

# Day Break

Friday, 14 October 2016

## Sector Update

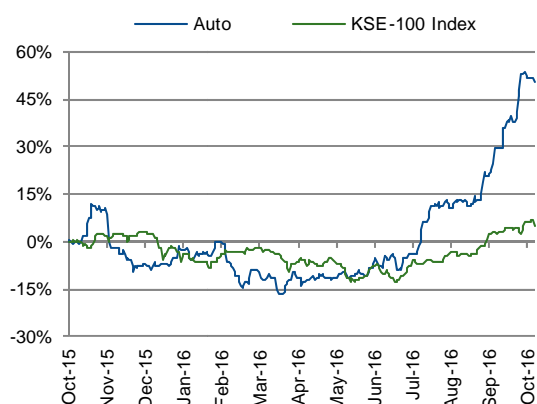
Industry	Sep-16	MoM	Sep-15	YoY
Passenger Cars	14,088	-7%	15,204	-7%
Commercial	578	-19%	433	33%
Pick-up / Jeeps	1,972	-21%	3,220	-39%
Farm Tractor	3,172	33%	3,096	2%
Motorcycle	117,727	-8%	102,865	14%
3-w heeler	4,911	-13%	3,271	50%
Total	142,448	-7%	128,089	11%

INDU	Sep-16	MoM	Sep-15	YoY
Corolla	4,405	-4%	4,672	-6%
Hilux	34	-51%	54	-37%
Fortuner	318	-61%	258	23%
Total	4,757	-13%	4,984	-5%

HCAR	Sep-16	MoM	Sep-15	YoY
Civic + City	2,764	-13%	2,001	38%

PSMC	Sep-16	MoM	Sep-15	YoY
Mehran	2,572	-17%	2,860	-10%
Cultus	1,132	8%	1,266	-11%
Ravi	1,620	1%	2,859	-43%
Bolan	1,825	8%	3,487	-48%
Total	8,539	-5%	11,389	-25%

### Relative Performance to KSE 100



Source: Bloomberg, KSE 100 & IGI Research

### Analyst

**Yawar Saeed**

yaw.ar.saeed@igi.com.pk

Tel: (+92-21) 111-234-234 Ext.: 973

## Automobile Assembler

### Passenger car volumes slightly down by 7%YoY in Sep-16

- Industry sales witnessed a growth of +11%YoY to clock in at 143kunits, largely due to +14%YoY increase in motorcycle segment to 103k units. However, volumes contracted by 7%YoY to 14kunits for passenger cars owing to conclusion of 'ApnaRozgaar Scheme' for PSMC in Feb-16 and slowdown in sales of aging Corolla variant on account of rising demand for HCAR's new Civic Model launched.
- PSMC sales volume declined by 25%YoY/5%MoM to 8.5kunits as Bolan and Ravi sales witnessed a drop of 48%YoY and 43%YoY to 1.8kunits and 1.6kunits respectively. For INDU, sales dipped by 5%YoY/13%MoM to 4.76kunits. Corolla, the flagship variant of INDU witnessed slowdown in sales by 6%YoY to 4.4kunits.
- HCAR experienced healthy growth of +38%YoY despite contracting on monthly basis by 13%MoM to arrive at 2.76kunits. We believe this growth is largely on the back of new Civic Model launched in Jul-16, whereas, City sales sustained its demand supporting the total sales volume of the company.

### Auto Sales volumes up by +11%YoY in Sep-16

Industry sales witnessed a growth of +11%YoY to clock in at 143kunits, largely due to +14%YoY increase in motorcycle segment to 103k units. However, volumes contracted by 7%YoY to 14kunits for passenger cars owing to conclusion of 'ApnaRozgaar Scheme' for PSMC in Feb-16 and slowdown in sales of aging Corolla variant on account of rising demand for HCAR's new Civic Model launched.

### PSMC: Volumes decrease post Rozgar Scheme

PSMC sales volume declined by 25%YoY/5%MoM to 8.5kunits as Bolan and Ravi sales witnessed a drop of 48%YoY and 43%YoY to 1.8kunits and 1.6kunits respectively, owing to conclusion of 'ApnaRozgaar Scheme'. However, Wagon R volumes leaped up by +69%YoY to arrive at 1,000 units for Sep-16, followed by 17%YoY uptick in Swift.

PSMC sales volume for 1QCY17 contracted by 25%YoY to 25kunits compared to 34kunits in the same period last year.

