

PAKISTAN AUTOS

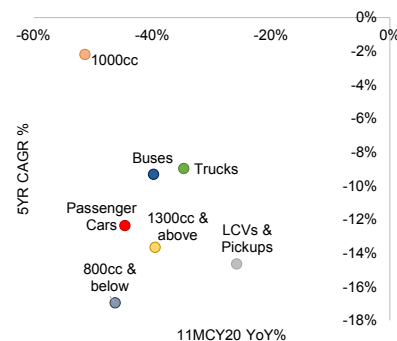
REP-019
MARKET VISTA

Sales getting back in the groove

- Nov'20 total industry sales grew to 12,498 units (+10%MoM/+22%YoY) comprising of Passenger Cars sales of 9,576 units (+7%MoM/+12%YoY), LCV/Pickup offtake of 2,619 units (+26%MoM/+100%YoY) and new Tractor purchases of 3,234 (-28%MoM/+77%YoY), marking growth vis-à-vis low base, during the usual end of calendar down season.
- Monthly sales spiked for PC/LCV segments (+7/+26%MoM & +12/+100%YoY), with PC segment-wise split stood at 3,906/2,398/3,272 for 1300CC+/1000CC/800CC & below segments, shifting +17%/+19%/-8%MoM and +14%/+54%/-8%YoY, while major OEMs underwent monthly sales moves of +12%/-10%/0%MoM for PSMC/INDU/HCAR
- Cumulative 11MCY20/5MFY21 PC sales stood at 83,618/46,257 (-26%/-5.8%YoY) showcasing drastic recovery in volumes - a function of COVID-19 denting already soft demand followed by strong uptick brought on by low borrowing costs and new models
- LCV demand hike lends support to a more sustained recovery in durable consumer demand, while our bullish outlook on 1,300CC+ PC segment sales sustaining growth remains in play. Apart from the to-and-fro in PkR/US\$ pair, uptick in global metal commodities and possible reversal of domestic interest rates are key dampeners to profitability over the long term.
- The role of major new Korean entrants (Kia and Hyundai, where later does not self-report monthly sales) cannot be ruled out in the less than smooth Yaris sales record (signs of new-model effect fading). Even on our more conservative estimates (22K Yaris sales in FY21), an upbeat earnings outlook remains (FY21/22 EPS growth of 43/65%YoY), coupled with liquidity (1QFY21 ST Inv. at PkR842/sh) as seasonal demand is expected to quicken during 1QCY21.

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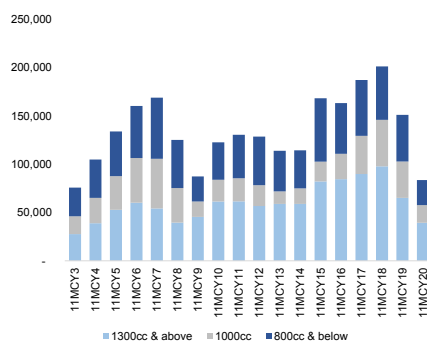
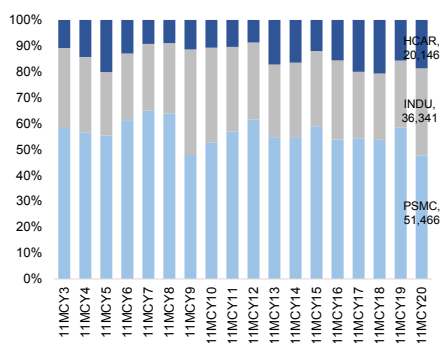
All vehicle segments showing systemic declines



Source: PAMA & AKD Research

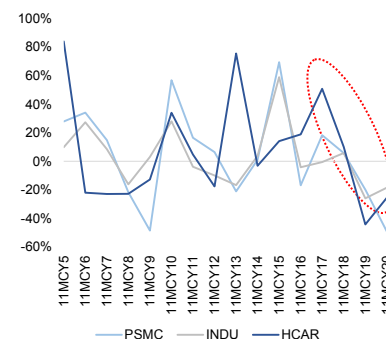
Top 3 OEM sales share mix over 11MCY03-20....

