



AKD Securities Limited

TREC Holder & Registered Broker
Pakistan Stock Exchange

Equity Research / Pakistan



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Today's Daily

Autos: Growth sustains in first month of non-filer ban

Jul'18 total automotive industry sales of 22,038 units reflect a growth of +14.4%MoM/+8.2%YoY, leading 7MCY18 total industry offtake to 161,916 units (+15.1%YoY). Major constituents of total industry sales moved +15.5%/-23.8%/-16.8%YoY for Passenger Cars/LCV & Pick-ups/Trucks while buses grew +22.2%YoY for the month. Cumulative 7MCY18 total industry sales growth was a factor of LCV & Pickups/Trucks/Passenger car segments contributing +24.6/+13.0/+13.8%YoY. In the passenger car segment, 7MCY18 numbers of 1000CC/1300cc+ segment grew +27.9/+7.4%YoY and the 800cc and below climbed +14.7%YoY, clearly benefiting from PSMC's Wagon R (sales up 48.1%YoY). Citing catalysts for firm demand growth in high margin segments and mechanisms for controlling costs (particularly from FX swings), we continue to advocate building positions in INDU. With a TP of PkR2,068/sh, FY19/20F D/Y at 7.9/8.3% and undemanding P/E of 7.9x, we advocate a 'Buy' on the scrip at current levels.

KSE100 - Index

Current 42,842.18
Previous 42,923.95
Chg. -0.19%

Mkt Cap. (PkRbn/US\$bn)

Current 8,765 / 70.74
Previous 8,766 / 70.74
Chg. -0.01%

Daily Turnover (mn)

Current 250.07
Previous 206.17
Chg. 21.3%

Value Traded (PkRmn/US\$m)

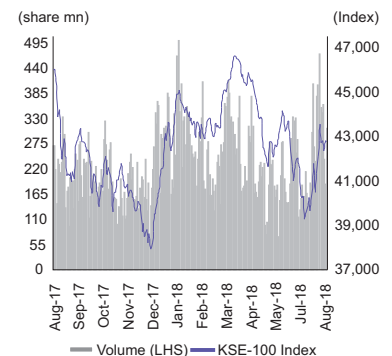
Current 12,324 / 99.46
Previous 10,416 / 84.06
Chg. 18.3%

AKD Daily

Monday, Aug 13, 2018

News and Views

- The president has summoned the session of the National Assembly today (Monday) at 10:00am. The day will mark a successful transition to the third parliament in a row where the newly-elected members of the National Assembly would take oath.
- IMF, in a meeting with brokerage houses, has ruled out the possibility that it would deny Pakistan a bailout package under US influence. Replying to a question, the representative said the objective of establishing the IMF was to help nations come out of financial crisis so that the global economy kept on advancing.
- The Overseas Pakistani workers remitted US\$1929.76mn in the first month of FY19 as compared with US\$1541.67mn received in Jul'17.
- The Ministry of Commerce and Textile Industry has released PkR25.5bn to the textile sector under the first phase of Prime Minister's Trade Enhancement Package by Jun 30'18.



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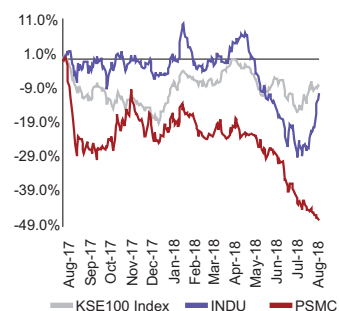
INDU: July sales were up +20.2%MoM/+18.4%YoY mainly due to Corolla sales rising to 4,566 units (+28.8%MoM/+17.8%YoY) for the variant. Hilux SUV sales continued to ascend, growing +16.0%MoM/+44.2%YoY, whereas Fortuner sales slid significantly (-46.9%MoM/-18.5%YoY).

