

PAKISTAN AUTOS

MARKET VISTA

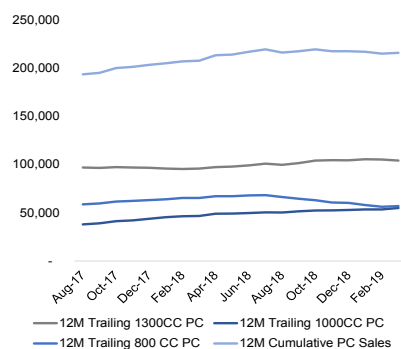
REP-019

Decent 1Q sales keep the pot stirring

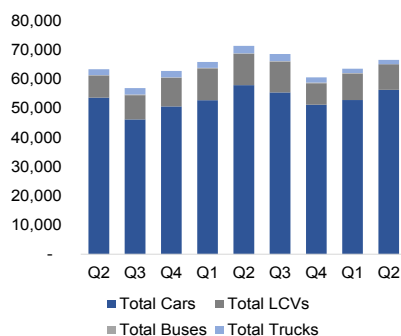
- Monthly PAMA data reads total industry sales at 23,325 units for Mar'19 (+15%MoM/+0%YoY), consisting of strong car sales (19,897 units +17%MoM/+5%YoY) and mediocre LCV offtake (+11%MoM/-19%YoY), exhibiting stamina in late 1QCY19, closing the quarter nearing 66.7K units (+5%QoQ) depicting a clear downturn (-7%YoY).
- Cumulative 9MFY19 total industry sales of 190,953 units (-5%YoY) composed of 160,359 passenger cars (-1%YoY), 25,166 LCVs (-20%YoY) while trucks and busses combined post sales of 29,879 (-22%YoY) marking consistent dip in industrial vehicle demand.
- Amongst major OEMs, PSMC/INDU/HCAR reported sales of 19,815/5,157/3,811 units moving +27/-7/+16%MoM and +6/+1/-15%YoY, taking 9MFY19 cumulative sales to 99,569/49,566/35,888 units shifting by -7/+7/-8%YoY, with INDU managing to maintain sales growth
- Apart from PC segment, tepid nature of LCV, pickup and truck sales indicate a slowdown in commercial vehicle buying, while the influx of additional manufacturers in this segment makes for a tough fight to maintain market share, pushing us to reevaluate sales assumptions for old variants on offer in this segment, particularly by PSMC
- With ongoing expansion activity increasing capacity to 75K units, planned stratification of Corolla adding value (launch of Vios post CAPEX), INDU remains our top pick with a DCF based TP of 1,465/sh.

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12M Trailing sales of PC segment show tapering ..



...pressuring quarterly sales to stagnation



Source: PAMA & AKD Research

PSMC: The OEM's sales marginally grew, where the outgoing month's sales clocked in at 13,815 units (+27%MoM/+6%YoY) taking 9MFY19 sales to 99,569 units (-7%YoY). Contribution from nearly all units declined for the month with Wagon-R/Cultus/Mehran/Bolan/Ravi posting growth of +23%/+22%/+35%/+30%/+26%MoM while demand for Swift remained muted (+12%MoM). Despite strong sales for the month, 9MFY19 sales show signs of holding on, where growth endeared in Cultus/Wagon-R sales with +9%/+18%YoY.

INDU: Treading higher, with the completion of debottleneck activity and expansion CAPEX ongoing, the OEM posted sales of 5,157 units for Mar'19 moving -7%MoM/+1%YoY. While Corolla sales for the month posts a mild recovery to 4,741 units (-4%MoM/+18%YoY), cumulative sales for 9MFY19 remained relatively resilient +7%YoY where on-boarding of capacity enhancements leaves ample leeway to recover the possibility for the stouter sales months ahead. While 9MFY19 Fortuner/Hilux sales remain lackluster -27%/-16%YoY as election season buying is behind us.

HCAR: Posting 3,811 units for the month, cumulative 9MFY19 sales of 35,888 units (-8%YoY) depicting signs of having peaked-out. We believe the recently launched minor-facelift version of the Civic could lead to a short term sales bump, of a muted quantum, as the features upgraded and price points remain unconvincingly similar to the model on sale previously.



AKD Securities Limited

Pakistan Automotive Industry Sales Snapshot

(Units)	Mar-19	Feb-19	MoM	YoY	9MFY19	9MFY18	YoY
Ind. Perform.							
Total Industry Sales	23,325	20,275	15%	0%	190,953	200,039	-4.5%
Cars	19,897	17,071	17%	5%	160,359	161,371	-0.6%
LCVs & Pickups	2,936	2,641	11%	-19%	25,166	31,363	-19.8%
Trucks	425	526	-19%	-41%	4,713	6,796	-30.7%
Buses	67	37	81%	20%	715	509	40.5%
Tractors	5,729	4,044	42%	-11%	37,742	52,260	-27.8%
Company Wise							
PSMC	13,815	10,851	27%	6%	99,569	107,294	-7.2%
INDU	5,157	5,529	-7%	1%	49,566	46,427	6.8%
HCAR	3,811	3,281	16%	-15%	35,888	39,013	-8.0%
MTL	3,078	2,412	28%	-12%	23,550	31,179	-24.5%
AGTL	2,628	1,596	65%	-10%	13,871	20,888	-33.6%
Segment-Wise Sales							
1300cc & above	8,576	8,239	4%	2%	78,808	73,911	6.6%
1000cc	5,235	4,262	23%	23%	41,620	36,395	14.4%
800cc & below	6,086	4,570	33%	-4%	39,931	51,065	-21.8%
Passenger Cars	19,897	17,071	17%	5%	160,359	161,371	-0.6%
PSMC							
Swift	386	344	12%	-19%	3,610	3,593	0.5%
Cultus	2,253	1,843	22%	5%	17,038	15,624	9.1%
Wagon R	2,982	2,419	23%	43%	24,582	20,771	18.3%
Mehran	3,942	2,925	35%	-10%	26,402	34,802	-24.1%
Bolan	2,144	1,645	30%	7%	13,529	16,263	-16.8%
Ravi	2,108	1,675	26%	8%	14,408	16,241	-11.3%
INDU							
Corolla	4,741	4,945	-4%	18%	42,989	38,244	12.4%
Fortuner	166	332	-50%	-10%	2,009	2,741	-26.7%
Hilux	250	252	-1%	-72%	4,568	5,442	-16.1%
HCAR							
Civic & City	3,449	2,950	17%	-12%	32,209	32,074	0.4%
B-RV	362	331	9%	-40%	3,679	6,939	-47.0%

Source: PAMA & AKD Research

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Neutral	> 13% to < 19% expected total return
Sell	< 13% expected total return (Rf: 13%)

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Buy	> 20% upside potential
Accumulate	> 5% to < 20% upside potential
Neutral	< 5% to > -5% potential
Reduce	< -5% to > -20% downside potential
Sell	< -20% downside potential
Not Rated	No investment opinion or recommendation

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