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Pakistan Stock Exchange

Equity Research / Pakistan



REK-216
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Today's Daily

Autos: CY16 sales standing firm

Dec'16 total industry/car sales were recorded at 16,042/14,024 units, lower by 10.2%/12.4%MoM, while the high base from the Rozgar scheme kept industry sales lower by 11.6%YoY. CY16 industry/car sales remained upbeat, resting at 203,633/177,363 units tapering 9.2%/2.7%YoY, whereas ex-Rozgar, car sales jump 26%YoY. Impressive offtake of the Civic drove HCAR sales higher by 24.1%YoY, while PSMC sales ex-Rozgar tracked up 19%YoY, whereas INDU marked a fall, albeit lower than expected, of 3.9%YoY. Segment-wise, growth was seen continuing in 1000CC segment (+26%YoY), 1300CC and above (+4%YoY), while the Rozgar-led high of (68%YoY growth in CY15) cooled in the 1000CC and below segment (-21%YoY).

KSE100 - Index

Current 48,865.79
Previous 49,039.41
Chg. -0.35%

Mkt Cap. (PkrBn/US\$bn)

Current 9,785 / 93.34
Previous 9,803 / 93.52
Chg. -0.18%

Daily Turnover (mn)

Current 413.98
Previous 492.31
Chg. -15.9%

Value Traded (PkrMn/US\$mn)

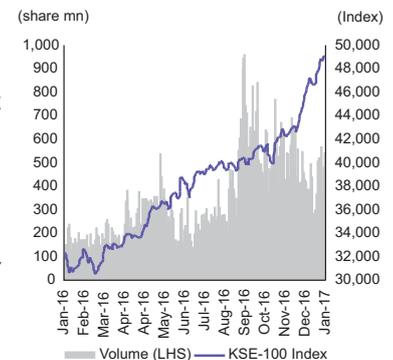
Current 20,190 / 192.60
Previous 20,889 / 199.26
Chg. -3.3%

AKD Daily

Wednesday, Jan 11, 2017

News and Views

- Prime Minister Nawaz Sharif unveiled a "Trade Enhancement Initiative" worth Pkr180bn that envisages, 1) abolition of customs duty and sales tax on import of cotton, textile machinery and man-made fiber to boost exports and 2) Enhancement of the rebate rate in the range of 4%-7% on the whole FOB value of different textile products (4/5/6/7% on yarn/fabrics/made-ups/garments)
- World Bank has revised GDP growth for Pakistan upward to 5.2% for FY17 and 5.5% for 2018 against the previous 5% and 5.4% respectively. The WB in its report stated that the uptake in activity was spurred by a combination of low commodity prices, rising infrastructure spending, and reforms that lifted domestic demand and improved the business climate.
- Overseas Pakistani workers remitted US\$9.46bn in 1HFY17 vs. US\$9.69bn received during the 1HFY16. During Dec'16, the inflow of worker's remittances amounted to US\$1.58bn, which is 1.2% lower than Nov'16 and Dec'15.



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PSMC: The OEM recorded volumetric sales of 8,781 units in Dec'16 (in line with seasonality, down 5.5%MoM/29.1%YoY), while reeling from the completion of the Punjab Rozgar Scheme. Cumulative sales volume for CY16 amounted to 109,588 units (down 18%YoY), while ex-Rozgar sales rose 19%YoY. With Wagon R (up 71%YoY, 5,433units YoY), Swift (up 13%YoY) and Mehran (up 4%YoY) riding the wave of 26% in mid-segment passenger vehicles. Despite raising prices three times during the year (~3.2%YoY weighted average increase), and the expected replacement of the Cultus (sales up 3%YoY) in its product mix. We highlight the renewal/replacement of these aged products at competitive price tags as crucial for PSMC's continued earnings growth.

