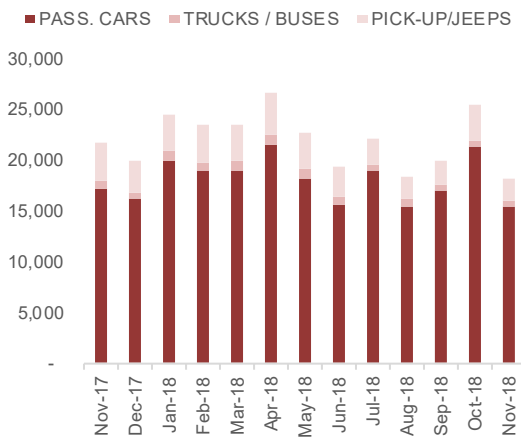


Day Break

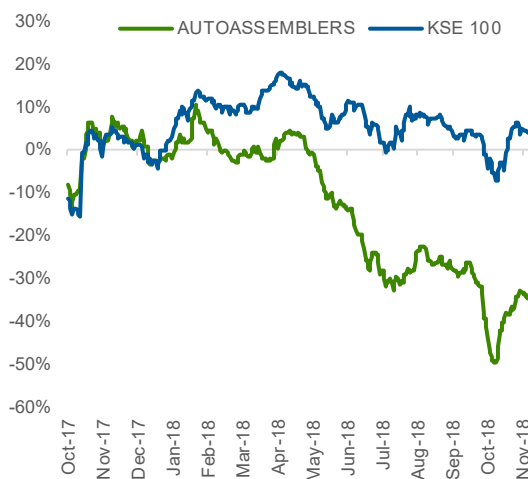
Wednesday, 12 December 2018

Sector Update

Exhibit: Industry Car sales volume



Relative Performance to KSE 100



Source: Bloomberg, PSX & IGI Research

Suleman Ashraf

Research Analyst

suleman.ashraf@igi.com.pk

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

Automobile Assemblers

Nov-18: Industry volumes dopped by 15%MoM to 163k units as sales of major segments wanes

- The latest sales data released by Pakistan Automotive Manufacturers Association (PAMA), shows industry sales volume declined by 8%YoY to 163.6k units while also witnessing a decrease of 15% on monthly basis. Similarly, on cumulative basis, for 5MFY19 sales have weakened by 4%YoY to 886k units. The decline is attributed to high interest rates and impact of non-tax filer in our view.
- With respect to company wise, PSMC witnessed substantial decline of 37%MoM in its volumes to 8.5k units, followed by HCAR, reporting a decline of 31%MoM to 3.5k units. Sales of INDU also decreased by 15%MoM to 5.5k units.
- We maintain a 'BUY' call on INDU with our revised Dec-19 target price of PKR 1,485/share, after incorporating risk free rate of 10.5%. The company is currently trading at FY19E P/E of 7.3x and offers a dividend yield of 9.6% with an upside of +25%.

Industry sales recorded at 163k units as major segments reported decline in their volumes

The latest sales data released by Pakistan Automotive Manufacturers Association (PAMA), shows industry sales volume declined by 8%YoY to 163.6k units while also witnessing a decrease of 15% on monthly basis. Similarly, on cumulative basis, for 5MFY19 sales have weakened by 4%YoY to 886k units. The decline is attributed to high interest rates and impact of non-tax filer in our view.

Segment wise, major drop was witnessed in sales of tractor and pickup segment, down by 40%MoM while 3/W segment recorded increase in sales volume by 10%MoM. Similarly, passenger car segment, reported decrease in volumes by 28%MoM as 800<x<1300cc engine category showcased negative growth of 35%MoM.

Exhibit:

Monthly PAMA Sales

UNITS	Nov-18	Oct-18	MoM	Nov-17	YoY	5MFY19	5MFY18
=>1300	8,426	10,644	-21%	8,087	4%	45,720	40,437
800<x<1000	3,250	4,958	-34%	5,667	-43%	20,061	27,453
1000<x<1300	3,658	5,740	-36%	3,479	5%	22,116	19,385
PASS. CARS	15,334	21,342	-28%	17,233	-11%	87,897	87,275
TRUCKS / BUSES	638	658	-3%	674	-5%	3,301	3,850
PICK-UP/JEEPS	2,108	3,508	-40%	3,858	-45%	12,746	17,627
TRACTOR	3,750	6,348	-41%	5,556	-33%	23,829	27,313
2/W	137,001	156,399	-12%	144,225	-5%	735,256	751,623
3/W	4,769	4,330	10%	6,366	-25%	23,869	33,122
TOTAL	163,600	192,585	-15%	177,912	-8%	886,898	920,810

Source: PAMA, IGI Research

Major OEM’s reported drop in volumes

With respect to company wise, PSMC witnessed substantial decline of 37%MoM in its volumes to 8.5k units, followed by HCAR, reporting a decline of 31%MoM to 3.5k units. Sales of INDU also decreased by 15%MoM to 5.5k units.

