



AKD Securities Limited

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Equity Research / Pakistan



REP-108
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Today's Daily

Autos: FY17 growth ends on a soft note

June'17 total automotive industry sales tapered to 16,184 units (-25%MoM/-6%YoY) closing FY17 with total industry sales of 221,748 (-1%YoY). Major constituents of total industry sales moved +3%/+33%/46%YoY for Passenger Cars/Trucks/Tractors while LCVs & Pickups lagged (-25%YoY) mostly from the high base effect (during 1HFY16). Bearish sentiment has squeezed the sector where valuations have reached attractive levels. We believe PSMC with its blend of demand growth from Punjab scheme, sturdy margins on CBU's and successful reception of the newly launched Cultus presents a solid investment case in uncertain times. Moreover, we have a FCFE based TP of PkR801/sh for the stock, which trades at CY17E/18F P/E of 14.8x/11.6x.

KSE100 - Index

Current 44,120.58
Previous 46,273.81
Chg. -4.65%

Mkt Cap. (PkRbn/US\$bn)

Current 9,056 / 85.99
Previous 9,459 / 89.81
Chg. -4.26%

Daily Turnover (mn)

Current 185.17
Previous 235.30
Chg. -21.3%

Value Traded (PkRmn/US\$m)

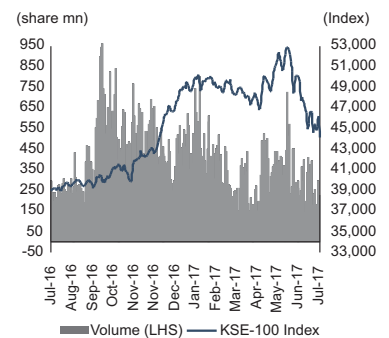
Current 9,898 / 93.98
Previous 12,817 / 121.70
Chg. -22.8%

AKD Daily

Wednesday, Jul 12, 2017

News and Views

- Pakistan's trade deficit swelled 36.32%YoY to US\$32.578bn in FY17, where imports rose 18.67%YoY to US\$53.026bn while exports fell 1.63%YoY to US\$20.448bn. On a monthly basis, country's exports during Jun'17 jumped 16.16%YoY (17.52%MoM) to US\$1.912bn, while imports inched up by 2.16%YoY (though declined 10.96%MoM) to US\$4.534bn.
- Moody's Investors Service has reaffirmed Pakistan B3 credit rating, it expects that real GDP growth will rise towards 6% over the next few years, as the economic benefits of the CPEC gradually materialize and past policy reforms continue to support economic potential.
- NEPRA will hear KEL's multi-year tariff (MYT) review petition tomorrow (Thursday). Earlier, KEL submitted tariff review petition seeking continuation of performance-based tariffs which were last determined in 2009.



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

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Autos: FY17 growth ends on a soft note

June'17 total automotive industry sales tapered to 16,184 units (-25%MoM/-6%YoY) closing FY17 with total industry sales of 221,748 (-1%YoY). Major constituents of total industry sales moved +3%/+33%/46%YoY for Passenger Cars/Trucks/Tractors while LCVs & Pickups lagged (-25%YoY) mostly from the high base effect (during 1HFY16). Bearish sentiment has squeezed the sector where valuations have reached attractive levels. We believe PSMC with its blend of demand growth from Punjab scheme, sturdy margins on CBU's and successful reception of the newly launched Cultus presents a solid investment case in uncertain times. Moreover, we have a FCFE based TP of PkR801/sh for the stock, which trades at CY17E/18F P/E of 14.8x/11.6x.

Summer blues for sales: For June'17 sales for all major OEMs tapered with INDU/PSMC/HCAR sales declining -27/-19/39%MoM and -34/-2/+49%YoY. The sequential MoM declines are accelerating a similar trend in passenger car sales, where 5YR historical June vs. May sales decline averages -10% attributed to: 1) expectations of new model launches and facelifts keeping demand low, 2) unveiling of adverse budgetary measures expected for annual Finance Bills and 3) off-late, month of Ramzan falling closer to the month of June with shorter working hours reducing passenger car orders. For the month capacity utilization levels for INDU/PSMC/HCAR was 86/72/69% below FY17 utilization of 110/76/78%.

