

# Day Break

Wednesday, 12 April 2017

## Sector Update

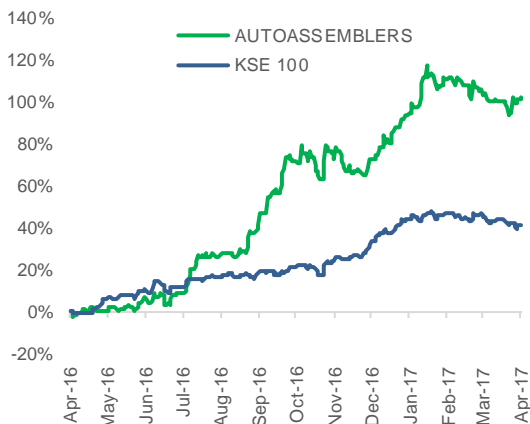
Industry	Mar-17	MoM	Mar-16	YoY
Passenger Cars	18,295	7%	15,272	20%
Commercial	732	0%	648	13%
Pick-up / Jeeps	2,210	-14%	2,315	-5%
Farm Tractor	6,650	18%	4,397	51%
Motorcycle	130,670	2%	110,173	19%
3-w heeler	6,257	-13%	4,440	41%
<b>Total</b>	<b>164,814</b>	<b>2%</b>	<b>137,245</b>	<b>20%</b>

INDU	Mar-17	MoM	Mar-16	YoY
Corolla	5,193	12%	5,275	-2%
Fortuner	243	3%	60	305%
Hilux	498	-25%	446	12%
<b>Total</b>	<b>5,934</b>	<b>7%</b>	<b>5,781</b>	<b>3%</b>

HCAR	Mar-17	MoM	Mar-16	YoY
Civic + City	3,795	1%	2,749	38%

PSMC	Mar-17	MoM	Mar-16	YoY
Wagon R	1,783	0.084	837	1.13
Mehran	3,774	12%	2,898	30%
Cultus	1,685	-4%	1,630	3%
Ravi	1,469	-12%	1,808	-19%
Bolan	1,657	1%	1,500	10%
<b>Total</b>	<b>10,776</b>	<b>4%</b>	<b>9,055</b>	<b>19%</b>

### Relative Performance to KSE 100



Source: Bloomberg, KSE 100 & IGI Research

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## Automobile Assembler

### Auto volumes up by 6%MoM in Mar-17

- As per the latest Pakistan Automotive Manufacturers Association (PAMA), total OEM sales for 9MFY17 recorded a growth of +19%YoY to 1.41mn units, with Tractors registering a +73%YoY growth to 38.4k units. Passenger cars, recorded a +2%YoY growth to 139.5k units, led by +32%YoY jump in sales of 800-1,000cc engine category.
- We maintain our overweight stance on automobile assemblers, with a "BUY" call on PSMC with target price of PKR 741/share offering an upside of +19.4% from its last closing. We have a "HOLD" call on HCAR/INDU with a target price of PKR 721/share / PKR 1,816/share providing a downside/upside of 7.1%/+8.3%.

### Auto sales increase by +19%YoY to 1.41mn units during 9MFY17

As per the latest Pakistan Automotive Manufacturers Association (PAMA), total OEM sales for 9MFY17 recorded a growth of +19%YoY to 1.41mn units, with Tractors registering a +73%YoY growth to 38.4k units. Passenger cars, recorded a +2%YoY growth to 139.5k units, led by +32%YoY jump in sales of 800-1,000cc engine category. On a monthly basis, overall OEM sales were up by +2% to 164.8k units.

Company-wise, AGTL and MTL recorded sales growth of +25% and +13% on a monthly, basis, whereas GHNL posted a monthly decline of 22%. Under our coverage companies, PSMC registered growth of +4% to 10.8k units, HCAR up by +1% and INDU sales up by +7% on a monthly basis. For the 9MCY17, HCAR registered highest sales growth of +52%YoY.

Exhibit:

### Monthly PAMA Sales

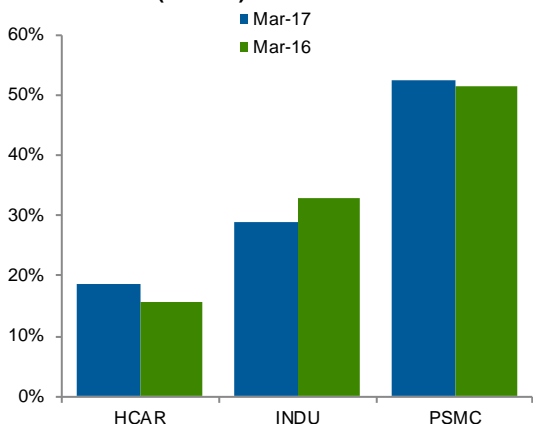
UNITS	Mar-17	MoM	YoY	9MFY17	YoY
=>1300	9,396	8%	12%	72,095	11%
800<x<1000	3,468	2%	41%	24,501	32%
1000<x<1300	5,431	9%	23%	42,974	-20%
PASS. CARS	18,295	7%	20%	139,570	2%
TRUCKS / BUSES	732	0%	13%	6,174	39%
PICK-UP/JEEPS	2,210	-14%	-5%	19,038	-36%
TRACTOR	6,650	18%	51%	38,428	73%
2/W	130,670	2%	19%	1,152,254	20%
3/W	6,257	-13%	41%	53,784	54%
<b>TOTAL</b>	<b>164,814</b>	<b>2%</b>	<b>20%</b>	<b>1,409,248</b>	<b>19%</b>

