%	2,305	-18%	6,917	7,965	-13%	23,352	20,180
<b>AGTL</b>	<b>853</b>	<b>2,044</b>	<b>-58%</b>	<b>2,516</b>	<b>-66%</b>	<b>5,323</b>	<b>6,118</b>	<b>-13%</b>	<b>18,451</b>	<b>26,334</b>
<b>MTL</b>	<b>1,994</b>	<b>1,663</b>	<b>20%</b>	<b>3,816</b>	<b>-48%</b>	<b>6,823</b>	<b>13,830</b>	<b>-51%</b>	<b>31,560</b>	<b>39,606</b>
<b>ATLH</b>	<b>100,018</b>	<b>75,007</b>	<b>33%</b>	<b>107,669</b>	<b>-7%</b>	<b>335,134</b>	<b>373,698</b>	<b>-10%</b>	<b>1,114,956</b>	<b>1,058,747</b>

Source: PAMA, IGI Research

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IGI Finex Securities Limited

**Research Analyst(s)**

Research Identity Number: BRP009

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**Jama Punji**  
 سرمایہ کاری سمجھداری کے ساتھ  
<http://www.jamapunji.pk>

## Contact Details

### Research Team

Saad Khan	Head of Research	Tel: (+92-21) 111-234-234 Ext: 810	saad.khan@igi.com.pk
Abdullah Farhan	Senior Analyst	Tel: (+92-21) 111-234-234 Ext: 912	abdullah.farhan@igi.com.pk
Suleman Ashraf	Research Analyst	Tel: (+92-21) 111-234-234 Ext: 957	suleman.ashraf@igi.com.pk
Muhammad Saad	Research Analyst	Tel: (+92-21) 111-234-234 Ext: 816	muhammad.saad@igi.com.pk
Bharat Kishore	Database Officer	Tel: (+92-21) 111-234-234 Ext: 974	bharat.kishore@igi.com.pk

### Equity Sales

Faisal Jawed Khan	Head of Equities	Tel: (+92-21) 35301779	faisal.jawed@igi.com.pk
Zaeem Haider Khan	Regional Head (North)	Tel: (+92-42) 38303559-68	zaeem.haider@igi.com.pk
Muhammad Naveed	Regional Manager (Islamabad & Upper North)	Tel: (+92-51) 2604861-62	muhammad.naveed@igi.com.pk
Irfan Ali	Regional Manager (Faisalabad)	Tel: (+92-41) 2540843-45	irfan.ali@igi.com.pk
Asif Saleem	Branch Manager (RY Khan)	Tel: (+92-68) 5871652-56	asif.saleem@igi.com.pk
Mehtab Ali	Branch Manager (Multan)	Tel: (+92-61) 4512003	mahtab.ali@igi.com.pk
Zeeshan Kayani	Branch Manager (Abbottabad)	Tel: (+92-992) 408243-44	zeeshan.kayani@igi.com.pk

### IGI Finex Securities Limited

Trading Rights Entitlement Certificate (TREC) Holder of  
Pakistan Stock Exchange Limited |  
Corporate member of Pakistan Mercantile Exchange Limited

#### Head Office

Suite No 701-713, 7th Floor, The Forum, G-20,  
Khayaban-e-Jami Block-09, Clifton, Karachi-75600  
UAN: (+92-21) 111-444-001 | (+92-21) 111-234-234  
Fax: (+92-21) 35309169, 35301780  
Website: www.igisecurities.com.pk

#### Stock Exchange Office

Room # 134, 3rd Floor, Stock Exchange Building,  
Stock Exchange Road, Karachi.  
Tel: (+92-21) 32429613-4, 32462651-2  
Fax: (+92-21) 32429607

#### Lahore Office

Shop # G-009, Ground Floor,  
Packages Mall  
Tel: (+92-42) 38303560-69  
Fax: (+92-42) 38303559

#### Faisalabad Office

Room #: 515-516, 5th Floor, State Life  
Building, 2- Liaqat Road  
Tel: (+92-41) 2540843-45  
Fax: (+92-41) 2540815

#### Multan Office

Mezzanine Floor, Abdali Tower,  
Abdali Road  
Tel: (92-61) 4512003, 4571183

#### Islamabad Office

Mezzanine Floor, Office 5, 6 & 7, Kashmir Plaza,  
Block- B, Jinnah Avenue, Blue Area  
Tel: (+92-51) 2604861-2, 2604864, 2273439  
Fax: (+92-51) 2273861

#### Rahim Yar Khan Office

Plot # 12, Basement of Khalid Market,  
Model Town, Town Hall Road  
Tel: (+92-68) 5871652-3  
Fax: (+92-68) 5871651

#### Abbottabad Office

Ground Floor, Al Fatah Shopping Center ,  
Opp. Radio Station, Mansehra Road  
Tel: (+92-99) 2408243 - 44

IGI Finex Securities Limited

#### Research Analyst(s)

Research Identity Number: BRP009

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**Jama Punji**  
 سرمایہ کاری سمجھداری کے ساتھ  
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