

Day Break

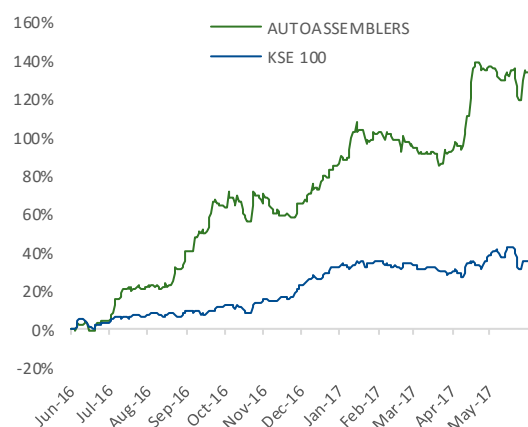
Tuesday, 13 June 2017

Sector Update

Sym.	Target Price	P/E 2018	D/Y 2018	Recom.
INDU	2,472.4	11.2	6.30%	BUY
HCAR	721.5	23.3	1.30%	SELL
PSMC	740.5	18.9	1.10%	SELL

Industry	May-17	MoM	May-16	YoY
Passenger Cars	18,354	12%	15,278	20%
Commercial	904	9%	739	22%
Pick-up / Jeeps	2,366	22%	1,774	33%
Farm Tractor	5,663	-10%	4,021	41%
Motorcycle	149,313	13%	119,258	25%
3-wheeler	6,542	24%	4,978	31%
Total	183,142	12%	146,048	25%
INDU	May-17	MoM	May-16	YoY
Corolla	4,220	-11%	5,207	-19%
Fortuner	113	-47%	30	277%
Hilux	596	-12%	307	94%
Total	4,929	-13%	5,544	-11%
HCAR	May-17	MoM	May-16	YoY
Civic + City	4,660	32%	2,507	86%
PSMC	May-17	MoM	May-16	YoY
Wagon R	1,927	30%	708	172%
Mehran	3,385	-12%	3,122	8%
Cultus	2,012	52%	1,576	28%
Ravi	1,657	57%	1,437	15%
Bolan	1,861	58%	1,722	8%
Total	11,131	21%	9,001	24%

Relative Performance to KSE 100



Source: Bloomberg, KSE 100 & IGI Research

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Automobile Assembler

Auto volumes up by +25%YoY in May-17; HCAR and PSMC Benefit from New Model Launch

- As per the latest Pakistan Automotive Manufacturers Association (PAMA), total OEM sales leaped up by +25%YoY to 0.18mn units during May-17 led by +20%/+25%YoY rise in passenger car/2-Wheeler sales owing to new model launch of Cultus by PSMC and BRV by HCAR.
- Passenger car category depicted an increase of +20%YoY to 18.4k units during May-17, led by +24%YoY and +86%YoY rise in PSMC and HCAR sales, respectively. Variant wise, corolla sales dropped by 19%YoY to 4.2k Units.
- Currently INDU remains our TOP pick in IGI Automobile assembler sector. We have a **"BUY"** call on INDU with our Dec-17 Target Price of PKR 2,472/share, offering +26% upside from its last closing.

As per the latest Pakistan Automotive Manufacturers Association (PAMA), total OEM sales leaped up by +25%YoY to 0.18mn units during May-17 led by +20%/+25%YoY rise in passenger car/2-Wheeler sales owing to new model launch of Cultus by PSMC and BRV by HCAR. On monthly basis, volumes depicted an increase of +12%YoY. For 11MFY17, sales volume stood at 1.76mn units (up by +19%YoY), primarily lead by +4%/+20%YoY rise in passenger car/2-wheelers.

Auto sales incline by +25%YoY during May-17; with volumes led by growth in passenger car sales...

Passenger car category depicted an increase of 20%YoY to 18.4k units during May-17, led by +24%YoY and +86%YoY rise in PSMC and HCAR sales, respectively. Variant wise, corolla sales dropped by 19%YoY to 4.2k Units. In the mid-size engine category, Pakistan Suzuki Motors Company Limited (PSMC) flagship models Wagon R and Cultus both witnessed a substantial increase of +2.7xYoY and +28%YoY. Key reason for increase in these two variants we believe is due to recent launch of Cultus and higher demand of Wagon R. Civic and City sales leaped up by +2.4xYoY and +63%YoY owing to new model launch of Civic and City.

