

Day Break

Wednesday, 11 December 2019

Sector Update

Automobile Assemblers

Nov-19: On a slippery slope; 5MFY20 sales shrink 11% YoY to 160k units

- The latest sales data released by Pakistan Automotive Manufacturers Association (PAMA) for Nov-19, reports industry sales volume dropped by 5%YoY to ~160k units as major segments reported double digit decline, while 2W segment witnessed a minor +3%YoY growth.
- With respect to company wise, HCAR witnessed significant drop of 62%YoY to 1.3k units followed by INDU at 52%YoY to 2.6k units. PSMC sales suffered drop of 31%YoY to 5.9k 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 Dec-20 target price of PKR 1,196.2 /share. The company is currently trading at FY20 P/E of 14.4x, offering a dividend yield of 4.6%

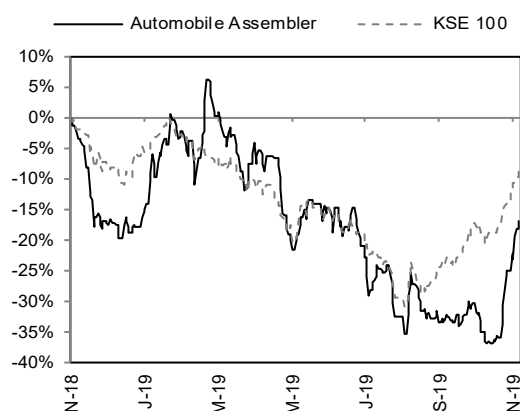
Industry sales down by 5%YoY as all segments reported drop across the board

The latest sales data released by Pakistan Automotive Manufacturers Association (PAMA) for Nov-19, reports industry sales volume dropped by 5%YoY to ~160k units as major segments reported double digit decline, while 2W segment witnessed a minor +3%YoY growth. On a sequential basis, sales decreased by 9% MoM whereas trucks /buses sales rose by +28% to ~0.4k units. On a cumulative basis for the 5MFY20 industry sales dropped by 17% to 740k units as segments witnessed 40% decline on average. Industry sales have been on declining trend as worsening economic situation spurred by increase in interest rates and car prices (PKR depreciation pass-over and increase in FED) have kept consumers demand at bay. Moreover, hefty tax measures adopted for non-tax filers have also hindered demand in the sector.

INDU sales recovered on sequential basis; PSMC and HCAR sales continue to slump

With respect to company wise, HCAR witnessed significant drop of 62%YoY to 1.3k units followed by INDU at 52%YoY to 2.6k units. Likewise, PSMC sales suffered drop of 31%YoY to 5.9k units. On a sequential basis, INDU's sales recovered +6% while PSMC and HCAR sales witnessed decline of 16% and 6% during the month of Nov-19.

Exhibit: Relative Performance to KSE 100



Source: Bloomberg, PSX & IGI Research

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Exhibit: Monthly PAMA Sales

kUNITS	Nov-19	Oct-19	MoM	Nov-18	YoY	5MFY20	5MFY19	YoY
Below 1,000cc	3.54	4.69	-25%	3.25	9%	23.53	20.06	17%
1,000cc<>1,300cc	1.56	1.71	-9%	3.66	-57%	9.03	22.12	-59%
Above 1,300cc	3.43	3.17	8%	8.43	-59%	16.55	45.72	-64%
PASS. CARS	8.52	9.57	-11%	15.33	-44%	49.11	87.90	-44%
TRUCKS / BUSES	0.38	0.30	28%	0.64	-40%	1.75	3.30	-47%
PICK-UP/JEEPS	1.32	1.36	-3%	2.11	-38%	6.30	12.75	-51%
TRACTOR	1.82	2.86	-36%	3.75	-52%	14.07	23.83	-41%
2/W	140.69	152.60	-8%	137.00	3%	651.72	735.26	-11%
3/W	3.34	4.27	-22%	4.77	-30%	13.96	23.87	-42%
TOTAL	156	171	-9%	164	-5%	737	887	-17%

Source: PAMA, IGI Research

Company-wise sales

- **HCAR sales came across massive fall off 62%YoY during the month, attaining ~16k units sales during the 8 month period:** HCAR sales for the month of Nov-19 dropped by 62%YoY to 1.3k units as sales of Civic/City reported substantial decline of 66%, inching up by +4%MoM. Sales of BR-V also decreased by 24%YoY (34%MoM) to 0.2k units. On a cumulative basis, for 8MMY20 volumes suffered 55%YoY drop to 15.5k units as sales of Civic/City witnessed decline of 78%YoY to 5.0k units.
- **INDU sales gained some respite on sequential basis thanks to Corolla and Fortuner; 5MFY20 sales dropped by 60%YoY to 11.8k units:** For the month of Nov-19, company sales slumped by 52% YoY to 2.6k units as Corolla sales showcased 56% decline to 2.2k units with Fortuner sales recorded 54% drop to 109 unit. However, sales of Hilux increased by +26%YoY to 360 units. On a cumulative basis for the 5MFY20, sales worsened by 57%YoY to 11.8k units.
- **PSMC sales on a 5 yr low to 5.8k units; total sales for 11MCY19 down by 16%YoY to 123k units:** During the month, total sales decreased by 36%YoY to ~8k units (including 2/W sales) as all units reported decline in their volumes. To note, Wagon R sales suffered major blow of 70%YoY to 0.6k units followed by 57% drop in LCV segment, while witnessing 21%/23% increase on sequential basis. On a cumulative basis, for 11MCY19 PSMC sales decreased 16%YoY to 123k 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 Nov**

