

# Day Break

Tuesday, 13 February 2018

## Sector Update

Sym.	Target Price	P/E 2018	D/Y 2018	Recom.
INDU	2,292.0	9.2	7.6%	BUY
HCAR	622.1	9.2	4.4%	BUY
PSMC	500.0	10.4	3.9%	HOLD

Industry	Jan-18	MoM	Jan-17	YoY
PASS. CARS	19,924	23%	18,255	9%
TRUCKS/BUSES	938	32%	827	13%
PICK-UP/JEEPS	3,638	18%	2,629	38%
TRACTOR	5,863	18%	5,390	9%
2/W	142,828	-4%	135,041	6%
3/W	7,464	42%	8,830	-15%
Total	180,655	1%	170,972	6%

## Automobile Assembler

### Jan-18: Start of the year sales kick-off with +6%YoY growth in volumes

- As per latest data released by Pakistan Automotive Manufacturers Association (PAMA), industry sales volume witnessed stable growth on monthly basis to the tune of 180k units (+6%YoY). All segments witnessed double digit growth levels, except the 2/W segment reporting a decline of 4%MoM
- With respect to company wise sales, HCAR attained massive growth of +37%MoM to 4.4k units followed by PSMC also witnessing growth of +20%MoM to 13.8k units. INDU also followed the trail with sales volume up by +18%MoM
- We maintain a 'BUY' call on INDU with Dec-18 based target price of PKR 2,292/share, offering +34% upside. The company is currently trading at FY18E P/E of 9.2x and offers a dividend yield of 7.6%.

#### Sales volume remained relatively stable at 180k units (+1%MoM) in Jan-18

As per latest data released by Pakistan Automotive Manufacturers Association (PAMA), industry sales volume remained stable on monthly basis to the tune of 180k units (+6%YoY). All segments witnessed double digit growth levels, except the 2/W segment reporting a decline of 4%MoM. Segment wise, passenger cars outperformed with a growth of +23%MoM to 19.1k units (+9%YoY) led by strong growth of +30%/+24%MoM in =>1300cc/800<x<1000cc engine category. Similarly, tractor and pickup segment each witnessed growth of +18%MoM to 5.8k and 3.6k units respectively.

#### Major OEM's volumes keeping up the sales momentum

With respect to company wise sales, HCAR attained massive growth of +37%MoM to 4.4k units followed by PSMC also witnessing growth of +20%MoM to 13.8k units. INDU also followed the trail with sales volume up by +18%MoM to 5.4k units whereas volumes suffered a decline of 7%YoY owing to capacity issues.

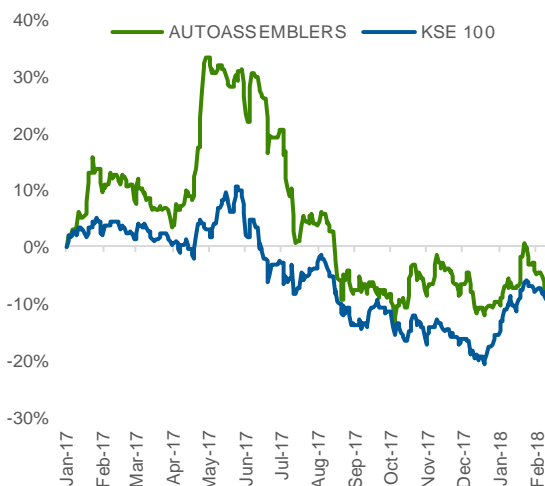
#### HCAR: Civic/City sales back to action with BRV sales toned-down

The combined sales of Civic/City stood at 3.8k units with a growth of +97%MoM primarily driven by sales of City, in our view. However, BRV sales dived down by 33%MoM to 500 units after showing energy in the last three months. As a result, total sales volumes for the company approached 4.4k units, up by +37%MoM. On cumulative basis, sales for 10MFY18 clocked in at 40.2k units, up by +45%YoY, primarily driven by BRV sales.

#### INDU: All variants maintaining the company's growth trajectory up by +18%MoM

All the variants witnessed healthy growth levels taking company's volumes to 5.4k units up by +18%MoM. Fortuner sales gained some traction, up by +2xMoM to 465 units, while sales of Hilux were up by +25%MoM to 673 units. Similarly, Corolla volumes were up by +11%MoM, sharpening at 4.2k units. Overall sales volume for 7MFY18 stands at 35.6k units, slightly up by +4%YoY.

#### Relative Performance to KSE 100



Source: Bloomberg, PSX & IGI Research

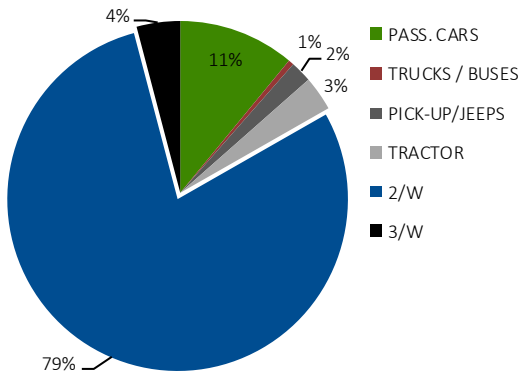
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**Exhibit:** Automobile Sales Composition-Jan-18



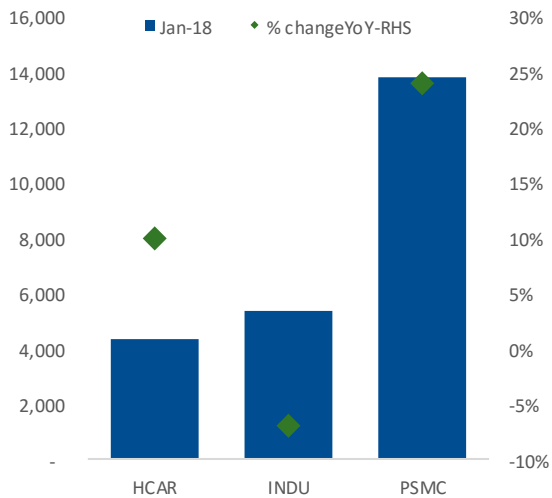
**PSMC: Sales volume clocking at 13.8k units with Mehran and Cultus showing impressive growth**

PSMC witnessed a volumetric incline of +20%MoM to 13.8k units with all units attaining strong growth levels except Wagon R witnessing a decline of 2%MoM to 2.7k units. We attribute the substantial increase in volumes to costumers shifting their purchase owing to on-going issues with imported cars. On absolute terms volume wise, Mehran led the sales growth with sales reaching at 4.3k units followed by Cultus reporting sales of 2.0k units (+36%MoM). Similarly, Ravi/Bolan showed healthy growth of +28%/+19%MoM to 2k/2.2k units. However, the 2/W segment witnessed a decline of 21%MoM to 1.5k units.

**Recommendation**

We maintain a **‘BUY’** call on INDU with Dec-18 based target price of PKR 2,292/share, offering +34% upside from the last closing. The company is currently trading at FY18E P/E of 9.2x and offers a dividend yield of 7.6%.

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



Source: PAMA, Bloomberg & IGI Research

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**Time Horizon:** Dec – 2018

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