



AKD Securities Limited

TREC Holder & Registered Broker
Pakistan Stock Exchange

Equity Research / Pakistan



REP-108
www.jamapunji.pk

Today's Daily

Autos: Attractive 1QCY18 sales keep the pot boiling

Monthly PAMA data reads total industry sales at 23,406 units for Mar'18 (+10.2%YoY), extending stamina throughout 1QCY18, closing the quarter nearing 71.5K units (+12.6%YoY). While Passenger Car sales clocked in at 18,988 (-0.2%MoM), a major shift is noticed in the OEMs contribution with HCAR/INDU taking the lead +18.7%/+13.6%MoM and PSMC losing grounds (-13.9%MoM) on the back of slowdown in Wagon-R sales (fulfillment of orders, introduction of minor face lift follows) and LCV segment sales flattening. Fulfillment of corporate order for PSMC led to weakening of 1000CC and below segment sales (-11.3%/-14.3%MoM) with 1300CC and above premium segment sales contributing +16.1%MoM. Even so, resilience in sales of Trucks/Buses/Tractors with +29.6%/+58.9%/+18.3% highlight operational progress from GHNI/MTL/AGTL where sales for the OEMs crossed 1,053/11,025/8,827 units for 1QCY18. Cumulative 9MFY18 sales reach 200K units (+22.5%YoY) supported by growth from Passenger cars/LCVs and pickup segment (161,371/31,362 units for the period, 16.8%/+64.7%YoY), where a healthy 1QCY19 also bodes well for Passenger car OEMs. With expansion activity nearing completion (2QCY18 expected on-boarding); increasing capacity to 75K units, national polls drawing closer leading to fleet sales (specially in 4X4 segment) and stratification of Corolla adding value (expectations detailed in previous notes), INDU remains our top pick with a DCF based TP of 2,192/sh (raised in Mar'18) positing 18.4% upside from current price levels.

KSE100 - Index

Current 46,486.49
Previous 46,476.73
Chg. 0.02%

Mkt Cap. (PkrBn/US\$bn)

Current 9,500 / 82.17
Previous 9,499 / 82.16
Chg. 0.01%

Daily Turnover (mn)

Current 284.38
Previous 219.83
Chg. 29.4%

Value Traded (PkrMn/US\$m)

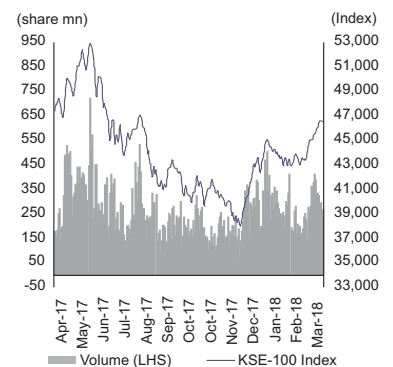
Current 11,263 / 97.42
Previous 7,904 / 68.37
Chg. 42.5%

AKD Daily

Thursday, Apr 12, 2018

News and Views

- PM Shahid Khaqan Abbasi yesterday in reply to Syed Khursheed Shah's inquiry ruled out any possibility of dissolving National Assembly before the completion of its tenure.
- Pakistan State Oil (PSO) is in talks with Power China for a partnership in an estimated US\$8bn refining project in the country, industry officials said yesterday. The refinery would likely have a capacity of 250,000 barrels/day (bpd) to 300,000 bpd.
- The Economic Coordination Committee (ECC) of the Cabinet which is scheduled to meet today to consider discontinuation of Pkr3/unit subsidy on electricity available to industrial sector.



Ali Asghar Poonawala
ali.poonawala@akdsecurities.net
111-253-111 Ext:646

Bilal Ahsan Elahi
bilal.elahi@akdsecurities.net
111-253-111 Ext:685

Important disclosures, including investment banking relationships and analyst certification at end of this report. AKD Securities does and seeks to do business with companies covered in its research reports. As a result, investors should be aware that the firm may have a conflict of interest that could affect the objectivity of the report. Investors should consider this report as only a single factor in making their investment decision.