...segment-wise PC sales split over the same period



Source: PAMA & AKD Research

Sales decline reversing for INDU & HCAR



Source: PAMA & AKD Research

PC Segment grows with launch of Yaris: With the launch of Yaris in the 1,300CC+ segment, sales for PC segment have drifted higher, while the new-model effect uptick in unit sales remained mute (4 of 6 period sales show avg. rise of 115.4%MoM), with Nov'20 marking a decline of 23.5%MoM. This tapering of the new-model effect stand in contrast to Corolla's last major model launch (July'14) where the variant underwent avg. growth of 66.0%MoM but with only two months of single digit MoM declines. Overall, monthly sales spiked for PC/LCV segments (+7/+26%MoM & +12/+100%YoY), with PC segment-wise split stood at 3,906/2,398/3,272 for 1300CC+/1000CC/800CC & below segments, shifting +17%/+19%/-8%MoM and +14%/+54%/-8% YoY, while major OEMs underwent monthly sales moves of +12%/-10%/0%MoM for PSMC/



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INDU/HCAR. Cumulative 11MCY20/5MFY21 PC sales stood at 83,618/46,257 (-26%/-5.8%YoY) showcasing drastic recovery in volumes - a function of COVID-19 denting already soft demand followed by strong uptick brought on by low borrowing costs and new models.

INDU 4X4 sales make a pullback: Overall sales for the OEM for the month were muted, where Corolla/Yaris offtake moved +30/-24%MoM while in the premium 4X4 space Fortuner/Hilux sales underwent growth of +13/+68%YoY. Cumulative sedan sales for the OEM were remarkably resilient, falling only 23%YoY for 11MCY20 and spiking 87%YoY for 5MFY21, marking the sustained sales momentum underpinning earnings growth for the stock.

PSMC getting its legs back: The OEM managed to show sales growth of +12%MoM/+16%YoY with Cultus and Ravi sales spiking +86/+3.6xMoM, where the uptick in LCV segment sales provided much needed relief. Alto sales sputtered, while on cumulative basis, remained the only variant to show positive 11MCY20 unit growth.

Pakistan Automotive Industry Sales Snapshot

(Units)	Nov-20	Oct-20	MoM	YoY	11MCY20	11MCY19	YoY
Ind. Perform.							
Total Industry Sales	12,498	11,384	10%	22%	103,672	178,660	-42.0%
Cars	9,576	8,939	7%	12%	83,618	151,017	-44.6%
LCVs & Pickups	2,619	2,085	26%	100%	16,992	22,899	-25.8%
Trucks	243	315	-23%	-26%	2,640	4,043	-34.7%
Buses	60	45	33%	13%	422	701	-39.8%
Tractors	3,234	4,482	-28%	77%	35,875	40,003	-10.3%
Company Wise							
PSMC	6,803	6,054	12%	16%	51,459	101,126	-49.1%
INDU	4,942	5,481	-10%	87%	36,341	44,611	-18.5%
HCAR	2,237	2,230	0%	72%	20,146	27,097	-25.7%
MTL	2,331	3,007	-22%	67%	24,041	24,131	-0.4%
AGTL	903	1,475	-39%	116%	11,797	15,579	-24.3%
Segment-Wise Sales							
1300cc & above	3,906	3,352	17%	14%	39,460	65,267	-39.5%
1000cc	2,398	2,014	19%	54%	18,271	37,569	-51.4%
800cc & below	3,272	3,573	-8%	-8%	25,887	48,181	-46.3%
Passenger Cars	9,576	8,939	7%	12%	83,618	151,017	-44.6%
PSMC							
Swift	114	180	-37%	-38%	1,616	3,400	-52.5%
Cultus	1,517	816	86%	66%	11,294	17,697	-36.2%
Wagon R	881	1,198	-26%	37%	6,977	19,872	-64.9%
Mehran	-	-	N/A	-100%	6	16,777	-100.0%
Alto	2,723	2,893	-6%	-8%	20,525	19,958	2.8%
Bolan	549	680	-19%	24%	5,356	11,446	-53.2%
Ravi	1,019	287	255%	79%	5,685	11,976	-52.5%
INDU							
Corolla	1,704	1,314	30%	-22%	17,030	38,427	-55.7%
Yaris	2,338	3,058	-24%	N/A	12,732	-	NA
Fortuner	123	123	0%	13%	1,589	1,832	-13.3%
Hilux	602	602	0%	68%	4,990	4,352	14.7%
HCAR							
Civic & City	2,293	2,293	0%	114%	17,604	23,440	-24.9%
B-RV	417	417	0%	82%	2,542	3,657	-30.5%

Source: PAMA & AKD Research

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Buy	> 14.5% expected total return (Rf: 8.5% + Rp: 6%)
Neutral	> 8.5% to < 14.5% expected total return
Sell	< 8.5% expected total return (Rf: 8.5%)



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