

# Day Break

Monday, 14 November 2016

## Sector Update

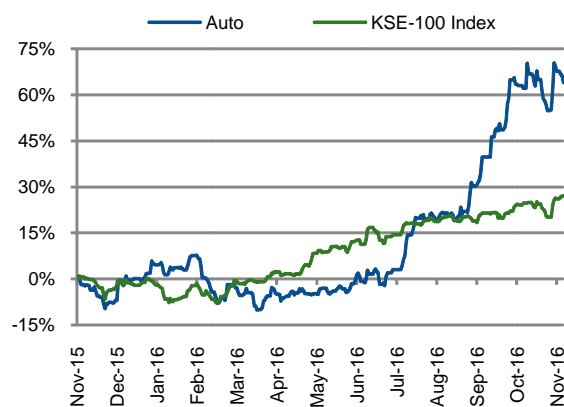
Industry	Oct-16	MoM	Oct-15	YoY
Passenger Cars	14,454	3%	15,709	-8%
Commercial	587	2%	429	37%
Pick-up / Jeeps	1,534	-22%	4,020	-62%
Farm Tractor	4,642	46%	2,403	93%
Motorcycle	134,741	13%	109,177	23%
3-wheeler	5,203	6%	3,781	38%
Total	161,161	12%	135,519	19%

INDU	Oct-16	MoM	Oct-15	YoY
Corolla	3,954	-10%	4,912	-20%
Fortuner	18	-47%	46	-61%
Hilux	43	-86%	502	-91%
Total	4,015	-16%	5,460	-26%

HCAR	Oct-16	MoM	Oct-15	YoY
Civic + City	3,000	9%	1,875	60%

PSMC	Oct-16	MoM	Oct-15	YoY
Mehran	3,095	20%	3,367	-8%
Cultus	1,188	5%	1,340	-11%
Ravi	1,473	-9%	3,416	-57%
Bolan	1,434	-21%	3,123	-54%
Total	8,973	5%	12,338	-27%

### Relative Performance to KSE 100



Source: Bloomberg, KSE 100 & IGI Research

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## Automobile Assembler

### Passenger car volumes slightly down by 8%YoY in Oct-16

- As per latest data released by Pakistan Automotive Manufacturers Association, industry sales witnessed growth of +19%YoY to 161kunits for the month of Oct-16, largely on the back of +23%YoY rise in motorcycles sales volume to 134.7kunits.
- For Oct-16, This PSMC sales volume enfeebled by 27%YoY. INDU's sales volume plummeted by 26%YoY. HCAR sales grew by +60%YoY.
- We have an underweight stance on automobile assemblers as INDU and HCAR have rallied significantly ahead of it fundamentals. We currently have a "Sell" call on INDU and HCAR with target price of PKR 1,263/share and PKR 380/share.

### Automobile sales up by +19%YoY in Oct-16

As per latest data released by Pakistan Automotive Manufacturers Association, industry sales witnessed growth of +19%YoY to 161kunits for the month of Oct-16, largely on the back of +23%YoY rise in motorcycles sales volume to 134.7kunits. On the contrary, passenger cars volumes shrunk by 8%YoY to 14.5kunits despite launch of 10th Generation Civic by HCAR. This slowdown in volumes was mainly on account of a) conclusion of "Apna Rozgar Scheme" for PSMC in Feb-16, b) diminishing popularity of aging Corolla variant as demand tilts towards the HCAR's new Civic Model launched in Jul-16.

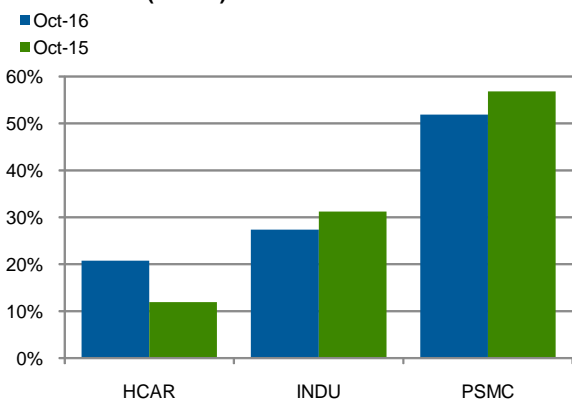
For 4MFY17, total industry volumes improved by +12%YoY to 582.0kunits, however passenger cars sales ebbed by 7%YoY to 55.9kunits.

