

# Day Break

Wednesday, 11 January 2017

## Sector Update

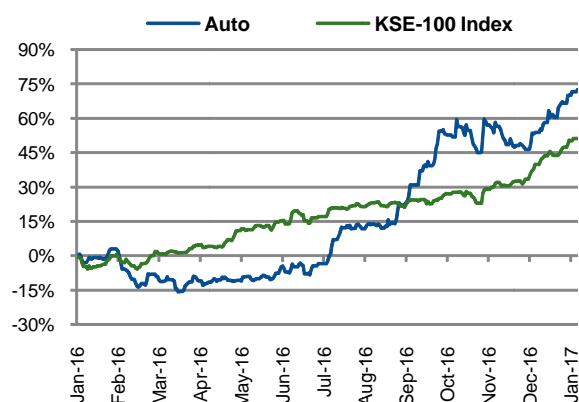
Industry	Dec-16	MoM	Dec-15	YoY
Passenger Cars	14,024	-12%	14,019	0%
Commercial	647	-1%	530	22%
Pick-up / Jeeps	2,018	10%	4,131	-51%
Farm Tractor	3,201	-38%	957	234%
Motorcycle	130,442	-8%	99,540	31%
3-wheeler	5,454	-3%	2,659	105%
Total	155,786	-9%	121,836	28%

INDU	Dec-16	MoM	Dec-15	YoY
Corolla	4,140	-18%	4,297	-4%
Fortuner	18	-25%	41	-56%
Hilux	565	66%	400	41%
Total	4,723	-12%	4,738	0%

HCAR	Dec-16	MoM	Dec-15	YoY
Civic + City	2,416	-22%	1,028	135%

PSMC	Dec-16	MoM	Dec-15	YoY
Mehran	2,773	-9%	2,870	-3%
Cultus	1,298	0%	1,685	-23%
Ravi	1,435	-3%	3,690	-61%
Bolan	1,690	-6%	3,190	-47%
Total	10,807	1%	13,937	-22%

### Relative Performance to KSE 100



Source: Bloomberg, KSE 100 & IGI Research

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## Automobile Assembler Auto Sales: Seasonal slowdown dragged Dec-16 down by 9%MoM

- As per latest data released by Pakistan Automotive Manufacturers Association, industry sales increased by +28%YoY to 155.8kunits for the month of Dec-16, with a significant growth in motorcycles of +31%YoY to 130.4kunits, followed by tractors witnessing growth of 2.3xYoY to 3.2kunits.
- For Dec-16, HCAR continued its sales growth momentum during Dec-16, recording growth of 1.4xYoY to 2.4kunits. INDU's sales volumes remained flat compared to same period last year to record sales of 4.7kunits, while slowing down on monthly basis (12%). PSMC's volumes slowed down by 22%YoY in Dec-16 because of lower sales of Ravi/Bolan by 47%YoY/61%YoY to 1.7kunits/1.4kunits.
- We have rolled over our target price to Dec-17 and maintain our underweight stance on automobile assemblers, with a "Hold" call on INDU and "Sell" call on HCAR with target price of PKR 1,694/share and PKR 457/share, respectively.

### Auto sales increased by 28%YoY to 155.8kunits during Dec-16

As per latest data released by Pakistan Automotive Manufacturers Association, industry sales increased by +28%YoY to 155.8kunits for the month of Dec-16, with a significant growth in motorcycles of +31%YoY to 130.4kunits, followed by tractors witnessing growth of 2.3xYoY to 3.2kunits. However, growth in passenger car sales remained flat at 14.0kunits due to the high base of PSMC (Rozgar Scheme), negating the robust growth in HCAR's volumetric growth post launch of its Model in Jul-16.

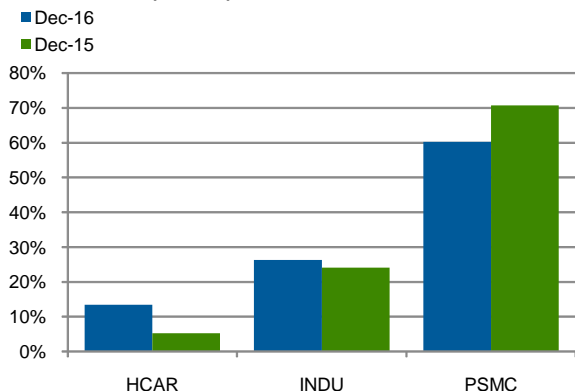
For 6MFY17, total industry volumes increased by +17%YoY to 909.7kunits, however passenger cars volumes retreated by 4%YoY to 85.9kunits.