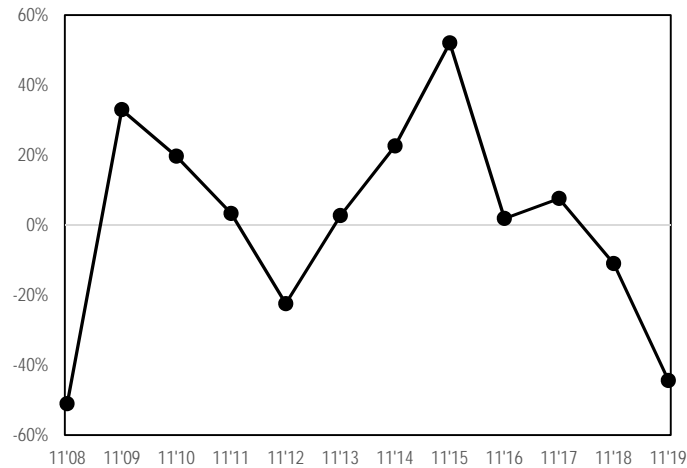
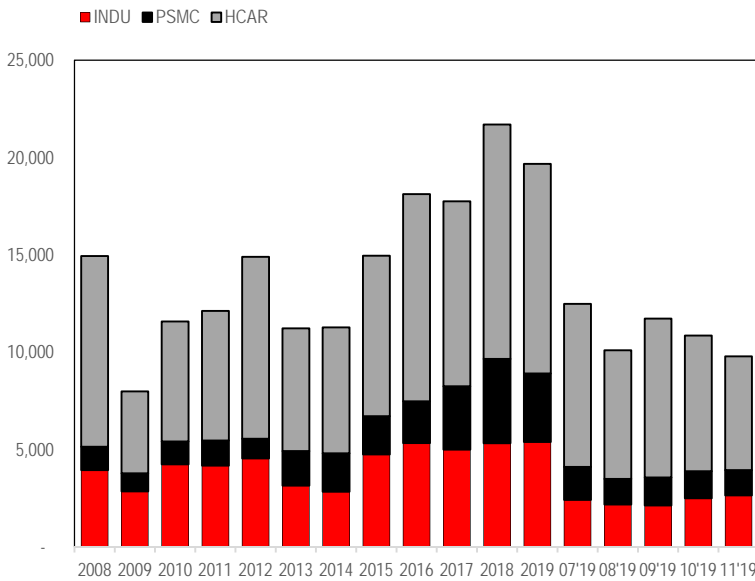
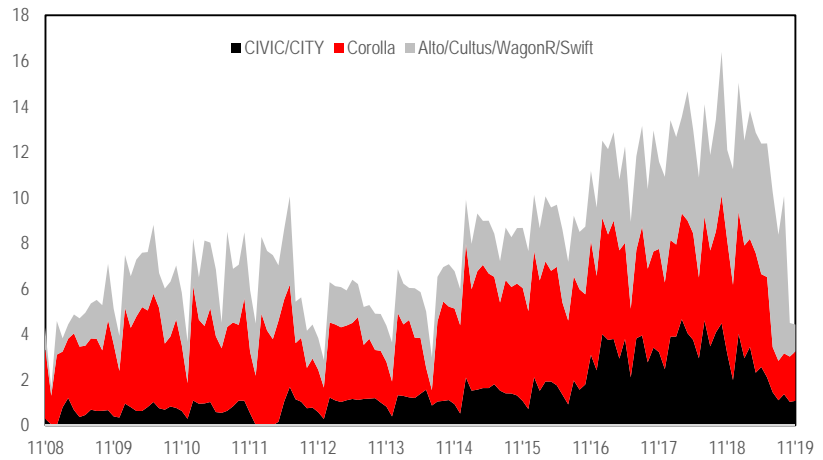


Exhibit: Top passenger cars break-up company wise



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 14.4x, offering a dividend yield of 4.6%.