HCAR: Sales of Civic/City leading the growth while BRV depicting a declining trend

For the month of Nov-18, sales of Civic/City stood at 3.2k units down by 30%MoM, while sales of BRV declined to 300 units. On cumulative basis for the 8-month period total sales are up by +6%YoY to 34.3k units, led by healthy sales of Civic/City, clocking at 30.5k units (+17%YoY) while arresting the decline of 41%YoY of BRV (3.8k units)

INDU: High margin segment showcased negative growth; Corolla supporting company’s volumes

The company registered a volumetric decline of 15%MoM to 5.5k units as sales decreased across all its units. To mention, corolla sales decreased by 12%MoM to 4.9k units, while in the high margin segment, sales of Hilux and Fortuner each posted negative growth of 46%/9%MoM to 286/236 units. For the 5MFY19, total sales volume for the company increased by +7%YoY to 27k units backed by positive growth of +10%YoY in Corolla with Hilux and Fortuner coming as laggards (cumulatively down by 12%YoY).

PSMC: Sales plummeted by 37%MoM to 8.5k units; cumulative sales for 11MCY18 up by +6%YoY to 126k units

PSMC sales suffered a decline of +37%MoM to 8.5k units, taking total sales for the 11MCY18 to 126k units, up by +6%YoY. For the month of Nov-18, sales of Wagon R/Cultus/Swift were down by 37%/36%/42%MoM to 2.1k/1.5k/0.31k units. In the light commercial vehicle segment, Ravi and Bolan also reported decline of 41%/36%MoM to 1.3k/1.1k units.

Exhibit:
Automobile sales composition-Nov-18

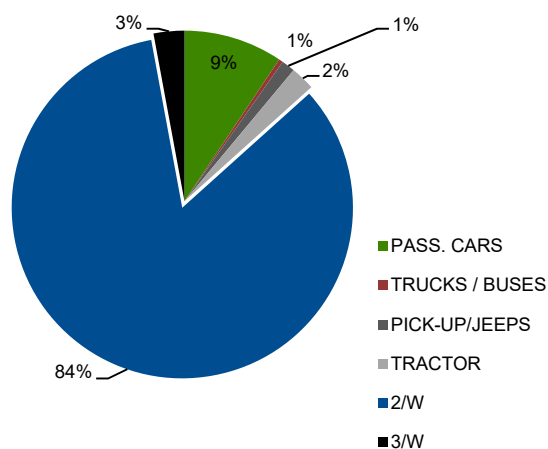
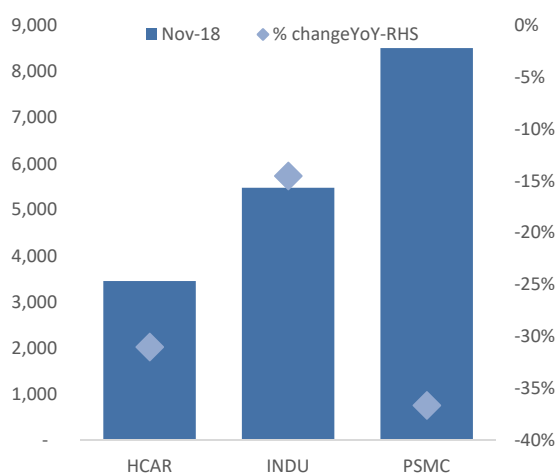


Exhibit:
Company wise passenger car sales for Nov-18



Source: PBS, SBP, IGI Research

Recommendation

We maintain a ‘BUY’ call on INDU with our revised Dec-19 target price of PKR 1,485/share, after incorporating risk free rate of 10.5%. The company is currently trading at FY19E P/E of 7.3x and offers a dividend yield of 9.6% with an upside of +25%.

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Time Horizon: Dec – 2019

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IGI Finex Securities Limited

Research Analyst(s)

Research Identity Number: BRP009

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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
Umesh Solanki	Database Manager	Tel: (+92-21) 111-234-234 Ext: 974	umesh.solanki@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) 35777863-70	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
Ihsan Mohammad	Branch Manager (Peshawar)	Tel: (92-91) 5253035	ihsan.mohammad@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

Peshawar Office

2nd Floor, The Mall Tower,
35 The Mall Saddar Cantt.
Tel: (92-91) 5273035, 5223882

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

Sialkot Office

Suite No. 10 & 11, 1st Floor, Soni Square,
Mubarik Pura
Tel: (+92-52) 3258028

IGI Finex Securities Limited

Research Analyst(s)

Research Identity Number: BRP009

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