

Sector Update

Automobile Assemblers

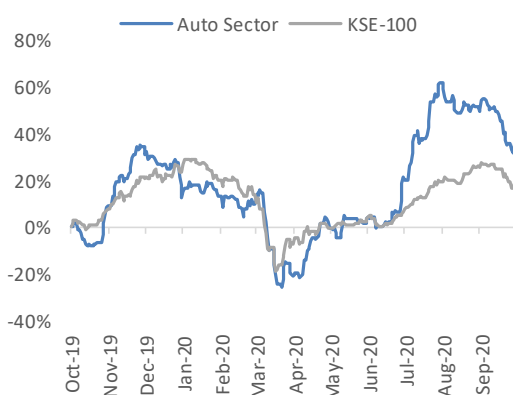
Sep-20: Volumes continue to increase; 1QFY21 sales surged by +9% y/y to 49k units

- The latest sales data released by Pakistan Automotive Manufacturers Association (PAMA) for Sep-20, reports industry sales volume increased by 18% y/y to 18.6k units as all segments witnessed increase in their sales volumes. On a cumulative basis for the 1qFY20 industry sales increased by 9% y/y to 49k units as Jeeps& SUVs segment witnessed massive increase of 99%.
- To note, auto industry sales have been on increasing trend as improving economic situation spurred by decreased in interest rates kept consumer interest alive. However, Sky-rocketed priced may emerge in the form of volume dampener.
- We expect auto volumes will continue its recovery path in 2020 and 2021, after Covid-19 shut downs. While interest rates are close to its historic low, we feel aggregate demand pressure will keep overall passenger cars rather tepid. At current we a “BUY” recommendation for INDU and a “SELL” recommendation on HCAR & PSMC

Industry sales surge by 18% y/y as all segments reported increase across the board

The latest sales data released by Pakistan Automotive Manufacturers Association (PAMA) for Sep-20, reports industry sales volume increased by 18% y/y to 18.6k units as all segments witnessed increase in their sales volumes. Similar has been the trend on sequential basis wherein, sales increased by 25% m/m. All units reported double digit growth except Buses and pickups which reported 30% y/y and 5% y/y decline respectively. On a cumulative basis for the 1qFY21 industry sales increased by 9% y/y to 49k units as Jeeps & SUVs segment witnessed massive increase of 99%. To note, industry sales have been on an increasing trend as improving economic situation spurred by decrease in interest rates kept consumers interest alive. However, sky-rocketed prices may emerge in the form of volume dampener.

Relative Performance to KSE 100



Source: Bloomberg, PSX & IGI Research

Analyst

Shumail Rauf

shumail.rauf@igi.com.pk

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

Exhibit: Monthly Automobile Assemblers Sales Summary

	Sep-20	Aug-20	m/m	Sep-19	y/y	3m'21	3m'20	y/y
Below 1,000cc	3,728	3,004	24%	5,793	-36%	9,409	15,298	-38%
1,000cc<>1,300cc	1,947	2,133	-9%	1,781	9%	5,723	5,766	-1%
Above 1,300cc	6,185	4,748	30%	3,349	85%	16,736	9,953	68%
Passenger Cars	11,860	9,885	20%	10,923	9%	31,868	31,017	3%
Trucks	342	223	53%	228	50%	783	874	-10%
Buses	43	61	-30%	36	19%	141	196	-28%
Jeeps & SUVs	755	421	79%	182	4x	1,579	794	99%
Pick-ups	1,367	1,436	-5%	714	91%	3,936	2,824	39%
Tractors	4,256	2,844	50%	3,761	13%	10,713	9,395	14%
Total	18,623	14,870	25%	15,844	18%	49,020	45,100	9%
2-Wheeler	152,296	136,993	11%	122,720	24%	434,486	360,525	21%
3-Wheeler	5,492	4,034	36%	3,423	60%	14,250	6,348	2x

