

Sector Update

Automobile Assemblers

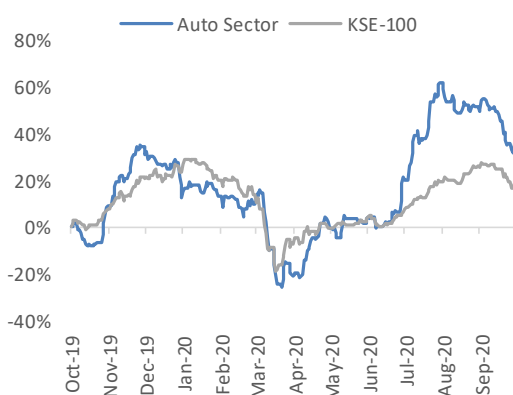
Sep-20: Volumes continue to increase; 1QFY21 sales surged by +9% y/y to 49k units

- 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

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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