



AKD Securities Limited

TREC Holder & Registered Broker
Pakistan Stock Exchange

Equity Research / Pakistan



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Today's Daily

■ Autos: January jump keeps the music playing

Having hit record monthly industry sales of 24,500 units for Jan'18 (up 22.8%MoM/12.85%YoY), the demand for the auto assemblers appears strong. The total passenger car sales rose 23%MoM/9.1%YoY to 19,924 units while LCV sales surged to 3,638 units (up 18%MoM/38.4%YoY), pushing 7MFY18 sales to 153,200 units (+10.2%YoY). PSMC/INDU/HCAR reported sales of 13,793/5,381/4,388 for Jan'18 (20.5%/17.6%/36.6%MoM); with PSMC posting highest monthly volumetric sales, indicating heavy corporate reliance on the brand for their fleets. Also, production figures point to an acceleration in capacity utilization and OEMs proceeding with production on variants that were undergoing facelifts/upgrades, lowering demand pre-launch. Now, we are closely assessing new models, price points and indications of demand, looking to revise our forecast accordingly. Citing payout expectation (~40% payout ratio) as a part of upcoming results (to comply with GoP conditions to avoid additional taxation on reserves), we highlight PSMC's P/E (FY17E/18F at 11.9/11.5x) and D/Y (5.0/5.3%) as noteworthy in an otherwise expensive space; where our Dec'18 TP of 691.51/sh offers an upside of 38.8%.

KSE100 - Index

Current 43,515.08
Previous 43,808.80
Chg. -0.67%

Mkt Cap. (PkRbn/US\$bn)

Current 9,050 / 81.87
Previous 9,099 / 82.31
Chg. -0.54%

Daily Turnover (mn)

Current 215.32
Previous 225.63
Chg. -4.6%

Value Traded (PkRmn/US\$m)

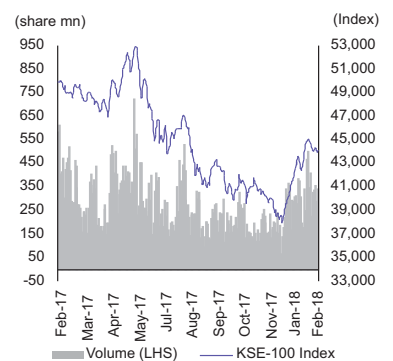
Current 7,940 / 71.82
Previous 9,240 / 83.58
Chg. -14.1%

AKD Daily

Tuesday, Feb 13, 2018

News and Views

- In a Debt Policy Statement, the gov't revealed that the country's public debt has increased by PkR1.72trn to reach at PkR21.40trn in FY17, while external public debt moved up by US\$4.8bn to US\$62.5bn.
- The Central Development Working Party (CDWP) has approved 24 projects worth PkR184.8bn. The projects presented for approval include energy, transport & communication, water resources, physical planning & housing, science & technology, governance, health and mass media.
- Private Power and Infrastructure Board (PPIB) has given a go-ahead to the UK-based Oracle Power for the development of a 700MW coal-fired power plant in Thar Block-VI. Earlier in Nov'17, Oracle Power and its consortium partners, Sichuan Provincial Investment Group (SCIG) and Power China International Group submitted a proposal for the power plant.



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Autos: January jump keeps the music playing

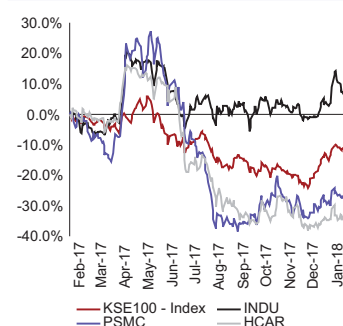
Having hit record monthly industry sales of 24,500 units for Jan'18 (up 22.8%MoM/12.85%YoY), the demand for the auto assemblers appears strong. The total passenger car sales rose 23%MoM/9.1%YoY to 19,924 units while LCV sales surged to 3,638 units (up 18%MoM/38.4%YoY), pushing 7MFY18 sales to 153,200 units (+10.2%YoY). PSMC/INDU/HCAR reported sales of 13,793/5,381/4,388 for Jan'18 (20.5%/17.6%/36.6%MoM); with PSMC posting highest monthly volumetric sales, indicating heavy corporate reliance on the brand for their fleets. Also, production figures point to an acceleration in capacity utilization and OEMs proceeding with production on variants that were undergoing facelifts/upgrades, lowering demand pre-launch. Now, we are closely assessing new models, price points and indications of demand, looking to revise our forecast accordingly. Citing payout expectation (~40% payout ratio) as a part of upcoming results (to comply with GoP conditions to avoid additional taxation on reserves), we highlight PSMC's P/E (FY17E/18F at 11.9/11.5x) and D/Y (5.0/5.3%) as noteworthy in an otherwise expensive space; where our Dec'18 TP of 691.51/sh offers an upside of 38.8%.