Source: PAMA, IGI Research

Company-wise sales

- **HCAR sales came across with a massive increase of +87%/y/y during the month, attaining 7.4k unit's sales during the 3 month period:** HCAR sales for the month of Sep-20 surged by 87% y/y and 20% m/m to 2.7k units as sales of Civic/City witnessed an increase of 68% y/y. This increase is mainly attributable to exclusive auto financing scheme. It is pertinent to note here, BR-V sold its highest units since Jun'19. We believe the upward momentum of HCAR to continue in the coming months but Yaris and Sportage and anticipation of new City/Civic model would restrict overall growth, in our view.
- **'Yaris' leads the pack for Toyota; total sales up by +75% y/y to 11.7k units for 1QFY20:** The Company witnessed high sales volumes, depicting an increase of 2x y/y and +32% m/m. All units reported double digit growth in their sales with Hilux and Fortuner coming across a hefty increase of 3x and +18% y/y respectively. Likewise, on a sequential basis 'Yaris' variant surged by +42% m/m. On the other hand, corolla remained the laggard with sales volume of 1.2k units as compared to 1.7k units, down by 32% y/y. going forward, we expect the company's volume to follow their upward trajectory going forward due to its pricing power.
- **PSMC sales on a bumpy track again as Alto & Cultus sales slips 37%/29% m/m; total sales for 1qFY21 down by 22% y/y to 22k units:** For the month in review, total sales decreased by 17% y/y to ~8.3k units due to decline in the sales of Cultus and Alto which witnessed major blow of 29%/37% y/y. However, on a sequential basis Company's sales increased by 12% m/m due to massive increase of 58% m/m in Wagon-R sales. On a cumulative basis, for 1qFY21 PSMC sales decreased by 22% y/y to 22k units as major replaced units i.e. Alto and Cultus reported ~25% decline with Bolan partially absorbing the impact.

Outlook

We expect auto volumes will continue its recovery path in 2020 and 2021, after Covid-19 shut downs. While interest rates are close to its historic low level, we feel aggregate demand pressure and competition from new assemblers will keep overall passenger cars rather tepid. At current we have a "BUY" recommendation for INDU and a "SELL" recommendation on HCAR & PSMC.

Exhibit: Monthly Automobile Assemblers Sales Summary								
	Sep-20	Aug-20	m/m	Sep-19	y/y	3m'21	3m'20	y/y
INDU	4,365	3,307	32%	2,121	2x	11,715	6,707	75%
Corolla	1,219	867	41%	1,795	-32%	3,614	5,503	-34%
Yaris	2,421	1,705	42%	-		6,009	-	
Fortuner	123	121	2%	104	18%	390	266	47%
Toyota Hilux	602	614	-2%	222	3x	1,702	938	81%
PSMC	8,344	7,451	12%	10,013	-17%	22,068	28,165	-22%
Swift	252	196	29%	186	35%	630	524	20%
Cultus	786	1,400	-44%	1,101	-29%	3,263	3,598	-9%
Wagon R	1,161	733	58%	680	71%	2,460	2,168	13%
Mehran	-	-		466	0%	-	1,249	
Bolan	624	615	1%	403	55%	1,758	1,106	59%
Alto	3,104	2,389	30%	4,924	-37%	7,651	12,943	-41%
Ravi	564	670	-16%	397	42%	1,723	1,559	11%
PSMC 2/w	1,853	1,448	28%	1,856	0%	4,583	5,018	-9%
HCAR	2,710	2,258	20%	1,446	87%	7,435	4,454	67%
City/Civic	2,293	1,980	16%	1,368	68%	6,483	3,926	65%
BRV	417	278	50%	78	5x	952	528	80%
Hyundai	215	22	10x	-		237	-	
Tucson	215	22	10x	-		237	-	
AGTL	1,441	633	2x	2,044	-30%	3,475	4,470	-22%
Fiat	1,441	633	2x	2,044	-30%	3,475	4,470	-22%
MTL	2,815	2,205	28%	1,663	69%	7,225	4,829	50%
Massey Ferguson	2,815	2,205	28%	1,663	69%	7,225	4,829	50%
HINO	68	60	13%	158	-57%	173	456	-62%
Hino Bus	16	26	-38%	28	-43%	58	91	-36%
Hino Truck	52	34	53%	130	-60%	115	365	-68%
GHNL	93	57	63%	31	3x	214	138	55%
Nissan	-	-		-		-	-	
Dong Feng	-	-		-		-	-	
JAC	27	15	80%	-		54	-	
JAC Pick-up	66	42	57%	31	2x	160	138	16%
GHNI	204	142	44%	135	51%	501	643	-22%
Isuzu Truck	169	113	50%	68	2x	391	388	1%
Isuzu Bus	1	7	-86%	3	-67%	14	66	-79%
D-Max	34	22	55%	64	-47%	96	189	-49%
ATLH	109,002	85,000	28%	75,007	45%	288,005	235,116	22%
Honda 2/w	109,002	85,000	28%	75,007	45%	288,005	235,116	22%
SZEW	1,561	1,222	28%	1,007	55%	3,898	1,592	2x
Sazgar 3/w	1,561	1,222	28%	1,007	55%	3,898	1,592	2x