### Exhibit: PAMA Monthly Auto Sales Numbers (Units)

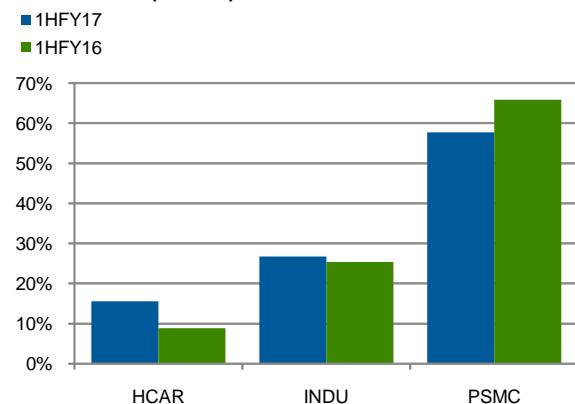
	Dec-16	MoM	Dec-15	YoY	6MFY17	YoY
=>1300	6,880	-19%	5,571	23%	44,452	10%
800<x<1000	4,463	-8%	6,060	-26%	26,780	-29%
1000<x<1300	2,681	1%	2,388	12%	14,669	22%
Passenger Cars	14,024	-12%	14,019	0%	85,901	-4%
Commercial	647	-1%	530	22%	3,881	47%
Pick-up / Jeeps	2,018	10%	4,131	-51%	11,632	-47%
Farm Tractor	3,201	-38%	957	234%	20,742	68%
Motorcycle	130,442	-8%	99,540	31%	756,402	20%
3-wheeler	5,454	-3%	2,659	105%	31,110	56%
Total	155,786	-9%	121,836	28%	909,668	17%

Source: IGI Research, PAMA

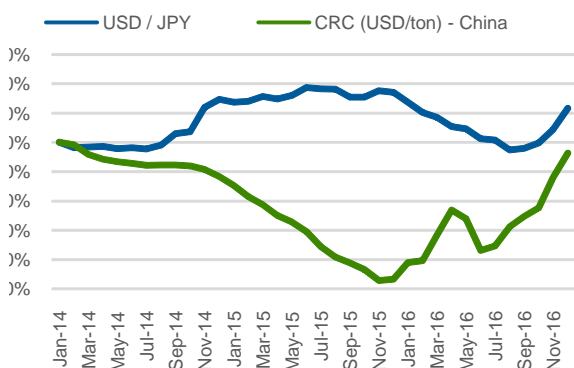
**Market share (Dec-16)**



**Market share (1HFY17)**



**JPY and CRC movement (base Jan-14)**



**HCAR: Maintained its growth momentum**

HCAR continued its sales growth momentum during Dec-16, recording growth of 1.4xYoY to 2.4kunits, owing to robust demand of 10th Generation Civic Model launched in 1QFY17. However, volumes receded by 22%MoM owing to the end year anomaly of slowdown in automobile sales. For the period of 1HFY17, the company's volumes increased by +56%YoY to 16.6kunits on the back of new Civic Model led growth.

**INDU: Hilux supporting sales**

INDU's sales volumes remained flat compared to same period last year to record sales of 4.7kunits, while slowing down on monthly basis (12%) as customer delay buying (seasonal slowdown). INDU flagship variant Corolla's volumes clocked in at 4.1kunits, down by 4%YoY/18%MoM owing to demand tilt towards HCAR new Civic Model. However, Hilux supported the volumes with new Model 'Revo' launched in Dec-16, with a growth of +41%YoY/+66%MoM to 565units. For 1HFY17, the company's sales declined by 6%YoY on account of slowdown in sales of Corolla (7%YoY) owing to demand tilt towards HCAR New Civic and production disruptions holding back volumes.

**PSMC: Subdued sales owing to high base**

PSMC's volumes slowed down by 22%YoY to 10.8kunits in Dec-16 because of lower sales of Ravi/Bolan by 47%YoY/61%YoY to 1.7kunits/1.4kunits owing to a high base (Rozgar Scheme), Cultus sales have contracted by 23%YoY to 1.3kunits in anticipation of replacement by Celerio in 2HFY17. However, Wagon R demands remains intact with sales increasing twofold (+97%YoY) to 1.4kunits for the month of Dec-16. On sequential basis, sales inclined by +1%YoY to 10.8kunits, with motorcycle segment recording robust growth of 41%YoY to 1.9kunits offsetting the slowdown in Bolan (6%MoM to 1.7kunits) and Mehran (9%MoM 2.8units). During 1HFY17, the companies sales dipped by 22%YoY to 61.5kunits owing to high base of Ravi and Bolan.

**Recommendation**

We have rolled over our target price to Dec-17 and maintain our underweight stance on automobile assemblers, with a "Hold" call on INDU and "Sell" call on HCAR with target price of PKR 1,694/share and PKR 457/share, respectively.

**Exhibit: PAMA Monthly Auto Sales Numbers (Units) Company- wise**

	Dec-16	MoM	Dec-15	YoY	6MFY17	YoY
HCAR	2,416	-22%	1,028	135%	16,571	56%
INDU	4,723	-12%	4,738	0%	28,506	-6%
PSMC	10,807	1%	13,937	-22%	61,530	-22%
AGTL	704	-67%	144	389%	7,471	86%
MTL	2,460	-17%	774	218%	13,056	65%
HINO	270	1%	306	-12%	1,820	31%
GHNL	65	2%	84	-23%	408	21%
GHNI	227	13%	104	118%	1,114	89%
ATLH	84,137	0%	64,033	31%	458,695	17%

Source: IGI Research, PAMA

Source: PAMA, Bloomberg, Company Acc.

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**Time Horizon:** Dec - 2017

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