Exhibit: Monthly Sales

UNITS	Nov-19	Oct-19	MoM	Nov-18	YoY	5MFY20	5MFY19	YoY	FY19	FY18
Below 1,000cc	3,539	4,692	-25%	3,250	9%	49,866	55,317	-10%	51,294	63,435
1,000cc<>1,300cc	1,555	1,709	-9%	3,658	-57%	37,569	48,163	-22%	55,377	45,859
Above 1,300cc	3,430	3,168	8%	8,426	-59%	65,267	97,771	-33%	100,959	91,156
PASS. CARS	8,524	9,569	-11%	15,334	-44%	152,702	201,251	-24%	207,630	200,450
TRUCKS / BUSES	383	299	28%	638	-40%	4,744	8,685	-45%	6,763	9,154
PICK-UP/JEEPS	1,316	1,363	-3%	2,108	-38%	22,909	33,886	-32%	32,640	38,606
TRACTOR	1,818	2,861	-36%	3,750	-52%	39,996	62,406	-36%	50,405	66,247
2/W	140,686	152,603	-8%	137,001	3%	1,477,733	1,616,760	-9%	1,685,758	1,631,742
3/W	3,343	4,269	-22%	4,769	-30%	43,053	58,462	-26%	57,435	67,635
TOTAL	156,070	170,964	-9%	163,600	-5%	1,741,137	1,981,450	-12%	2,040,631	2,013,834

Company-wise Sales

UNITS	Nov-19	Oct-19	MoM	Nov-18	YoY	5MFY20	5MFY19	YoY	FY19	FY18
INDU	2,640	2,496	6%	5,479	-52%	44,611	60,241	-26%	65,399	58,450
PSMC*	5,846	6,973	-16%	8,511	-31%	102,811	126,271	-19%	130,002	133,622
HCAR*	1,303	1,384	-6%	3,452	-62%	27,097	48,625	-44%	44,234	46,984
AGTL	418	853	-51%	1,750	-76%	16,037	23,646	-32%	18,451	26,334
MTL	1,400	1,994	-30%	1,915	-27%	23,673	38,298	-38%	31,560	39,606
HINO	158	158	0%	386	-59%	2,826	6,427	-56%	4,247	7,603
GHNI	226	164	38%	280	-19%	3,163	3,764	-16%	3,655	3,694
ATLH	95,009	100,018	-5%	90,016	6%	1,001,205	1,069,042	-6%	1,114,956	1,058,747
PSMC	5,846	6,973	-16%	8,511	-31%	102,811	126,271	-19%	130,002	133,622
SZEW	676	1,098	-38%	1,055	-36%	12,092	18,423	-34%	15,845	20,303
TOTAL	113,522	122,111	-7%	121,355	-6%	1,336,326	1,521,008	-12%	1,558,351	1,528,965

Variant-wise Sales

UNITS	Nov-19	Oct-19	MoM	Nov-18	YoY	5MFY20	5MFY19	YoY	FY19	FY18
CITY/CIVIC	1,074	1,035	4%	3,152	-66%	23,440	42,984	-45%	39,189	38,991
BRV	229	349	-34%	300	-24%	3,657	5,641	-35%	5,045	7,993
HCAR	1,303	1,384	-6%	3,452	-62%	27,097	48,625	-44%	44,234	46,984
COROLLA	2,172	1,982	10%	4,957	-56%	38,427	49,858	-23%	56,720	47,537
FORTUNER	109	101	8%	236	-54%	1,832	3,648	-50%	2,609	3,916
TOYOTA HILUX	359	413	-13%	286	26%	4,352	6,735	-35%	6,070	6,997
INDU	2,640	2,496	6%	5,479	-52%	44,611	60,241	-26%	65,399	58,450
ALTO	2,967	4,048	-27%	-	n.m	21,643	-	n.m	1,685	-
WAGON R	641	530	21%	2,113	-70%	19,872	28,406	-30%	32,614	27,270
CULTUS	914	1,179	-22%	1,545	-41%	17,697	19,757	-10%	22,763	18,589
SWIFT	184	151	22%	317	-42%	3,400	4,929	-31%	5,050	4,628
RAVI	568	421	35%	1,286	-56%	11,976	17,862	-33%	18,281	19,700
BOLAN	444	399	11%	1,051	-58%	11,446	17,717	-35%	17,628	20,077
MEHRAN	128	245	-48%	2,199	-94%	16,777	37,600	-55%	31,981	43,358
PSMC	5,974	7,218	-17%	10,710	-44%	102,811	126,271	-19%	128,317	133,622
PSMC 2W	2,050	1,899	8%	1,849	11%	20,455	21,096	-3%	23,352	20,180
AGTL	418	853	-51%	1,750	-76%	16,037	23,646	-32%	18,451	26,334
MTL	1,400	1,994	-30%	1,915	-27%	23,673	38,298	-38%	31,560	39,606
ATLH	95,009	100,018	-5%	90,016	6%	1,001,205	1,069,042	-6%	1,114,956	1,058,747

Source: PAMA, IGI Research

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