Find AKD research on Bloomberg (AKDS<GO>), firstcall.com and Reuters Knowledge UAN: 111-253-111

Copyright©2018 AKD Securities Limited. All rights reserved. The information provided on this document is not intended for distribution to, or use by, any person or entity in any jurisdiction or country where such distribution or use would be contrary to law or regulation or which would subject AKD Securities or its affiliates to any registration requirement within such jurisdiction or country. Neither the information, nor any opinion contained in this document constitutes a solicitation or offer by AKD Securities or its affiliates to buy or sell any securities or provide any investment advice or service. AKD Securities does not warrant the accuracy of the information provided herein.



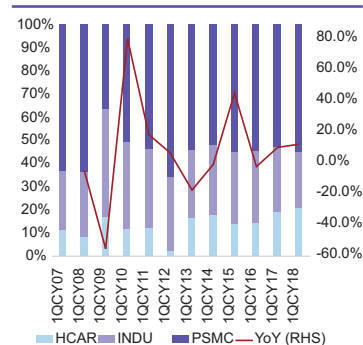
Autos: Attractive 1QCY18 sales keep the pot boiling

Monthly PAMA data reads total industry sales at 23,406 units for Mar'18 (+10.2%YoY), extending stamina throughout 1QCY18, closing the quarter nearing 71.5K units (+12.6%YoY). While Passenger Car sales clocked in at 18,988 (-0.2%MoM), a major shift is noticed in the OEMs contribution with HCAR/INDU taking the lead +18.7%/+13.6%MoM and PSMC losing grounds (-13.9%MoM) on the back of slowdown in Wagon-R sales (fulfillment of orders, introduction of minor face lift follows) and LCV segment sales flattening. Fulfillment of corporate order for PSMC led to weakening of 1000CC and below segment sales (-11.3%/-14.3%MoM) with 1300CC and above premium segment sales contributing +16.1%MoM. Even so, resilience in sales of Trucks/Buses/Tractors with +29.6%/+58.9%/+18.3% highlight operational progress from GHNI/MTL/AGTL where sales for the OEMs crossed 1,053/11,025/8,827 units for 1QCY18. Cumulative 9MFY18 sales reach 200K units (+22.5%YoY) supported by growth from Passenger cars/LCVs and pickup segment (161,371/31,362 units for the period, 16.8%/+64.7%YoY), where a healthy 1QCY19 also bodes well for Passenger car OEMs. With expansion activity nearing completion (2QCY18 expected on-boarding); increasing capacity to 75K units, national polls drawing closer leading to fleet sales (specially in 4X4 segment) and stratification of Corolla adding value (expectations detailed in previous notes), INDU remains our top pick with a DCF based TP of 2,192/sh (raised in Mar'18) positing 18.4% upside from current price levels.

PSMC: The OEM's sales marginally dipped as the major block orders stand fulfilled, where the outgoing month's sales were reported to be 11,232 units (-13.7%MoM/+4.4%YoY) taking 1QCY18/9MFY18 sales to 38,070/107,294 units (+18%/+28.8%YoY). Contribution from all models declined for the month with Wagon-R/Cultus/Mehran/Bolan/Ravi/Swift posting decline of -12.3%/-10.4%/-10.6%/-22.5%/-20.5%/-3.8%MoM. Despite weak sales for the month, 9MFY18 sales show strength, where the major chunk comes from Cultus/Wagon-R/Mehran with +31.2%/86.3%/24.1YoY.

INDU: Trading lower, as the debottleneck activity nears completion, the OEM posted sales of 5,804 units for Mar'18 with robust Fortuner offtake for the month to 454 units (+146.7%MoM). While Corolla sales for the month posts recovery to 4,642 units (+15.1%MoM), cumulative sales for 1QCY18/9MFY18 remained weak with -13.44%/-6.0%YoY where on-boarding of capacity enhancements leaves ample leeway to recover raising the possibility for the stouter sales months ahead. While 9MFY18 Fortuner/Hilux sales remain robust +238%/+28.4%, the run-up to elections could spur pre-season buying.

1QCY07-18 Sales breakdown



Source: PAMA & AKD Research



HCAR: Posting 5,344 units for the month, cumulative 1QCY18/9MFY18 sales of 14,233/39,012 units (+23.24%/38.7%YoY) breaks past previous sales numbers over the period for the OEM. Having remained strong despite recent price increases, the Civic & City sales remain the major reason for offtake growth. With 4,665/12,453/32,074 units for Mar'18/1QCY18/9MFY18 (+19.6%MoM/+7.8YoY/14.1%YoY), continuation of rising sales is prominent. The OEMs operational efficiency against available capacity for Mar'18/1QCY18 is estimated to be at 128%/113% while a healthy order book is still maintained with City/Civic remaining booked to May'18/July'18.

