

Sector Update

Company-wise sales

	Dec-20	m/m	y/y	6m'21	y/y
INDU	4,001	-19%	72%	26,139	84%
PSMC	9,449	6%	-11%	48,510	-13%
HCAR	1,764	-21%	76%	13,666	68%
AGTL	345	-62%	2x	6,198	5%
MTL	2,975	28%	3x	15,538	68%
ALTH	106,030	-2%	25%	618,040	20%
GHNL	87	-1%	4x	401	77%
GHNI	159	13%	-10%	1,013	-11%

Segment-wise sales

	Dec-20	m/m	y/y	6m'21	y/y
P. Cars	11,247	-6%	13%	67,026	13%
Trucks	291	14%	15%	1,650	-3%
Buses	51	-15%	-16%	297	-20%
Jeeps/SUV	892	3%	5x	4,162	2x
Pick-ups	1,817	4%	-5%	8,766	32%
Tractors	3,320	3%	3x	21,765	43%
2-Wheeler	153,411	-7%	22%	924,801	18%
3-Wheeler	3,705	9%	14%	26,070	51%

Relative Performance to KSE 100



Source: Bloomberg, PSX & IGI Research

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Automobile Assemblers

Dec-20: Industry volumes increased on reviving demand; Passenger Cars sales soared by +13%y/y

- As per latest sales data released by Pakistan Automotive Manufacturers Association (PAMA) for Dec-20 industry sales volume excluding 2/3 wheeler increased by +30%y/y (down by 3%m/m) to 17.6k units, despite the year-end seasonal impact. 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 +6% m/m and decline by 11% y/y to 9.4K units during Dec-20. Likewise, the other two premium car makers INDU and HCAR portrayed a decline of 19%/21% m/m on sequential basis however, increased by +72%/+76% y/y to 4.0k and 1.7k units during the month of Dec-20.
- We expect auto volumes will continue its recovery path deep into 2021 with recent Dec-20 sales data fortifying our view. We have an 'Over-weight' stance on sector with INDU as our top pick at current levels.

Dec-20 auto sales data fortifies strong rising trend intact

As per latest sales data released by Pakistan Automotive Manufacturers Association (PAMA) for Dec-20 industry sales volume excluding 2/3 wheeler increased by +30%y/y (down by 3%m/m) to 17.6k units, despite the year-end seasonal impact. Moreover sales of 2/3 wheeler sales increased by +22%y/y to 157.1k units.

Passenger cars and other company wise data

Further dissecting, passenger car segment sales increased by +13% to 11.2k units, with majority sales coming from above 1,300c engine size (+49%y/y to 4.8k units.). Meanwhile, sales of SUV segment stayed strong rising by 5xy/y to 892 units, but remain in favour of new entrants. Sales of Honda's BRV (235units) and Toyota Fortuner (269units) compared to new entrant Hyundai Tucson, up by +5%m/m to 388units.

Commercial vehicles sales remained an upward momentum:

Monthly tractor sales are up by 3x y/y to 3.3k units (+3% m/m) mainly on account of sales tax subsidy. MTL witnessed an increase of 3x y/y to 2.9k units (+28% m/m), while, AGTL portrayed an increase of 2x y/y 345 units (-62% m/m). Similarly, sales of busses and trucks also saw a +9%m/m growth to 342units.

Major OEMs displayed mixed growth; PSMC led the pack on sequential basis

With respect to company wise, PSMC witnessed an increase of +6% m/m and decline by 11% y/y to 9.4K units during Dec-20. Likewise, the other two premium car makers INDU and HCAR portrayed a decline of 19%/21% m/m on sequential basis however, increased by +72%/+76% y/y to 4.0k and 1.7k units during the month of Dec-20.

Exhibit: Monthly Automobile Assemblers Sales Summary

	Dec-20	Nov-20	m/m	Dec-19	y/y	6m'21	6m'20	y/y
Below 1,000cc	3,549	3,272	8%	4,616	-23%	19,803	28,145	-30%
1,000cc<>1,300cc	2,860	2,398	19%	2,125	35%	12,995	11,155	16%
Above 1,300cc	4,838	6,244	-23%	3,246	49%	34,228	19,797	73%
Passenger Cars	11,247	11,914	-6%	9,987	13%	67,026	59,097	13%
Trucks	291	255	14%	254	15%	1,650	1,704	-3%
Buses	51	60	-15%	61	-16%	297	373	-20%
Jeeps & SUVs	892	869	3%	197	5x	4,162	1,779	2x
Pick-ups	1,817	1,750	4%	1,916	-5%	8,766	6,621	32%
Tractors	3,320	3,234	3%	1,153	3x	21,765	15,234	43%
2-Wheeler	153,411	165,549	-7%	125,604	22%	924,801	781,845	18%
3-Wheeler	3,705	3,388	9%	3,262	14%	26,070	17,222	51%

HCAR: sales gained some respite on yearly basis

Dec-20 sales dropped by 21% m/m: HCAR sales dropped by 21% on m/m basis, due to slowdown in sales of civic/city variants slowest since May-20 production re-opening post Covid19. Sales of BRV variant remain close to its historic average of 250 units at 235units albeit improving +94% m/m.