**Exhibit: PAMA Monthly Auto Sales Numbers (Units)**

	1QFY17	1QFY16	YoY	Sep-16	MoM	Sep-15	YoY
=>1300	21,760	20,674	5%	7,526	-7%	6,977	8%
800<x<1000	12,938	18,378	-30%	4,397	-8%	6,347	-31%
1000<x<1300	6,707	5,320	26%	2,165	-6%	1,880	15%
Passenger Cars	41,405	44,372	-7%	14,088	-7%	15,204	-7%
Commercial	1,993	1,231	62%	578	-19%	433	33%
Pick-up / Jeeps	6,240	10,440	-40%	1,972	-21%	3,220	-39%
Farm Tractor	7,004	6,745	4%	3,172	33%	3,096	2%
Motorcycle	348,084	311,162	12%	117,727	-8%	102,865	14%
3-wheeler	14,470	10,217	42%	4,911	-13%	3,271	50%
Total	419,196	384,167	9%	142,448	-7%	128,089	11%

Source: IGI Research, PAMA

**INDU: Volumes remain bleak owing to aging Corolla Model**

Sales dipped by 5%YoY/13%MoM to 4.76kunits. Corolla, the flagship variant of INDU witnessed slowdown in sales by 6%YoY to 4.4kunits. We believe this slowdown is on account of competition from new Civic Model launched in Jul-16 and aging 11th Generation Corolla launched in Jul-14. On the other hand, Hilux grew by +23%YoY to 318units.

**HCAR: Buoyant sales owing to new Civic Model**

The company experienced healthy growth of +38%YoY despite contracting on monthly basis by 13%MoM to arrive at 2.76kunits. We believe this growth is largely on the back of new Civic Model launched in Jul-16, whereas, City sales sustained its demand supporting the total sales volume of the company.

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

	1QFY17	1QFY16	YoY	Sep-16	MoM	Sep-15	YoY
HCAR	8,059	6,184	30%	2,764	-13%	2,001	38%
INDU	14,385	14,767	-3%	4,757	-13%	4,984	-5%
PSMC	25,201	33,770	-25%	8,539	-5%	11,389	-25%
AGTL	2,426	2,131	14%	1,040	34%	710	46%
MTL	4,573	4,392	4%	2,132	32%	2,320	-8%
HINO	1,015	611	66%	238	-15%	166	43%
GHNL	216	168	29%	48	-30%	30	60%
GHNI	516	283	82%	130	-29%	133	-2%
ATLH	210,006	188,741	11%	73,530	-4%	64,251	14%

Source: IGI Research, PAMA

## Important Disclaimer and Disclosures

**Research Analyst(s) Certification:** The Research Analyst(s) hereby certify that the views about the company/companies and the security/securities discussed in this report accurately reflect his or her or their personal views and that he/she has not received and will not receive direct or indirect compensation in exchange for expressing specific recommendations or views in this report. The analyst(s) is principally responsible for the preparation of this research report and that he/she or his/her close family/relative does not own 1% or more of a class of common equity securities of the following company/companies covered in this report.

**Disclaimer:** The information and opinions contained herein are prepared by IGI Finex Securities Limited and is for information purposes only. Whilst every effort has been made to ensure that all the information (including any recommendations or opinions expressed) contained in this document (the information) is not misleading or unreliable, IGI Finex Securities Limited makes no representation as to the accuracy or completeness of the information. Neither, IGI Finex Securities Limited nor any director, officer or employee of IGI Finex Securities Limited shall in any manner be liable or responsible for any loss that may be occasioned as consequence of a party relying on the information. This document takes no account of the investment objectives, financial situation and particular needs of investors, who shall seek further professional advice before making any investment decision. This document and the information may not be reproduced, distributed or published by any recipient for any purpose. This report is not directed or intended for distribution to, or use by any person or entity not a client of IGI Finex Securities Limited, else directed for distribution.

**Rating system:** IGI Finex Securities employs three tier ratings system, depending upon expected total return (return is defined as capital gain exclusive of tax) of the security in stated time period, as follows:

Recommendation	Rating System
Buy	If target price on aforementioned security(ies) is more than 10%, from its last closing price(s)
Hold	If target price on aforementioned security(ies) is in between -10% and 10%, from its last closing price(s)
Sell	If target price on aforementioned security(ies) is more than -10%, from its last closing price(s)

**Time Horizon:** Jun - 2017

**Valuation Methodology:** The analyst(s) has used following valuation methodology to arrive at the target price of the said security (ies):

DCF (Discounted Cash Flow)

**Risk:** Investment in securities are subject to economic risk, market risk, interest rate risks, currency risks, credit risks, political and geopolitical risks. The performance of company(ies) covered herein might unfavorably be affected by multiple factors including, business, economic, and political conditions. Hence, there is no assurance or guarantee that estimates, recommendation, opinion, etc. given about the security(ies)/company(ies) in the report will be achieved.