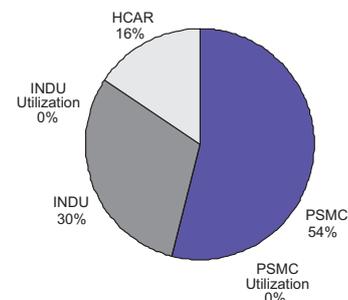
Dec'16: Auto Industry Sales

(Units)	Dec-16	Nov-16	MoM	YoY	CY16	CY15	YoY
Ind. Perform.							
Industry Sales	16,042	17,858	-10.2%	-11.6%	203,633	224,247	-9.2%
Cars	14,024	16,018	-12.4%	0.0%	177,363	182,231	-2.7%
LCVs & Pickups	2,018	1,840	9.7%	-51.1%	26,270	42,016	-37.5%
Tractors	3,201	5,145	-37.8%	234.5%	42,371	41,318	2.5%
Company Wise							
PSMC	8,781	9,288	-5.5%	-29.1%	109,588	133,660	-18.0%
INDU	4,723	5,383	-12.3%	-0.3%	62,002	64,541	-3.9%
HCAR	2,416	3,096	-22.0%	135.0%	31,828	25,654	24.1%
MTL	2,460	2,968	-17.1%	217.8%	25,637	26,816	-4.4%
AGTL	704	2,140	-67.1%	388.9%	16,206	13,385	21.1%

Source: PAMA & AKD Research

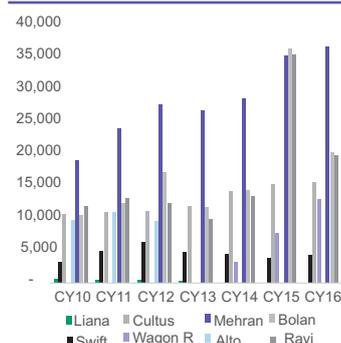
INDU: The OEM posted sales of 4,723 units during Dec'16, where growth followed the seasonal trend falling 12.3%MoM, but only 0.3%YoY. While finding it difficult to grow (which the Civic makes more so), sales of Corolla were at 4,140 units -17.5%MoM/-3.7%YoY, on the back of the 'Calendar Effect' where sales tapers and customers defer deliveries to CY17. CY16 sales remained strong, where 62,002 unit sales depict a decline of 4%YoY, moving in-line with Corolla sales decline of 5%YoY (55,539 units sold), whereas Hilux sales grew 7%YoY (5,938 units) despite production being held up for de-bottlenecking and

CY16 Car Market Share Break-up



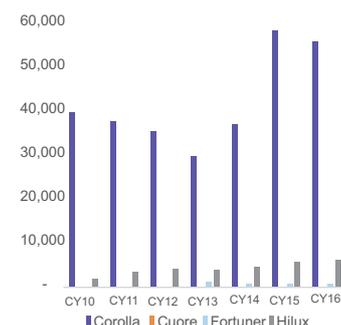
Source: PAMA & AKD Research

PSMC Annual Sales Mix



Source: PAMA & AKD Research

INDU Car Sales Mix



Source: PAMA & AKD Research



overhauls. Going forward, INDU may find a soft demand scenario for pushing the additional, ~10-11K production capacity (brought on by paint shop de-bottlenecking), where the likelihood of a face-lift to the 11th Gen Corolla remains likely during FY18E.

HCAR: Deliveries for Dec'16 amounted to 2,416 units, down 22%MoM, but up 135%YoY, where Civic sales were the likely catalyst. CY16 sales of 31,828 units, although higher by 24%YoY, inched market share for the OEM to 35% vs. 29% (in CY15), against its peak marketshare of 38% in CY13, in the 1300CC segment.

Outlook: Undergoing a major shift, we remain sanguine on the ability of local OEMs to mitigate threats to pricing (higher localization, improved operating leverage) and segment discipline (entering additional segments). Citing continuation of robust growth, and retaining our FY17 sales volumes estimates, we recommend position on dips in INDU with (FCFE based) TP of 1,829/sh, implying an accumulate stance.



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