Tractors post surprise surge: The total tractor sales for the outgoing month clocked in 7,633 units (+18.3%MoM) taking the 9MFY18 sales to 52,239 units (+38.1%YoY) with both the major constituents; MTL and AGTL

Mar'18: Auto Industry Sales

(Units)	Mar-18	Feb-18	MoM	YoY	9MFY18	9MFY17	YoY
Ind. Perform.							
Total Industry Sales	23,406	23,433	-0.1%	10.2%	200,038	163,335	22.5%
Cars	18,988	19,027	-0.2%	3.8%	161,371	138,123	16.8%
LCVs & Pickups	3,392	3,627	-6.5%	53.5%	31,362	19,038	64.7%
Trucks	937	723	29.6%	45.5%	6,796	5,321	27.7%
Buses	89	56	58.9%	1.1%	509	853	-40.3%
Tractors	7,633	6,454	18.3%	14.8%	52,239	37,815	38.1%
Company Wise							
PSMC	11,232	13,045	-13.9%	4.2%	107,294	83,297	28.8%
INDU	5,804	5,108	13.6%	-2.2%	46,427	45,744	1.5%
HCAR	5,344	4,501	18.7%	40.8%	39,012	28,120	38.7%
MTL	4,407	3,509	25.6%	9.9%	31,179	23,545	32.4%
AGTL	3,202	2,910	10.0%	23.1%	20,888	13,926	50.0%
Segment-Wise Sales							
1300cc & above	9,768	8,413	16.1%	4.0%	73,911	72,095	2.5%
1000cc	3,762	4,242	-11.3%	8.5%	36,395	23,055	57.9%
800cc & below	5,458	6,372	-14.3%	0.5%	51,065	42,974	18.8%
Passenger Cars	18,988	19,027	-0.2%	3.8%	161,371	138,124	16.8%
PSMC							
Swift	461	479	-3.8%	13.0%	3,593	3,281	9.5%
Cultus	1,927	2,150	-10.4%	14.4%	15,624	11,905	31.2%
Wagon R	1,835	2,092	-12.3%	100.0%	20,771	11,149	86.3%
Mehran	3,899	4,360	-10.6%	3.3%	34,802	28,036	24.1%
Bolan	1,559	2,012	-22.5%	-5.9%	16,263	14,938	8.9%
Ravi	1,551	1,952	-20.5%	5.6%	16,241	13,988	16.1%
INDU							
Corolla	4,642	4,034	15.1%	-10.6%	38,244	40,694	-6.0%
Fortuner	454	184	146.7%	86.8%	2,741	811	238.0%
Hilux	708	890	-20.4%	42.2%	5,442	4,239	28.4%
HCAR							
Civic & City	4,665	3,900	19.6%	22.9%	32,074	28,120	14.1%
B-RV	679	601	13.0%	100.0%	6,938	-	100.0%

Source: PAMA & AKD Research



performing their best with MTL posting 4,407 units (+25.6%MoM/9.9%YoY) for the month while AGTL posted sales of 3,202 units (+10%MoM/+23.1%YoY).

Investment Perspective: Healthy 1QCY18 sales marks the continuation of robust YoY rise in 1Q sales (1QCY13-18 CAGR of 15.6%) where 10YR historical sales trend analysis shows the 1Q sales uptrend as a strong indicator of full year CY sales growth (1QCY09-17 total car sales make up ~27% of CY09-17 sales) which also confirms 1Q sales being crucial for the overall sector performance. With expansion activity nearing completion (2QCY18 expected on-boarding); increasing capacity to 75K units, national polls drawing closer leading to fleet sales (specially in 4X4 segment) and stratification of Corolla adding value (expectations detailed in previous notes), INDU remains our top pick with a DCF based TP of 2,192/sh (raised in Mar'18) positing 18.4% upside from current price levels.



