

Sector Update

Automobile Assemblers

Jan-21: Start of the year sales kick-off with +58%y/y growth in volumes

- As per data released by Pakistan Automotive Manufacturers Association (PAMA) for Jan-21, industry sales volume excluding 2/3 wheelers increased by +58%y/y and +31% m/m to 23k units. Moreover sales of 2/3 wheelers sales increased by +35% and +35% y/y to 162.5k units. Moreover, sales of 2/3 wheeler sales increased by +22%y/y to 157.1k units.
- With respect to company wise, PSMC witnessed an increase of +18% m/m and 50%y/y to 11.1K units during Jan-21. Likewise, the other two premium car makers INDU and HCAR portrayed an increase of 36%/39% m/m on sequential basis. Moreover, on yearly basis it increased by +36%/+11% y/y to 5.4k and 2.4k units during the month of Jan-21.
- We expect auto volumes will continue its recovery path deep into 20201 with recent Jan-21 sales data fortifying our view. We have an 'Overweight' stance on the sector with INDU as our top pick at current levels.

Jan-21 auto sales data fortifies strong rising trend intact

As per data released by Pakistan Automotive Manufacturers Association (PAMA) for Jan-21, industry sales volume excluding 2/3 wheeler increased by +58%y/y and +31% m/m to 23k units. Moreover sales of 2/3 wheeler sales increased by +35% and 3% y/y to 162.5k units.

Passenger cars and other company wise data

Further dissecting, passenger car segment sales increased by +44% to 14.5k units, with majority sales coming from above 1,300c engine size (+27%y/y to 6.9k units.). Meanwhile, sales of SUV segment stayed strong rising by 2xy/y to 1.2k units, but not in favor of new entrants. Sales of Honda's BRV (387units) and Toyota Fortuner (419units) compared to new entrant Hyundai Tucson, up by +1% m/m to 393 units.

Commercial vehicles sales continued its upward momentum:

Monthly tractor sales are up by 2x y/y to 5.2k units (+57% m/m) mainly on account of sales tax subsidy. MTL witnessed an increase of 3x y/y to 3.8k units (+30% m/m), while, AGTL portrayed an increase of 53% y/y to 1.3k units (4x m/m). Similarly, sales of busses and trucks also saw a +17% m/m growth to 1.4k units.

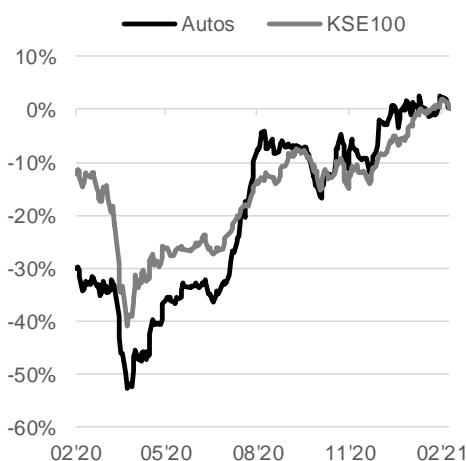
Major OEMs volumes keeping up the sales momentum

With respect to company wise, PSMC witnessed an increase of +18% m/m and 50%y/y to 11.1K units during Jan-21. Likewise, the other two premium car makers INDU and HCAR portrayed an increase of 36%/39% m/m on sequential basis. Moreover, on yearly basis it increased by +36%/+11% y/y to 5.4k and 2.4k units during the month of Jan-21.

HCAR: Civic/City and BR-V sales back to action

The combined sales of Civic/City stood at +2.4k units, primarily driven by sales of Civic despite the rumors of launching Civic/City new variant. On the other hand BR-V sales saw an increase of +65% m/m and +17% y/y respectively.

Relative Performance to KSE 100



Source: Bloomberg, PSX & IGI Research

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As a result total sales volumes for the company approached +2.4k units, up by +39% m/m and +11% y/y respectively. On a cumulative basis, sales for 7m'21 clocked in at +16k units, up by +11% y/y primarily driven by BR-V sales.

Exhibit: Monthly Automobile Assemblers Sales Summary								
	Jan-21	Dec-20	m/m	Jan-20	y/y	7m'21	7m'20	y/y
Below 1,000cc	4,813	3,549	36%	2,360	2x	24,616	30,505	-19%
1,000cc<>1,300cc	2,786	2,860	-3%	2,268	23%	15,781	13,423	18%
Above 1,300cc	6,944	4,838	44%	5,467	27%	41,172	25,264	63%
Passenger Cars	14,543	11,247	29%	10,095	44%	81,569	69,192	18%
Trucks	290	291	0%	393	-26%	1,940	2,097	-7%
Buses	73	51	43%	51	43%	370	424	-13%
Jeeps&SUVs	1,199	892	34%	482	2x	5,361	2,261	2x
Pick-ups	1,773	1,817	-2%	1,387	28%	10,539	8,008	32%
Tractors	5,209	3,320	57%	2,213	2x	26,974	17,447	55%
2-Wheeler	157,558	153,411	3%	136,120	16%	1,082,359	917,965	18%
3-Wheeler	5,006	3,705	35%	6,325	-21%	31,076	23,547	32%

