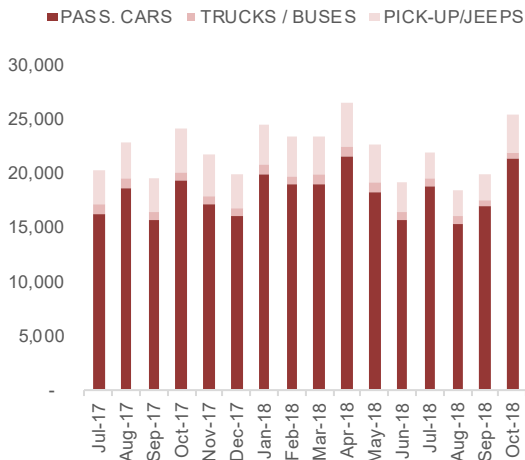


# Day Break

Tuesday, 13 November 2018

## Sector Update

Exhibit: Industry Car sales volume



## Automobile Assemblers

### Oct-18: Strong recovery in Big three sales volumes; Industry sales flat at 190k units

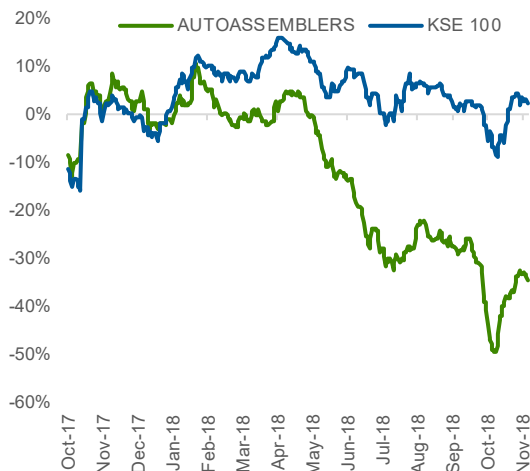
- The latest sales data released by Pakistan Automotive Manufacturers Association (PAMA), shows industry sales volume remained flat at 190k on monthly basis, while witnessing a decline of 3%YoY. However, on cumulative basis, for the 4MFY19 sales have inched down by 3%YoY to 718k units.
- With respect to company wise sales, PSMC and INDU recorded growth of +36%/+30%MoM to 13.4k/6.4k units while sales of HCAR also witnessed double-digit growth of +11%MoM to 5.0k units. On cumulative basis, for the 4MFY19 period, INDU and HCAR each attained growth of +8%MoM while sales of PSMC collapsed by 8%MoM.
- We maintain a **'BUY'** call on INDU with our roll-over Jun-19 target price of PKR 1,749/share, offering +27% upside from the last closing. The company is currently trading at FY19E P/E of 8.2x and offers a dividend yield of 8.6%.

### Industry sales recorded at 190k units; passenger car volumes up by +26%MoM to 21.3k units

The latest sales data released by Pakistan Automotive Manufacturers Association (PAMA), shows industry sales volume remained flat at 190k on monthly basis, while witnessing a decline of 3%YoY. However, on cumulative basis, for the 4MFY19 sales have inched down by 3%YoY to 718k units.

Segment wise, 2/W and 3/W segments recorded decline in sales volume by 3%/22%MoM while pick-up and jeep segment attained massive growth of +47%MoM followed by passenger car segment, registering a growth of +26%MoM. Within the passenger car segment 800<x<1000cc category witnessed surge in volumes by +40%MoM followed by 1000<x<1300cc category, recording a growth of +29%MoM. Similarly=>1300cc category drove segment sales by +19%MoM.

Relative Performance to KSE 100



Source: Bloomberg, PSX & IGI Research

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Exhibit:

#### Monthly PAMA Sales

UNITS	Oct-18	Sep-18	MoM	Oct-17	YoY	4MFY19	4MFY18
=>1300	10,644	8,963	19%	8,005	33%	37,294	32,350
800<x<1000	4,958	3,539	40%	6,459	-23%	16,811	21,786
1000<x<1300	5,740	4,455	29%	4,936	16%	18,458	15,906
<b>PASS. CARS</b>	<b>21,342</b>	<b>16,957</b>	<b>26%</b>	<b>19,400</b>	<b>10%</b>	<b>72,563</b>	<b>70,042</b>
TRUCKS / BUSES	658	589	12%	730	-10%	2,663	3,176
PICK-UP/JEEPS	3,508	2,388	47%	3,941	-11%	10,638	13,769
TRACTOR	6,348	5,818	9%	6,047	5%	20,079	21,757
2/W	153,866	158,182	-3%	157,735	-2%	593,703	607,398
3/W	4,330	5,518	-22%	7,912	-45%	19,100	26,756
<b>TOTAL</b>	<b>190,052</b>	<b>189,452</b>	<b>0%</b>	<b>195,765</b>	<b>-3%</b>	<b>718,746</b>	<b>742,898</b>