Anticipation of new upcoming variants of Civic and City in 2021 (official launch dates not announced yet) is partially one of the reason for slowdown in company's sales, along with competitors low price variants including Yaris, Sportage and Tucson, is narrowing overall sales pie.

INDU: Total sales up by +84% y/y to ~26.1k units for 6MFY20

INDU sales dropped by 19% on a sequential basis, due to slowdown in sales of almost all variants except corolla, with yaris coming across a hefty drop of 38% m/m to ~1.4k units. Likewise, Fortuner and Hilux also observed a major drop (23%/ 10% m/m) in their sales to 0.26k units and 0.49k units respectively. The company is facing supply chain disruption due to ongoing congestion at Asian ports, leaving no choice but to close plant.

Under the passenger car segment, INDU is expected to launch their flagship model new/face lift in 2021. Moreover, INDU is planning to launch Toyota Corolla Cross in coming months. The target is to address the riding demand of SUV segment (PC-to-SUV ratio stood at ~9x compared to previous ~20x during 2017-19, almost ~54% growth).

PSMC: Led the pack on sequential basis; however, declined by 11% y/y to 9.4k units

For the month in review, PSMC sales displayed meager 6% m/m increase in its sales, while decline by 11% y/y to 9.4k units. On an individual basis all units reported increase in their volumes with sales of Cultus witnessed major increase of 27% m/m and 2x y/y to 1.9k units. On yearly basis, almost all the segment observed a decline with major decline coming from the discontinued variant swift, down by 73% y/y to 74 units

Going forward, we think, high price elasticity of demand for low end vehicle is not being the primary choice of auto financing and increasing competition from picanto and used imported cars will restrict PSMCs sales volumes.

Outlook

We expect auto volumes will continue its recovery path deep into 2021 with recent Dec-20 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								
	Dec-20	Nov-20	m/m	Dec-19	y/y	6m'21	6m'20	y/y
INDU	4,001	4,942	-19%	2,332	72%	26,139	14,175	84%
Corolla	1,795	1,704	5%	2,085	-14%	8,427	11,742	-28%
Yaris	1,440	2,338	-38%	-	-	12,845	-	-
Fortuner	269	349	-23%	76	4x	1,247	552	2x
Toyota Hilux	497	551	-10%	171	3x	3,620	1,881	92%
PSMC	9,449	8,894	6%	10,630	-11%	48,510	55,563	-13%
Swift	74	114	-35%	277	-73%	998	1,136	-12%
Cultus	1,921	1,517	27%	918	2x	7,517	6,609	14%
Wagon R	939	881	7%	1,207	-22%	5,478	4,546	21%
Mehran	-	-	-	75	-100%	-	1,697	-
Bolan	595	549	8%	841	-29%	3,582	2,790	28%
Alto	2,954	2,723	8%	3,700	-20%	16,221	23,658	-31%
Ravi	1,111	1,019	9%	1,714	-35%	4,140	4,262	-3%
PSMC 2/w	1,855	2,091	-11%	1,898	-2%	10,574	10,865	-3%
HCAR	1,764	2,237	-21%	1,005	76%	13,666	8,146	68%
City/Civic	1,529	2,088	-27%	884	73%	11,958	6,919	73%
BRV	235	149	58%	121	94%	1,708	1,227	39%
Hyundai	388	371	-	-	-	1,207	-	-
Tucson	388	371	5%	-	-	1,207	-	-
AGTL	345	903	-62%	140	2x	6,198	5,881	5%
Fiat	345	903	-62%	140	2x	6,198	5,881	5%
MTL	2,975	2,331	28%	1,005	3x	15,538	9,228	68%
Massey Ferguson	2,975	2,331	28%	1,005	3x	15,538	9,228	68%
HINO	100	90	11%	125	-20%	443	897	-51%
Hino Bus	13	15	-13%	35	-63%	100	181	-45%
Hino Truck	87	75	16%	90	-3%	343	716	-52%
GHNL	87	88	-1%	20	4x	401	227	77%
Nissan	-	-	-	-	-	-	-	-
Dong Feng	-	-	-	-	-	-	-	-
JAC	21	12	75%	3	7x	93	13	7x
JAC Pick-up	66	76	-13%	17	4x	308	214	44%
GHNI	159	141	13%	176	-10%	1,013	1,140	-11%
Isuzu Truck	111	110	1%	146	-24%	789	777	2%
Isuzu Bus	28	28	0%	16	75%	83	99	-16%
D-Max	20	3	7x	14	43%	141	264	-47%
ATLH	106,030	108,005	-2%	85,030	25%	618,040	515,173	20%
Honda 2/w	106,030	108,005	-2%	85,030	25%	618,040	515,173	20%
SZEW	991	806	23%	615	61%	7,021	3,981	76%
Sazgar 3/w	991	806	23%	615	61%	7,021	3,981	76%

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