Disclosure Section

Neither the information nor any opinion expressed herein constitutes an offer or a solicitation of an offer to transact in any securities or other financial instrument and is for the personal information of the recipient containing general information only. AKD Securities Limited (hereinafter referred as AKDS) is not soliciting any action based upon it. This report is not intended to provide personal investment advice nor does it provide individually tailored investment advice. This report does not take into account the specific investment objectives, financial situation/financial circumstances and the particular needs of any specific person. Investors should seek financial advice regarding the appropriateness of investing in financial instruments and implementing investment strategies discussed or recommended in this report and should understand that statements regarding future prospects may not be realized. AKDS recommends that investors independently evaluate particular investments and strategies and it encourages investors to seek the advice of a financial advisor.

The appropriateness of a particular investment or strategy will depend on an investor's individual circumstances and objectives. The securities or strategies discussed in this report may not be suitable for all investors, and certain investors may not be eligible to purchase or participate in some or all of them.

Reports prepared by AKDS research personnel are based on public information. AKDS makes every effort to use reliable, comprehensive information, but we make no representation that it is accurate or complete. Facts and views presented in this report have not been reviewed by and may not reflect information known to professionals in other business areas of AKDS including investment banking personnel. AKDS has established information barriers between certain business groups maintaining complete independence of this research report.

This report has been prepared independently of any issuer of securities mentioned herein and not in connection with any proposed offering of securities or as agent of any issuer of any securities. Neither AKDS, nor any of its affiliates or their research analysts have any authority whatsoever to make any representation or warranty on behalf of the issuer(s). AKDS Research Policy prohibits research personnel from disclosing a recommendation, investment rating, or investment thesis for review by an issuer prior to the publication of a research report containing such rating, recommendation or investment thesis.

We have taken all reasonable care to ensure that the information contained herein is accurate, up to date, and complies with all prevailing Pakistani legislations. However, no liability can be accepted for any errors or omissions, or for any loss resulting from the use of the information provided as any data and research material provided ahead of an investment decision are for information purposes only. We shall not be liable for any errors in the provision of this information, or for any actions taken in reliance thereon. We reserve the right to amend, alter, or withdraw any of the information contained in these pages at any time and without notice. No liability is accepted for such changes.

Stock Ratings

Different securities firms use a variety of rating terms as well as different rating systems to describe their recommendations. A rating system which uses similar terms such as Buy, Accumulate, Neutral, Reduce and Sell is not equivalent to our rating system. Investors should carefully read the definitions of all ratings used in each research report. In addition, research reports contain information carrying the analyst's view and investors should carefully read the entire research report and not infer its contents from the rating ascribed by the analyst. In any case, ratings or research should not be used or relied upon as investment advice. An investor's decision to buy, sell or hold a stock should depend on individual circumstances (such as the investors existing holdings or investment objectives) and other considerations. Please see our table below for ratings definitions which are based on price returns.

Rating Definitions

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



Analyst Certification of Independence

The analysts hereby certify that their views about the companies and their securities discussed in this report are accurately expressed and that they have not received and will not receive direct or indirect compensation in exchange for expressing specific recommendations or views in this report.

The research analysts, strategists or research associates principally having received compensation responsible for the preparation of this AKDS research report based upon various factors including quality of research, investor client feedback, stock picking, competitive factors and firm revenues.

Disclosure of Interest Area

AKDS and the authoring analyst do not have any interest in any companies recommended in this research report irrespective of the fact that AKD Securities Limited may have, within the last three years, served as manager or co-manager of a public offering of securities for, or currently may make a primary market in issues of, any or all of the entities mentioned in this report or may be providing, or have provided within the previous 12 months, significant advice or investment services in relation to the investment concerned or a related investment.

Regional Disclosures (Outside Pakistan)

The information provided in this report and the report itself is not intended for distribution to, or use by, any person or entity in any jurisdiction or country where such distribution or use would be contrary to law or regulation or which would subject AKDS or its affiliates to any registration or licensing requirements within such jurisdiction or country.

Furthermore, all copyrights, patents, intellectual and other property in the information contained in this report are held by AKDS. No rights of any kind are licensed or assigned or shall otherwise pass to persons accessing this information. You may print copies of the report or information contained within herein for your own private non-commercial use only, provided that you do not change any copyright, trade mark or other proprietary notices. All other copying, reproducing, transmitting, distributing or displaying of material in this report (by any means and in whole or in part) is prohibited.