Source: PAMA, IGI Research

### Major OEM's displayed positive double-digit growth levels

With respect to company wise sales, PSMC and INDU recorded growth of +36%/+30%MoM to 13.4k/6.4k units while sales of HCAR also witnessed double-digit growth of +11%MoM to 5.0k units. On cumulative basis, for the 4MFY19 period, INDU and HCAR each attained growth of +8%MoM while sales of PSMC collapsed by 8%MoM.

**HCAR: Robust sales of Civic/City; volumes up by +13%YoY to 23.9k units for 7-month period**

For the month of Oct-18, sales of Civic/City stood at 4.4k units (+10%MoM) while BRV sales recorded positive growth of +22%MoM to 523 units. For the 7-month period total sales are up by +33%YoY to 23.9k units, led by impressive sales of Civic/City, clocking at 20.4k units (+29%YoY) suppressing the decline of 33%YoY in BRV volumes.

**INDU: Sales swing back to action as volumes increased by +8%YoY during 4MFY19**

The company registered a volumetric surge of +30%MoM to 6.4k units as positive growth levels were witnessed across all variants. To mention, corolla sales were up by +27%MoM to 5.6k units, while in the high margin segment, sales of Hilux and Fortuner each posted double digit growth of +42%/+64%MoM. For the 4MFY19, total sales volume for the company increased by +8%YoY to 21.8k units backed by positive growth of +11%/2%YoY in Corolla/Hilux sales with Fortuner coming as a laggard (down by 23%YoY).

**PSMC: Recovery in volumes as positive growth witnessed across all units**

PSMC showcased hefty growth of +36%MoM to 13.4k units, taking total sales for the 10MCY18 to 117k units, up by +9%YoY. For the month of Oct-18, sales of Wagon R/Cultus/Swift were up by +25%/34%/20%MoM to 3.3k/2.4k/0.54k units. Similarly, sales of Mehran recovered, posting a growth of +43%MoM to 3.3k units. In the light commercial vehicle segment, Ravi and Bolan witnessed growth of +51%/34%MoM to 2.1k/1.6k units.

Exhibit:  
**Automobile sales composition-Oct-18**

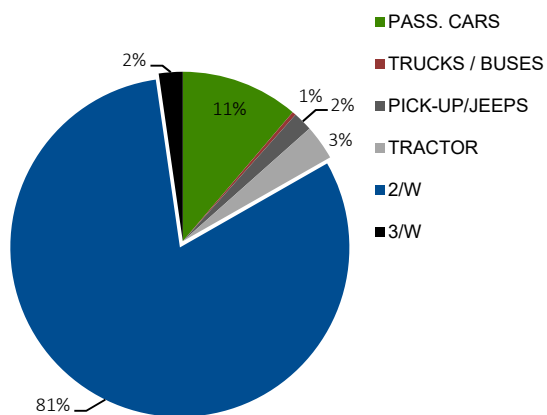
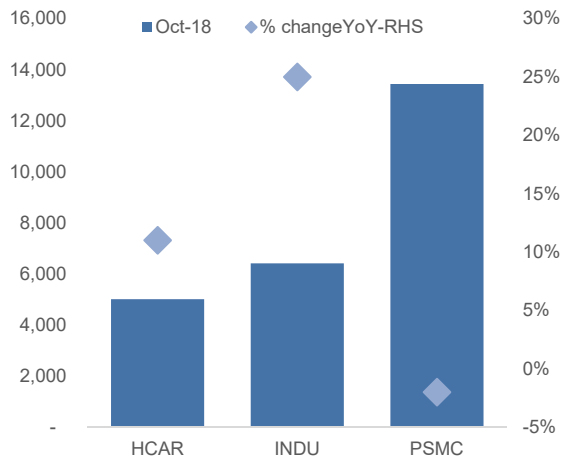


Exhibit:  
**Company wise passenger car sales for Oct-18**



Source: PBS, SBP, IGI Research

**Recommendation**

We maintain a 'BUY' call on INDU with our Jun-19 target price of PKR 1,749/share, offering +27% upside from the last closing. The company is currently trading at FY19E P/E of 8.2x and offers a dividend yield of 8.6%.

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**Time Horizon:** Jun – 2019

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