

Day Break

Tuesday, 14 November 2017

Sector Update

Sym.	Target Price	P/E 2018	D/Y 2018	Recom.
INDU	2,277.1	9.5	7.4%	BUY
HCAR	552.5	10.2	3.9%	HOLD
PSMC	476.0	11.1	1.5%	SELL

Industry	Oct-17	MoM	Oct-16	YoY
PASS. CARS	19,400	24%	14,454	34%
TRUCKS/BUSES	730	-8%	587	24%
PICK-UP/JEEPS	3,941	25%	1,534	157%
TRACTOR	6,047	2%	4,675	29%
2/W	157,735	15%	134,741	17%
3/W	7,912	21%	5,903	34%
Total	195,765	16%	161,894	21%

Automobile Assembler

High demand reviving industry sales volumes, up by +16%MoM during Oct-17

- As per latest data released by Pakistan Automotive Manufacturers Association (PAMA), industry sales increased by +16%MoM (+27%YoY) to 195.76k units. Segment wise, major incline of +25%MoM was witnessed in sales of pick-up/jeeps to 3.9k units followed by passenger cars moving up by +24%MoM to 19.4k unit.
- With respect to company wise sales, all three major OEMs showed strong growth levels, led by sales of HCAR and PSMC reaching at 4.5/13.7k units by +31%MoM. Similarly, INDU followed the trail with a modest growth level of +4%MoM to 5.1k units.
- We maintain a "market" stance on Automobile Assemblers with INDU as our top pick. We have a "BUY" call on INDU with Dec-17 based target price of PKR 2,277.1/share, offering +30% upside. The company is currently trading at FY18E P/E of 9.5 x and offers a dividend yield of 7.4%.

Industry sales swing back to action; passenger car sales on the move

As per latest data released by Pakistan Automotive Manufacturers Association (PAMA), industry sales increased by +16%MoM (+27%YoY) to 195.76k units. Segment wise, major incline of +25%MoM was witnessed in sales of pick-up/jeeps to 3.9k units followed by passenger cars moving up by +24%MoM to 19.4k units. Sale of tractors remained relatively stagnant, ticking up by +2%MoM to 6.0k units for the month of Oct-17. However, sales of trucks/buses declined by 8%MoM to 730 units. Within passenger cars segment, 1000<x<1300 cc engine category witnessed robust growth of +56%MoM/+87%YoY to 4.9k units, followed by sales of 800<x<1000 cc gearing up by +22%MoM/25%YoY to 6.5k units.

All three major OEMs boosted passenger car volumes by +24%MoM to 19.4k units

With respect to company wise sales, all three major OEMs showed strong growth levels, led by sales of HCAR and PSMC reaching at 4.5/13.7k units by +31%MoM. Similarly, INDU followed the trail with a modest growth level of +4%MoM to 5.1k units. Taking into account 4MFY18 period total volumes stand at 70k units, up by +25%YoY.

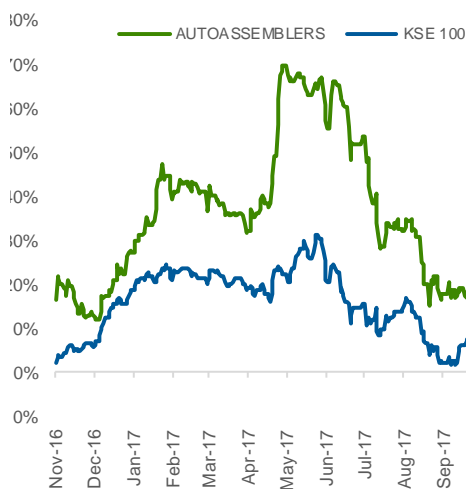
HCAR: BR-V attaining peak sales with Civic/City keeping up the trend

HCAR registered a volumetric growth of +31%MoM to 4.51k units whereby BRV attained peak sales of 1k units (+65%MoM), followed by sales of Civic and City approaching 3.42k units at a growth level of +37%MoM. This brings cumulative sales volume to 17.1k units (+50%YoY) for 4MFY18, supported by Civic -10th generation model and BR-V, being the newest addition to the company's portfolio.