Source: PAMA, IGI Research

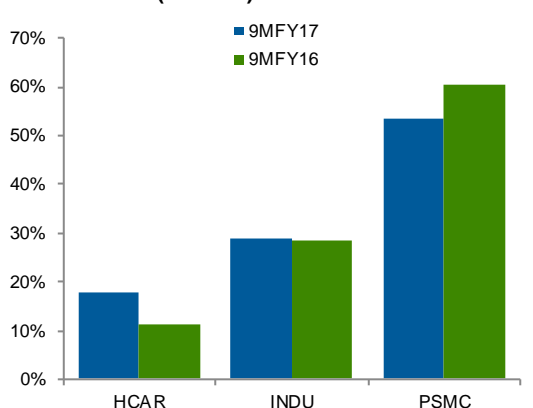
### HCAR: Civic euphoria continue to uplift sales number...

Euphoria of HCAR's new Civic model continued well into 2017, with sales up by +84%YoY (+16%MoM) to ~1,518units during Mar-17 (up by +79%YoY to 9,925units

**Market share (Mar-17)**



**Market share (9MFY17)**



in 9MFY17). For City variant, sales recorded a growth of +18%YoY (down by 7%MoM) to 2,277units during Mar-17 (up by +40%YoY to 18,195units in 9MFY17).

**...the company could procure +20% earnings CAGR with launch of BRV SUV variant in the next 3Yrs**

Given the benefit under AIDP-II, the company has intended to extend its SUV category with launch of Honda BRV variant (small size SUV). Although not officially launched, we expect the variant to hit the market by early next month (May-17), having starting price tag of PKR 2.2mn to 2.35mn, we project monthly demand in the range of 400-430units (market sources suggest ~3,500 units have already been pre-booked). Going with our assumption, BRV could accrete earnings growth for the company by nearly +20% over the next 3Yr, compared to +11% CAGR earlier estimated without BRV. We await official announcement by the company.

Exhibit:

**HCAR Variant Sales**

UNITS	Mar-17	MoM	YoY	9MFY17	YoY
CIVIC	1,518	16%	84%	9,925	79%
CITY	2,277	-7%	18%	18,195	40%
<b>HCAR</b>	<b>3,795</b>	<b>1%</b>	<b>38%</b>	<b>28,120</b>	<b>52%</b>

Source: PAMA, IGI Research

**INDU: Corolla facing stiff competition, Fortuner steals the show**

INDU’s volume witnessed an increase of +3%YoY to the tune of 5,934units during Mar-17 (+7%MoM), however down by 4%YoY in 9MFY17. INDU’s Fortuner variant sales displayed impressive growth of +4.1x%YoY (+3%MoM) to reach 243units, bringing 9MFY17 sales up by +89%YoY to 811units. Whereas Hilux/Revo sales recorded growth of +12%YoY (down by 25%MoM) to 498units during Mar-17, bringing 9MFY17 up by +14%YoY to 4,239units.

Exhibit:

**INDU Variant Sales**

UNITS	Mar-17	MoM	YoY	9MFY17	YoY
COROLLA	5,193	12%	-2%	40,694	-6%
FORTUNER	243	3%	305%	811	89%
TOYOTA HILUX	498	-25%	12%	4,239	14%
<b>INDU</b>	<b>5,934</b>	<b>7%</b>	<b>3%</b>	<b>45,744</b>	<b>-4%</b>

Source: PAMA, IGI Research

**PSMC: Mehran and Wagon-R displayed impressive sales growth**

PSMC’s volumes are up by +4%MoM to 10.8k units in Mar-17. Sales of Wagon-R variant showed an impressive +8%MoM growth, recording 1,783units in month of Mar-17. This brings 9MFY17 total sales of Wagon-R to 12.6k units (up by +84%YoY). Similarly, Mehran registered an impressive +12%MoM sales to 3.8k units during the month of Mar-17. However, PSMC volumes declined by 16%YoY to 84,743units in 9MFY17, owing to 45%/41%YoY drop in Ravi/Bolan sales.

Source: PAMA, Bloomberg, Company Acc.

Exhibit:

**PSMC Variant Sales**

UNITS	Mar-17	MoM	YoY	9MFY17	YoY
WAGON R	1,783	8%	113%	12,595	84%
CULTUS	1,685	-4%	3%	11,905	1%
SWIFT	408	17%	7%	3,281	10%
RAVI	1,469	-12%	-19%	13,988	-45%
POTOHAR	-	0%	0%	-	0%
BOLAN	1,657	1%	10%	14,938	-41%
MEHRAN	3,774	12%	30%	28,036	-1%
LIANA / CIAZ	-	0%	0%	-	0%
<b>PSMC</b>	<b>10,776</b>	<b>4%</b>	<b>19%</b>	<b>84,743</b>	<b>-16%</b>
PSMC 2W	1,562	-8%	8%	13,599	4%

Source: PAMA, IGI Research

**Recommendation**

We maintain our overweight stance on automobile assemblers, with a **“BUY”** call on PSMC with target price of PKR 741/share offering an upside of +19.4% from its last closing. We have a **“HOLD”** call on HCAR/INDU with a target price of PKR 721/share / PKR 1,816/share providing a downside/upside of 7.1%/+8.3%.

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