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. The subject Company (ies) is a client of the IGI Finex Securities Limited and IGI Finex Securities offers brokerage services to subject company (ies) on a regular basis, in line with industry practice. 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)

Risk: Investment in securities are subject to economic risk, market risk, interest rate risks, currency risks, and 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, **Last Closing:** Latest closing price, **Market Cap.:** Market capitalization is calculated by multiplying a company's shares outstanding by current trading price. **EPS:** Earnings per Share. **DPS:** Dividend per Share. **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 2020 IGI Finex Securities Limited



Jama Punji
 سرمایہ کاری سمجھداری کے ساتھ
<http://www.jamapunji.pk>

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
Muhammad Saad	Research Analyst	Tel: (+92-21) 111-234-234 Ext: 816	muhammad.saad@igi.com.pk
Shumail Rauf	Research Analyst	Tel: (+92-21) 111-234-234 Ext: 957	shumail.rauf@igi.com.pk
Bharat Kishore	Database Officer	Tel: (+92-21) 111-234-234 Ext: 974	bharat.kishore@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) 38303559-68	zaeem.haider@igi.com.pk
Muhammad Naveed	Regional Manager (Islamabad & Upper North)	Tel: (+92-51) 2604861-62	muhammad.naveed@igi.com.pk
Irfan Ali	Regional Manager (Faisalabad)	Tel: (+92-41) 2540843-45	irfan.ali@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	mahtab.ali@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 # 134, 3rd Floor, Stock Exchange Building,
Stock Exchange Road, Karachi.
Tel: (+92-21) 32429613-4, 32462651-2
Fax: (+92-21) 32429607

<p>Lahore Office Shop # G-009, Ground Floor, Packages Mall Tel: (+92-42) 38303560-69 Fax: (+92-42) 38303559</p>	<p>Islamabad Office Mezzanine Floor, Office 5, 6 & 7, Kashmir Plaza, Block- B, Jinnah Avenue, Blue Area Tel: (+92-51) 2604861-2, 2604864, 2273439 Fax: (+92-51) 2273861</p>
<p>Faisalabad Office Room #: 515-516, 5th Floor, State Life Building, 2- Liaqat Road Tel: (+92-41) 2540843-45 Fax: (+92-41) 2540815</p>	<p>Rahim Yar Khan Office Plot # 12, Basement of Khalid Market, Model Town, Town Hall Road Tel: (+92-68) 5871652-3 Fax: (+92-68) 5871651</p>
<p>Multan Office Mezzanine Floor, Abdali Tower, Abdali Road Tel: (92-61) 4512003, 4571183</p>	

IGI Finex Securities Limited

Research Analyst(s)

Research Identity Number: BRP009

© Copyright 2020 IGI Finex Securities Limited