...Supported by increased volumes of Trucks; MTL and GHNI posting double digit growth

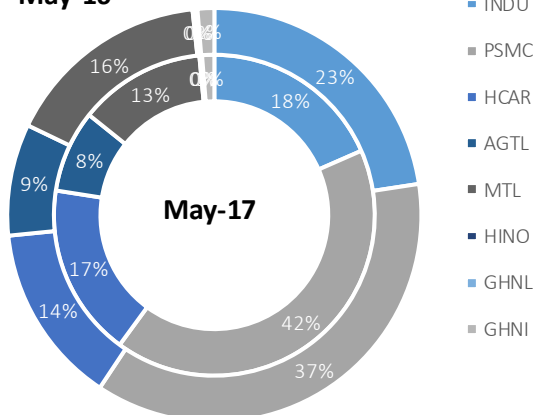
Overall trucks sale recorded a healthy a growth of +22%YoY to 904 units during May-17. Under the trucks/buses section, Ghandhara Industries Limited (GHNI) manufacturers of M/HDV posted a growth of +61%YoY to 325 units while Millat Tractors Limited (MTL) witnessed substantial increase of +53%YoY 3.4k units during May-17.

INDU: Corolla sales temporarily down on the back of Facelift model launch in Aug-17

INDU's volume down by 11%YoY to the tune of 4,929 units during May-17. Corolla sales dropped by 19%YoY (down by 11%MoM) to 4,220 units as 11th generation model matures and new facelift model is expected to be launched in Aug-17. However, Hilux/Revo sales jacked up to post +94%YoY/+3.8YoY (down by 47%MoM/12%MoM) on the back of new model launch.

Market share (May-17)

May-16



PSMC: Wagon R and new Cultus lift volumes during May-17

PSMC sales increased by +24%YoY to 11.1k units during May-17 led by +2.7xYoY/+28%YoY/+15%YoY rise in Wagon R/Cultus/Ravi sales as a result of new model launch of Cultus in Apr-17 and higher demand for Wagon R. On monthly basis, volumes increased by +21%MoM led by +52%/+57%/+58%YoY jump in Cultus/Ravi/Bolan sales.

HCAR: New Civic and City model keep Volumes upbeat

HCAR sales increased by +86%YoY to 4.7k units during May-17 led by +2.4x/+63%YoY rise in Civic/City sales as a result of new model launch of Civic and City and launch of BRV (876 units sold in May-17). On monthly basis, volumes increased by +32%MoM led by +20%/+42%YoY jump in Civic/city sales.

Recommendation

Currently INDU remains our TOP pick in IGI Automobile assembler sector. We have a **“BUY”** call on INDU with our Dec-17 Target Price of PKR 2,472/share, offering +26% upside from its last closing. The company is currently trading at FY18F P/E of 11.2x and offers a dividend yield of 6.3%.

Market share (11MFY17)

11MFY16

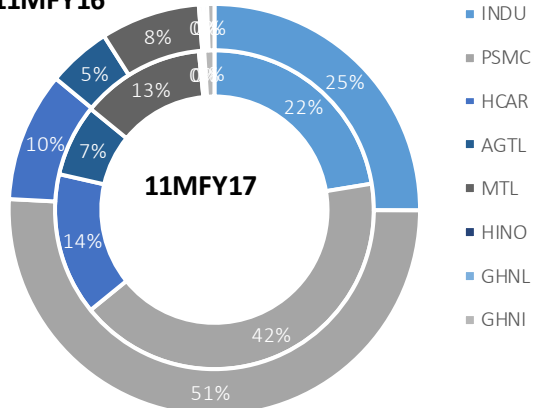


Exhibit:

Monthly PAMA Sales

UNITS	May-17	MoM	YoY	11MFY17	Y/Y
=>1300	9,169	7%	13%	89,837	11%
800<x<1000	3,939	40%	72%	31,245	34%
1000<x<1300	5,246	5%	8%	53,232	-16%
PASS. CARS	18,354	12%	20%	174,314	4%
TRUCKS / BUSES	904	9%	22%	7,907	36%
PICK-UP/JEEPS	2,366	22%	33%	23,343	-31%
TRACTOR	5,663	-10%	41%	50,354	65%
2/W	149,313	13%	25%	1,435,771	20%
3/W	6,542	24%	31%	65,622	48%
TOTAL	183,142	12%	25%	1,757,311	19%

Company-wise Sales

UNITS	May-17	M/M	Y/Y	11MFY17	Y/Y
INDU	4,929	-13%	-11%	56,312	-4%
PSMC	11,131	21%	24%	105,046	-11%
HCAR	4,660	32%	86%	36,299	53%
AGTL	2,211	1%	25%	18,317	57%
MTL	3,413	-15%	53%	31,606	74%
HINO	35	-30%	-57%	666	-11%
GHNL	41	-15%	-54%	691	-9%
GHNI	325	0%	61%	2,566	92%
ATLH	93,060	11%	26%	888,640	19%
PSMC (2/W)	1,485	-10%	-3%	16,725	4%
TOTAL	121,290	9%	25%	1,156,868	16%

Source: PAMA, IGI Research

Source: PAMA, Company Accounts

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Buy	If target price on aforementioned security(ies) is more than 10%, from its last closing price(s)
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Time Horizon: Dec - 2017

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DCF (Discounted Cash Flow)

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