INDU: Monthly sales witnessing sluggish growth of +4%MoM to 5.1k units

INDU's volume crept up by +4%MoM (+28%YoY) to 5.1k units, wherein sales of Corolla and Hilux crawled up by +3%/+1%MoM to 4.2k/568 units. However, Fortuner sales showed healthy growth level of +37%MoM to 337 units owing to

Relative Performance to KSE 100



Source: Bloomberg, PSX & IGI Research

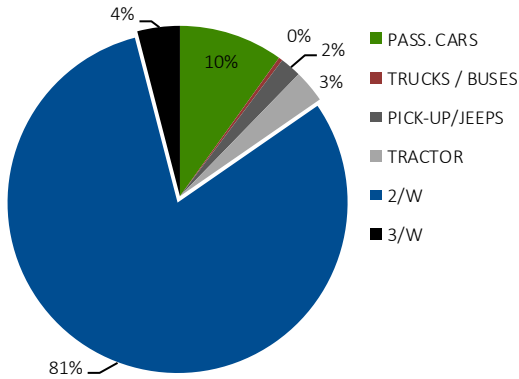
Suleman Ashraf

Research Analyst

suleman.ashraf@igi.com.pk

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

Exhibit: Automobile Sales Composition-Oct 17

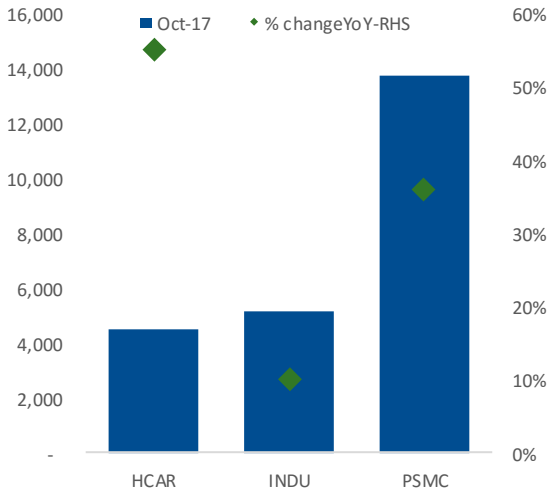


low base effect. Taking into account four months period, total sales for the company clocked in at 20.2k units (+10%YoY), catalyzed by new model launches of Hilux and Fortuner with Corolla maintaining its sales volume.

PSMC: Sales of Wagon R gushing up company’s volumes

PSMC witnessed a volumetric growth of +31%MoM to 13.7k units wherein sales of Wagon R witnessed an upsurge of +2.1xMoM, peaking at 3.5k units. Similarly, sales of Ravi/ Bolan continued to display healthy growth levels of +16/33%MoM to 1.9k/2.1k units followed by Mehran, supporting company’s volumes by +18%MoM to 4.4k units. In contrast, sales of Cultus dropped by 4%MoM to 1.4k units following declining trend since the last three months. However, the 2/wheeler segment witnessed stagnant sales of 1.7k units for the month of Oct-17. To sum up, the overall sales for 4MCY17 jumped up by +25%YoY to 46.7k units led by an upsurge in sales of Wagon R/ Cultus/Mehran.

Exhibit: Passenger Car Sales - Company Wise (Oct-17)



Recommendation

We maintain a “market” stance on Automobile Assemblers with INDU as our top pick. We have a “BUY” call on INDU with Dec-17 based target price of PKR 2,277.1/share, offering +30% upside. The company is currently trading at FY18E P/E of 9.5 x and offers a dividend yield of 7.4%.

Source: PAMA, Bloomberg & IGI Research

Important Disclaimer and Disclosures

Research Analyst(s) Certification: The Research Analyst(s) hereby certify that the views about the company/companies and the security/securities discussed in this report accurately reflect his or her or their personal views and that he/she has not received and will not receive direct or indirect compensation in exchange for expressing specific recommendations or views in this report. The analyst(s) is principally responsible for the preparation of this research report and that he/she or his/her close family/relative does not own 1% or more of a class of common equity securities of the following company/companies covered in this report.