PSMC: Selling 8,999 units (-19%MoM/-2%YoY) in June'17 where Rozgar Scheme aided high base of 1HFY16 kept cumulative FY17 sales growth subdued (-11%YoY). For the month passenger cars offerings fared better than LCV's & Pickups (Wagon R/Cultus/Ravi/Bolan sales +37/+11/-16/-24%YoY). Additionally for cumulative sales over FY17 demand for more recent offerings (Wagon R sales +82%YoY) clearly outpaced older offerings (Mehran sales +1%YoY), fueling bullish sales growth expectations for the recently launched Cultus (where sales were up 11%YoY for June'17). Lastly, follow up on recently provisioned Punjab Taxi scheme should be seen by 1QFY18, building the case for supernormal sales growth for FY18-19F.

INDU: June'17 sales reached 3,599 units (-27%MoM/34%YoY), declining on mundane offtake for Corolla (3,009 units sold diminishing by -29%MoM/-26%YoY) making June'17 the worst month for cumulative sales since June'14. FY17 Corolla sales of 52,676 units (-8%YoY) rest below our FY17 target of 56K units where we are amending our estimates accordingly.

Outlook: Bearish sentiment has squeezed the sector where valuations have reached attractive levels. We believe PSMC with its blend of demand growth from Punjab scheme, sturdy margins on CBU's and successful



reception of the newly launched Cultus presents a solid investment case in uncertain times. Moreover, we have a FCFE based TP of PkR801/sh, trading at CY17E/18F P/E of 14.8x/11.6x, with additional inducement in terms of higher payouts likely from statutory requirements for undistributed reserves enacted as a part of Budget FY18.

Jun'17 & FY17: Auto Industry Sales

(Units)	Jun-17	May-17	MoM	YoY	FY17	FY16	YoY
Ind. Perform.							
Total Industry Sales	16,184	21,624	-25.2%	-6.3%	221,748	224,346	-1.2%
Cars	12,870	17,478	-26.4%	-5.6%	185,781	181,145	2.6%
LCVs & Pickups	2,592	3,242	-20.0%	-10.3%	27,338	36,534	-25.2%
Trucks	645	805	-19.9%	-0.6%	7,499	5,650	32.7%
Buses	77	99	-22.2%	-25.2%	1,130	1,017	11.1%
Tractors	4,446	6,463	-31.2%	10.8%	54,987	37,618	46.2%
Company Wise							
PSMC	8,999	11,131	-19.2%	-1.7%	114,044	127,785	-10.8%
INDU	3,599	4,929	-27.0%	-33.9%	59,911	63,977	-6.4%
HCAR	2,864	4,660	-38.5%	48.7%	39,163	25,726	52.2%
MTL	2,900	4,213	-31.2%	-0.1%	34,692	24,111	43.9%
AGTL	1,516	2,211	-31.4%	37.6%	19,833	12,755	55.5%
Segment-Wise Sales							
1300cc & above	5,491	8,293	-33.8%	-13.5%	93,925	87,321	7.6%
1000cc	3,433	3,939	-12.8%	21.8%	34,678	26,166	32.5%
800cc & below	3,946	5,246	-24.8%	-11.7%	57,178	67,658	-15.5%
Passenger Cars	12,870	17,478	-26.4%	-5.6%	185,781	181,145	2.6%
PSMC							
Swift	374	289	29.4%	-2.1%	4,245	4,143	2.5%
Cultus	1,768	2,012	-12.1%	10.5%	17,006	16,450	3.4%
Wagon R	1,665	1,927	-13.6%	36.6%	17,671	9,709	82.0%
Mehran	2,681	3,385	-20.8%	-4.7%	37,933	37,504	1.1%
Bolan	1,265	1,861	-32.0%	-23.6%	19,245	30,154	-36.2%
Ravi	1,246	1,657	-24.8%	-16.2%	17,944	29,825	-39.8%
INDU							
Corolla	3,009	4,220	-28.7%	-25.6%	52,676	57,452	-8.3%
Fortuner	239	113	111.5%	184.5%	1,375	602	128.4%
Hilux	351	596	-41.1%	-73.4%	5,860	5,923	-1.1%
HCAR	2,864	4,660	-39%	14%	39,163	25,726	52%

Source: PAMA & AKD Research



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Neutral	≤ 5% to ≥ -5% potential
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