### Exhibit: PAMA Monthly Auto Sales Numbers – Oct-16 (Units)

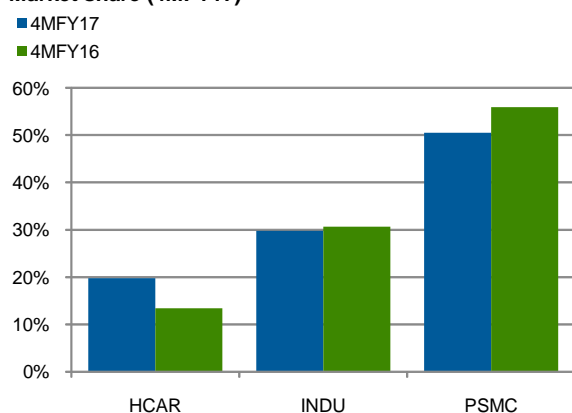
	Oct-16	MoM	Oct-15	YoY	4MFY17	YoY
=>1300	7,291	-3%	7,107	3%	29,051	5%
800<x<1000	4,529	3%	6,490	-30%	17,467	-30%
1000<x<1300	2,634	22%	2,112	25%	9,341	26%
Passenger Cars	14,454	3%	15,709	-8%	55,859	-7%
Commercial	587	2%	429	37%	2,580	55%
Pick-up / Jeeps	1,534	-22%	4,020	-62%	7,774	-46%
Farm Tractor	4,642	46%	2,403	93%	11,646	27%
Motorcycle	134,741	13%	109,177	23%	484,406	15%
3-wheeler	5,203	6%	3,781	38%	19,673	41%
Total	161,161	12%	135,519	19%	581,938	12%

Source: IGI Research, PAMA

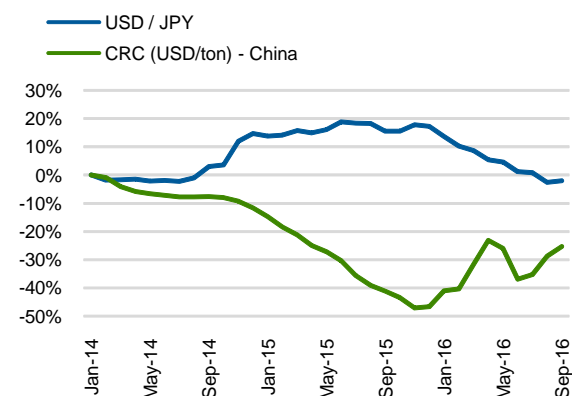
**Market share (Oct-16)**



**Market share (4MFY17)**



**JPY and CRC movement (base Jan-14)**



**PSMC: Volume dipped by 27%YoY in Oct-16 owing to high base effect**

PSMC sales volume enfeebled by 27%YoY because of the lower sales of Bolan/Ravi, down by 54%YoY/57%YoY to 3.4kunits each respectively, owing to conclusion of “Apna Rozgar Taxi Scheme” in Feb-16. However some support to the dwindling volumes of PSMC was provided by Wagon R with an august volumetric growth of +87%YoY to 1.5kunits during the month of Oct-16. On sequential basis, sales increased by +5%MoM with the support of Mehran (+20%MoM) and Wagon R (+40%MoM). For the period of 4MFY17, PSMC sales dipped by 26%YoY to 34.1kunits compared to 46.1kunits in the same period last year due to abnormally high base of 4MFY16.

**INDU: Increased competition from New Civic weighted on volumes**

The company’s sales volume plummeted by 26%YoY/16%MoM to 4.0kunits for the month of Oct-16 as a consequence of dip in sales of the company flagship variant Corolla, down by 20%YoY/10%MoM as demands tilts towards HCAR’S new Civic model launched in 1QFY17 and 11th Generation Corolla ages. Moreover, sales of Hilux also decreased by 91%YoY/86%MoM to mere 43units on expectation of launch of Hilux New Generation dubbed “Hilux Revo” in Dec-16. For 4MFY16, INDU’s sales slowed down by 9%YoY to 20.2kunits on account of decline of 10%YoY to 16.6kunits in Corolla sales.

**HCAR: New Civic Model propping up volumes**

HCAR sales grew by +60%YoY/+9%MoM to 3.0k units in Oct-16, we believe the growth is mainly on the back of upsurge in demand Civic 10th Generation launched in Jul-16, City sales sustained its demand supporting total sales volume of the company. During 4MFY17, the company volumetric sales witnessed +37%YoY growth fuelled by New Generation Civic model.

**Recommendation**

We have an underweight stance on automobile assemblers as INDU and HCAR have rallied significantly ahead of it fundamentals. We currently have a “Sell” call on INDU and HCAR with target price of PKR 1,263/share and PKR 380/share.

**Exhibit: PAMA Monthly Auto Sales Numbers (Units) Company- wise**

	Oct-16	MoM	Oct-15	YoY	4MFY17	YoY
HCAR	3,000	9%	1,875	60%	11,059	37%
INDU	4,015	-16%	5,460	-26%	18,400	-9%
PSMC	8,973	5%	12,338	-27%	34,174	-26%
AGTL	2,201	112%	1,001	120%	4,627	48%
MTL	2,441	14%	1,329	84%	7,014	23%
HINO	239	0%	157	52%	1,282	51%
GHNL	63	31%	30	110%	279	41%
GHNI	170	31%	101	68%	686	79%
ATLH	80,479	9%	70,010	15%	290,485	12%

Source: IGI Research, PAMA

Source: PAMA, Bloomberg, Company Acc.

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**Time Horizon:** Jun - 2017

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