**Basic Definitions and Terminologies used:** **Target Price:** A price target is the projected price level of a financial security stated by an investment analyst or advisor. It represents a security's price that, if achieved, results in a trader recognizing the best possible outcome for his investment. **Market Cap.:** Market capitalization is calculated by multiplying a company's shares outstanding by current trading price. **ROE:** Return on equity is the amount of net income returned as a percentage of shareholders' equity. **P/E:** Price to Earnings ratio of a company's share price to its per-share earnings. **P/B:** Price to Book ratio used to compare a stock's market value to its book value. **DY:** The dividend yield is dividend per share, divided by the price per share.

IGI Finex Securities Limited

**Research Analyst(s)**

Research Identity Number: BRP009

© Copyright 2016 IGI Finex Securities Limited

## Contact Details

### Research Team

Saad Khan	Deputy Head of Research	Tel: (+92-21) 111-234-234 Ext.: 810	saad.khan@igi.com.pk
Rashmina Lalani	Senior Research Analyst	Tel: (+92-21) 111-234-234 Ext.: 826	rashmina.lalani@igi.com.pk
Abdullah Farhan	Research Analyst	Tel: (+92-21) 111-234-234 Ext.: 912	abdullah.farhan@igi.com.pk
Yawar Saeed	Research Analyst	Tel: (+92-21) 111-234-234 Ext.: 973	yawar.saeed@igi.com.pk
Abdul Sajid	Database	Tel: (+92-21) 111-234-234 Ext.: 974	abdul.sajid@igi.com.pk
Umesh Solanki	Database Assistant	Tel: (+92-21) 111-234-234 Ext.: 966	umesh.solanki@igi.com.pk

### Equity Sales

Faisal Jawed Khan	Head of Equities	Tel: (+92-21) 35301779	faisal.jawed@igi.com.pk
Zaeem Haider Khan	Regional Head (North)	Tel: (+92-42) 35777863-70	zaeem.haider@igi.com.pk
Muhammad Naveed	Branch Manager (Islamabad)	Tel: (+92-51) 2604861-2	muhammad.naveed@igi.com.pk
Gul Hussain	Branch Manager (Faisalabad)	Tel: (+92-41) 2540843-45	gul.hussain@igi.com.pk
Asif Saleem	Branch Manager (RY Khan)	Tel: (+92-68) 5871652-6	asif.saleem@igi.com.pk
Mehtab Ali	Branch Manager (Multan)	Tel: (+92-61) 4512003	mahtab.ali@igi.com.pk
Zeeshan Kayani	Branch Manager (Abbotabad)	Tel: (92-992) 408243-44	zeeshan.kayani@igi.com.pk

### IGI Finex Securities Limited

Trading Rights Entitlement Certificate (TREC) Holder of Karachi Stock Exchange Limited and Lahore Stock Exchange Limited | Corporate member of Pakistan Mercantile Exchange Limited

#### Head Office

Suite No 701-713, 7th Floor, The Forum, G-20,  
Khayaban-e-Jami Block-09, Clifton, Karachi-75600  
UAN: (+92-21) 111-444-001 | (+92-21) 111-234-234  
Fax: (+92-21) 35309169, 35301780  
Website: [www.igisecurities.com.pk](http://www.igisecurities.com.pk)

#### Stock Exchange Office

Room # 719, 7th Floor, KSE Building, Stock Exchange Road, Karachi.  
Tel: (+92-21) 32429613-4, 32462651-2, Fax: (+92-21) 32429607

#### Lahore Office

5-F.C.C. Ground Floor, Syed Maratib Ali Road,  
Gulberg II, Lahore  
Tel: (+92-42) 35777863-70, 35876075-76  
Fax: (+92-42) 35763542

#### Faisalabad Office

Room #: 515-516, 5th Floor, State Life  
Building, 2- Liaqat Road, Faisalabad  
Tel: (+92-41) 2540843-45  
Fax: (+92-41) 2540815

#### Islamabad Office

Mezzanine Floor, Office 5, 6 & 7, Kashmir Plaza,  
Block- B, Jinnah Avenue, Blue Area, Islamabad  
Tel: (+92-51) 2604861-2, 2604864, 2273439  
Fax: (+92-51) 2273861

#### Rahim Yar Khan Office

Plot # 12, Basement of Khalid Market,  
Model Town, Town Hall Road, Rahim Yar Khan  
Tel: (+92-68) 5871653-6, 5871652  
Fax: (+92-68) 5871651