Disclaimer: The information and opinions contained herein are prepared by IGI Finex Securities Limited and is for information purposes only. Whilst every effort has been made to ensure that all the information (including any recommendations or opinions expressed) contained in this document (the information) is not misleading or unreliable, IGI Finex Securities Limited makes no representation as to the accuracy or completeness of the information. Neither, IGI Finex Securities Limited nor any director, officer or employee of IGI Finex Securities Limited shall in any manner be liable or responsible for any loss that may be occasioned as consequence of a party relying on the information. This document takes no account of the investment objectives, financial situation and particular needs of investors, who shall seek further professional advice before making any investment decision. This document and the information may not be reproduced, distributed or published by any recipient for any purpose. This report is not directed or intended for distribution to, or use by any person or entity not a client of IGI Finex Securities Limited, else directed for distribution.

Rating system: IGI Finex Securities employs three tier ratings system, depending upon expected total return (return is defined as capital gain exclusive of tax) of the security in stated time period, as follows:

Recommendation	Rating System
Buy	If target price on aforementioned security(ies) is more than 10%, from its last closing price(s)
Hold	If target price on aforementioned security(ies) is in between -10% and 10%, from its last closing price(s)
Sell	If target price on aforementioned security(ies) is less than -10%, from its last closing price(s)

Time Horizon: Dec - 2017

Valuation Methodology: The analyst(s) has used following valuation methodology to arrive at the target price of the said security (ies):

DCF (Discounted Cash Flow)

Risk: Investment in securities are subject to economic risk, market risk, interest rate risks, currency risks, credit risks, political and geopolitical risks. The performance of company(ies) covered herein might unfavorably be affected by multiple factors including, business, economic, and political conditions. Hence, there is no assurance or guarantee that estimates, recommendation, opinion, etc. given about the security(ies)/company(ies) in the report will be achieved.

Basic Definitions and Terminologies used: **Target Price:** A price target is the projected price level of a financial security stated by an investment analyst or advisor. It represents a security's price that, if achieved, results in a trader recognizing the best possible outcome for his investment. **Market Cap.:** Market capitalization is calculated by multiplying a company's shares outstanding by current trading price. **ROE:** Return on equity is the amount of net income returned as a percentage of shareholders' equity. **P/E:** Price to Earnings ratio of a company's share price to its per-share earnings. **P/B:** Price to Book ratio used to compare a stock's market value to its book value. **DY:** The dividend yield is dividend per share, divided by the price per share.

IGI Finex Securities Limited

Research Analyst(s)

Research Identity Number: BRP009

© Copyright 2017 IGI Finex Securities Limited

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
Syed Daniyal Adil	Research Analyst	Tel: (+92-21) 111-234-234 Ext: 973	daniyal.adil@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: 973	muhammad.saad@igi.com.pk
Tanweer Kabbeer	Research/Fund Select	Tel: (+92-21) 111-234-234 Ext: 966	tanweer.kabbeer@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
Ejaz Rana	Regional Manager (Faisalabad)	Tel: (+92-41) 2540843-45	ejaz.rana@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	mehtab.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 # 719, 7th Floor, PSX Building, Stock Exchange Road, Karachi.
Tel: (+92-21) 32429613-4, 32462651-2, Fax: (+92-21) 32429607

Lahore Office

5-F.C.C. Ground Floor, Syed Maratib Ali Road,
Gulberg II, Lahore
Tel: (+92-42) 35777863-70, 35876075-76
Fax: (+92-42) 35763542

Faisalabad Office

Room #: 515-516, 5th Floor, State Life
Building, 2- Liaqat Road, Faisalabad
Tel: (+92-41) 2540843-45
Fax: (+92-41) 2540815

Multan Office

Mezzanine Floor, Abdali Tower,
Abdali Road, Multan
Tel: (92-992) 408243 - 44

Peshawar Office

2nd Floor, The Mall Tower,
35 The Mall Peshawar Cantt.
Tel: (92-91) 5253035, 5278448

Islamabad Office

Mezzanine Floor, Office 5, 6 & 7, Kashmir Plaza,
Block- B, Jinnah Avenue, Blue Area, Islamabad
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, Rahim Yar Khan
Tel: (+92-68) 5871653-6, 5871652
Fax: (+92-68) 5871651

Abbottabad Office

Ground Floor, Al Fatah Shopping Center, Opp. Rad
Station, Mansehra Road, Abbottabad
Tel: (+92-99) 2408243 - 44

Sialkot Office

Suite No. 10 & 11, 1st Floor, Soni Square,
Mubarak Pura, Sialkot.
Tel: (+92-52) 3258437, 3258762