PSMC: The OEM has hit a record for monthly volumetric sales of 13,793 units in Jan'18 (up 21%MoM/24%YoY), based on organic demand and fleet sales, two years post-completion of the Punjab Rozgar Scheme. Largest contributors to sequential growth came from below 1000CC passenger car segment, where Mehran (+28%MoM/16%YoY) and Cultus (+37%MoM/49.8%YoY) stood strong. Cumulative sales volume for 7MFY18 amounted to 83,017 units (up 17%YoY) with Wagon R/Cultus taking the lead (+88%YoY and +15%YoY respectively).

INDU: The OEM posted sales of 5,381 units during Jan'18 gaining 18%MoM while slowing down on the annual growth front (down 7%YoY). This took cumulative sales for 7MFY18 to 35,515 units receding 11%YoY, where the rollout of face-lift and completion of plant activities led to slower offtake. With Corolla selling 4,243 units undergoing a January bump of 12%MoM, Hilux and Fortuner deliveries were largely a bright spot, with offtake for both rising 102%MoM; now constituting 6%/11% of the cumulative sales volume for 7MFY18 vs. 1%/11 SPLY. At the newly raised production capacity of 65,000 units annually the OEM's utilization levels of 94% continues to showcase a strong operational picture.

HCAR: Civic's launch seems to have continued elevating sales, with 4,388 units being sold in January'18 (37%MoM and 10%YoY increase) confirming the strong consumer demand for the brand. Increased utilization of 100% for 7MFY18 with OEM maintaining double shift production levels, indicates a need of aggressive shift in the production capacity to meet demand for its offerings.

KSE100 Index Vs. Autos



Source: PSX & AKD Research



Outlook: OEMs seem to be gearing up for the increased competition brought on by the AIDP-II (increasing plant capacities, new upcoming models, updated safety features and after-sales service, etc.), while consumers are noticed to adjust their demand in anticipation. We are closely assessing new models, price points and indications of demand, looking to revise our forecast accordingly. Citing payout expectation (~40% payout ratio) as a part of upcoming results (to comply with GoP conditions to avoid additional taxation on reserves), we highlight PSMC's P/E (FY17E/18F at 11.9/11.5x) and D/Y (5.0/5.3%) as noteworthy in an otherwise expensive space; where our Dec'18 TP of 691.51/sh offers an upside of 38.8%.

Jan'18 Auto Industry Sales

(Units)	Jan-18	Dec-17	MoM	Jan-17	YoY	7MFY18	7MFY17	YoY
Ind. Perform.								
Total Industry Sales	24,500	19,949	22.8%	21,711	12.8%	153,200	138,958	10.2%
Cars	19,924	16,159	23.3%	18,255	9.1%	123,357	116,347	6.0%
LCVs & Pickups	3,638	3,078	18.2%	2,629	38.4%	24,343	17,151	41.9%
Trucks	884	678	30.4%	735	20.3%	5,136	4,688	9.6%
Buses	54	34	58.8%	92	-41.3%	364	772	-52.8%
Tractors	5,863	4,976	17.8%	5,390	8.8%	38,152	29,529	29.2%
Company Wise								
PSMC	13,793	11,448	20.5%	11,107	24.2%	83,017	71,272	16.5%
INDU	5,381	4,576	17.6%	5,775	-6.8%	35,515	39,727	-10.6%
HCAR	4,388	3,213	36.6%	4,002	9.6%	29,168	22,499	29.6%
MTL	3,109	3,733	-16.7%	3,544	-12.3%	23,263	18,889	23.2%
AGTL	2,715	1,223	122.0%	1,772	53.2%	14,776	10,345	42.8%
Segment-Wise Sales								
1300cc & above	8,643	6,652	29.9%	9,522	-9.2%	55,731	60,324	-7.6%
1000cc	4,749	4,257	11.6%	2,968	60.0%	28,391	19,010	49.3%
800cc & below	6,532	5,250	24.4%	5,765	13.3%	39,235	37,014	6.0%
Passenger Cars	19,924	16,159	23.3%	18,255	9.1%	123,357	116,348	6.0%
PSMC								
Swift	512	381	34.4%	412	24.3%	2,653	2,907	-8.7%
Cultus	2,046	1,499	36.5%	1,366	49.8%	11,547	10,069	14.7%
Wagon R	2,703	2,758	-2.0%	1,602	100.0%	16,844	8,940	88.4%
Mehran	4,324	3,390	27.6%	3,735	15.8%	26,543	23,715	11.9%
Bolan	2,208	1,860	18.7%	2,030	8.8%	12,692	13,299	-4.6%
Ravi	2,000	1,560	28.2%	1,962	1.9%	12,738	12,342	3.2%
INDU								
Corolla	4,243	3,807	11.5%	5,108	-16.9%	29,568	34,918	-15.3%
Fortuner	465	230	102.2%	126	269.0%	2,103	415	406.7%
Hilux	465	230	102.2%	541	-14.0%	3,844	4,394	-12.5%
HCAR								
Civic & City	3,888	2,464	57.8%	4,002	-2.8%	23,510	22,499	4.5%
B-RV	500	749	-33.2%	-	100.0%	5,658	-	100.0%

Source: PAMA & AKD Research



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