PSMC: PSMC sales underperformed compared to overall industry growth (+5.3%MoM/+4.3%YoY) as demand of Cultus/Bolan/Ravi slowed on YoY basis (-12.3%/-19.0%/-33.8%YoY). This, however, was majorly offset by Swift and Wagon R numbers increasing by +68.1%/+43.2%YoY.

HCAR: Sales growth showed an increase of +37.4%MoM/+10.4%YoY as Civic continued to drive sales on positive consumer reviews. On the contrary, BR-V sales clocked-in sub-par at 372 units for the month, down 45.7%MoM and below average for the last quarter (582 units sold monthly).

Investment Perspective: Auto sector has declined 19% CYTD where continued fears of currency devaluation, lower consumer confidence and a general deterioration in the political environment has prolonged 'risk-off' sentiment. Sustained margins from increased prices (PkR 30,000-160,000 on Corolla variants), low sensitivity to PkR/US\$ depreciation (every 5% move in the currency lowers NPAT by ~1%) due to rolling derivatives and exchange loss sharing agreements with their primary suppliers, INDU is able to cushion against drastic cost escalations from FX movements. With a TP of PkR2,068/sh, FY19/20F D/Y at 7.9/8.3% and undemanding P/E of 7.9x, we advocate a 'Buy' on the scrip at current levels.

KSE100 Index Vs. Universe Auto Sector



Source: PSX & AKD Research



Jul'18 Auto Industry Sales

(Units)	Jul-18	Jun-18	MoM	YoY	7MCY18	7MCY17	YoY
Ind. Perform.							
Total Industry Sales	22,038	19,270	14.4%	8.2%	161,916	140,703	15.1%
Cars	18,875	15,652	20.6%	15.5%	132,229	116,217	13.8%
LCVs & Pickups	2,469	2,866	-13.9%	-23.8%	23,609	18,946	24.6%
Trucks*	584	695	-16.0%	-16.8%	5,534	4,897	13.0%
Buses*	110	57	93.0%	22.2%	544	643	-15.4%
Tractors	3,872	3,895	-0.6%	-16.2%	42,449	38,678	9.7%
Company Wise							
PSMC	10,895	10,344	5.3%	4.3%	85,741	72,037	19.0%
INDU	5,468	4,548	20.2%	18.4%	38,402	36,023	6.6%
HCAR	4,981	3,626	37.4%	10.4%	31,695	27,103	16.9%
MTL	3,006	2,358	27.5%	-3.1%	25,559	24,551	4.1%
AGTL	814	1,505	-45.9%	-45.9%	16,592	13,867	19.7%
Segment-Wise Sales							
1300cc & above	9,659	6,839	41.2%	21.0%	61,710	57,456	7.4%
1000cc	4,433	4,042	9.7%	15.7%	30,480	23,839	27.9%
800cc & below	4,783	4,771	0.3%	5.7%	40,039	34,922	14.7%
Passenger Cars	18,875	15,652	20.6%	15.5%	132,229	116,217	13.8%
PSMC							
Swift	484	352	37.5%	68.1%	3,259	2,420	34.7%
Cultus	1,661	1,362	22.0%	-12.3%	12,643	11,797	7.2%
Wagon R	2,772	2,680	3.4%	43.2%	17,837	12,042	48.1%
Mehran	3,437	3,214	6.9%	20.0%	27,439	23,629	16.1%
Bolan	1,346	1,557	-13.6%	-19.0%	12,600	11,293	11.6%
Ravi	1,195	1,179	1.4%	-33.8%	11,963	10,856	10.2%
INDU							
Corolla	4,566	3,546	28.8%	17.8%	30,653	30,783	-0.4%
Fortuner	220	414	-46.9%	-18.5%	2,768	1,440	92.2%
Hilux	682	588	16.0%	44.2%	4,981	3,800	31.1%
HCAR							
Civic & City	4,609	2,941	56.7%	20.7%	27,798	24,253	14.6%
B-RV	372	685	-45.7%	-46.2%	3,897	2,850	36.7%

Source: APCMA & AKD Research



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