Source: PAMA, IGI Research

INDU: All Variants except Corolla maintaining the company's growth trajectory up by +36% y/y

All the variants except corolla witnessed healthy growth levels taking company's volumes to +5.4k units, up by +36% y/y. Fortuner sales gained some traction, up by +3% y/y to 419 units, while sales of HILUX +21% y/y to 516 units. However, Corolla remained the laggard down by 15% m/m and 56% y/y to +1.5k units. We believe, the decline in sales of corolla is temporary, attributable to consumers holding back on their buying decision in anticipation of launch of new corolla face lift, and upcoming launch of corolla cross in Feb'21. We believe this is to target the rising demand of SUV segment (PC-to-SUV stood at 9x compared to previous ~20x during 2017-2019, almost ~54% growth. In addition, due to improvement in supply chain, the newly launched Toyota Yaris portrayed an increase of +2xm/m to 2.9k units

PSMC: Sales volume clocking at +50% y/y to 11.1k units with swift and Alto showing impressive growth

For the month in review, PSMC sales displayed an upsurge of +18% m/m and +50% y/y respectively. We ascribed this growth in PSMC's sales is due to New Year euphoria, rumors of a possible increase in price of Suzuki products.

On an individual basis all units reported increase in their volumes with sales of Swift witnessed major increase of 5xm/m and 3x y/y to 364 units. However, sales of Cultus witnessed a decline of 23% m/m and 14% y/y respectively. We believe this decline is due to supply constraints at Asian ports. Given the temporary nature of this problem, we believe sales of Suzuki cultus rising in the coming month once this issues is resolved. Moreover, Rumors of launch of Suzuki Every 660 cc to replace Suzuki Bolan increased Suzuki Bolan sales.

Outlook

We expect auto volumes will continue its recovery path deep into 2021 with recent Jan-21 sales data fortifying our view. We have an 'Over-weight' stance on sector with INDU as our top pick at current levels.

Exhibit: Monthly Automobile Assemblers Sales Summary								
	Jan-21	Dec-20	m/m	Jan-20	y/y	7m'21	7m'20	y/y
INDU	5,452	4,001	36%	4,022	36%	31,591	18,197	74%
Corolla	1,525	1,795	-15%	3,445	-56%	9,952	15,187	-34%
Yaris	2,992	1,440	2x	-	-	15,837	-	-
Fortuner	419	269	56%	150	3x	1,666	702	2x
Toyota Hilux	516	497	4%	427	21%	4,136	2,308	79%
PSMC	11,121	9,449	18%	7,431	50%	59,631	62,994	-5%
Swift	364	74	5x	144	3x	1,362	1,280	6%
Cultus	1,470	1,921	-23%	1,701	-14%	8,987	8,310	8%
Wagon R	1,316	939	40%	567	2x	6,794	5,113	33%
Mehran	-	-	-	2	-	-	1,699	-
Bolan	986	595	66%	564	75%	4,568	3,354	36%
Alto	3,827	2,954	30%	1,794	2x	20,048	25,452	-21%
Ravi	1,050	1,111	-5%	783	34%	5,190	5,045	3%
PSMC 2/w	2,108	1,855	14%	1,876	12%	12,682	12,741	0%
HCAR	2,450	1,764	39%	2,210	11%	16,116	10,356	56%
City/Civic	2,063	1,529	35%	1,878	10%	14,021	8,797	59%
BRV	387	235	65%	332	17%	2,095	1,559	34%
Hyundai	393	388	-	-	-	1,600	-	-
Tucson	393	388	1%	-	-	1,600	-	-
AGTL	1,347	345	4x	882	53%	7,545	6,763	12%
Fiat	1,347	345	4x	882	53%	7,545	6,763	12%
MTL	3,862	2,975	30%	1,309	3x	19,400	10,537	84%
Massey Ferguson	3,862	2,975	30%	1,309	3x	19,400	10,537	84%
HINO	83	100	-17%	109	-24%	526	1,006	-48%
Hino Bus	13	13	0%	11	18%	113	192	-41%
Hino Truck	70	87	-20%	98	-29%	413	814	-49%
GHNL	89	87	2%	74	20%	490	301	63%
Nissan	-	-	-	-	-	-	-	-
Dong Feng	-	-	-	-	-	-	-	-
JAC	34	21	62%	7	5x	127	20	6x
JAC Pick-up	55	66	-17%	67	-18%	363	281	29%
GHNI	155	159	-3%	258	-40%	1,168	1,398	-16%
Isuzu Truck	123	111	11%	208	-41%	912	985	-7%
Isuzu Bus	2	28	-93%	10	-80%	85	109	-22%
D-Max	30	20	50%	40	-25%	171	304	-44%
ATLH	114,001	106,030	8%	95,016	20%	732,041	610,189	20%
Honda 2/w	114,001	106,030	8%	95,016	20%	732,041	610,189	20%
SZEW	2,007	991	2x	2,524	-20%	9,028	6,505	39%
Sazgar 3/w	2,007	991	2x	2,524	-20%	9,028	6,505	39%

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