



Today's Daily

■ Autos: FY18 growth is strong, but will it persist?

June'18 total automotive industry sales tapered off to 19,270 units (-15.2%MoM/+19.1%YoY), closing FY18 with total industry sales of 268,578 (+21.1%YoY). Major constituents of total industry sales (for FY18) moved +16.7%/+22.7%/-34.2%YoY for Passenger Cars/Trucks/Buses while LCVs & Pickups sales soared (+53.1%YoY) mostly from fleet sales. Bearish sentiment has squeezed the sector where valuations have reached attractive levels, despite wider question marks over organic demand growth following significant price hiked by OEMs. We believe INDU remains a high quality offering, with its blend of demand growth from premium SUV offerings, sturdy margins in sedan segment and cash heavy balance sheet. Moreover, we have an FCFE based TP of PkR2,191/sh, while the stock trades at 19F P/E of 6.5x, offering capital upside of 69% at current levels with a D/Y of 9.66%.

KSE100 - Index

Current	39,586.76
Previous	39,452.81
Chg.	0.34%

Mkt Cap. (PkRbn/US\$bn)

Current	8,204 / 67.50
Previous	8,198 / 67.45
Chg.	0.07%

Daily Turnover (mn)

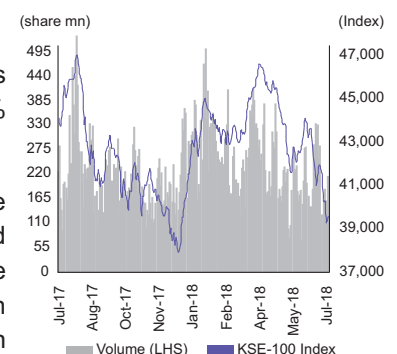
Current	128.43
Previous	167.81
Chg.	-23.5%

Value Traded (PkRmn/US\$m)

Current	5,984 / 49.23
Previous	8,042 / 66.17
Chg.	-25.6%

News and Views

- As per PBS, Pakistan's trade deficit has surged to all-time high of US\$37.67bn (+15.95%YoY) during FY18 as imports increased faster than exports. Pakistan's imports have recorded at US\$60.9bn during FY18 as against US\$52.9bn in FY17, an increase of 15.1%YoY. On the other hand, the country's exports had increased to US\$23.2bn during FY18 as against US\$20.4bn (up 13.74%YoY).
- FM Dr Shamshad Akhtar on Wednesday acknowledged that Pakistan's debt has increased to 72% of the GDP, higher by 12% to the limit of 60% of the GDP set in FRDL Act.
- As per new data released by the finance division, Nearly 55,225 people have filed returns declaring their PkR577bn worth of foreign assets and PkR1,192bn domestic assets under the tax amnesty scheme, The declarants have paid around PkR97bn (PkR36bn on whitening of foreign assets and PkR61bn on domestic assets) in taxes thus far with more in the pipeline. In addition, US\$40mn has been repatriated under the scheme.
- US Secretary of State Michael Pompeo said on Tuesday that Washington may grant waivers to the countries that seek relief from strict oil sanctions that the Trump administration intends to impose on Iran from Nov 4.



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Autos: FY18 growth is strong, but will it persist?

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Summer blues for sales: For Jun'18 sales for all major OEMs tapered with INDU/PSMC/HCAR sales declining -23.0/-11.2/-14.7%MoM but increasing +26.4/+14.9/+26.6%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 in the annual Finance Bill and 3) off-late, month of Ramzan crossing over to the month of June with shorter working hours reducing passenger car orders.

PSMC: Selling a total of 10,344 units (-11.2%MoM/+14.9%YoY) in Jun'18, passenger cars offerings for the month fared better than LCVs & Pickups (Wagon R/Mehran/Bolan/Cultus/Swift sales +100/+19.9/+23.1/-23/-5.9%YoY) totaling 9,165 units vs. 7,753 units in Jun'17, whereas figures for Ravi stood at 1,179 units against 1,246 units in Jun'17. Additionally, for cumulative sales over FY17 demand for more recent offerings clearly outpaced older offerings (compare Wagon R vs. Mehran), fueling bullish sales growth expectations for the recently launched Cultus. Lastly, follow up on recently provisioned Punjab Taxi scheme should be seen soon, building the case for supernormal sales growth for FY18-19F.

INDU: Jun'18 sales reached 4,548 units (-23.0%MoM/+26.4%YoY), declining (on monthly basis) due to mundane offtake for Corolla (3,546 units sold diminishing by -24.2%MoM/+17.8%YoY) making Jun'18 the worst month for cumulative Corolla sales since FY15 (at 51,398 units). FY18 Corolla sales of 51,412 units (-2.4%YoY) rest below our FY18 target of 55K units where we are amending our estimates accordingly.

Outlook: We believe INDU remains a high quality offering, with its blend of demand growth from premium SUV offerings, sturdy margins in sedan

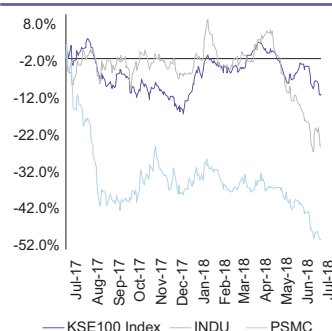
KATS Code	INDU
Bloomberg Code	INDU.PA
Price PkR	1,294.97

Market Cap (PkRmn)	101,785
Market Cap (US\$m)	841.20
Shares (mn)	78.60
3M Avg Turnover '000	27.17
1 Yr Avg Turnover '000	21.75
3M Avg DT Value (US\$m)	0.36
1Yr Avg DT Value (US\$m)	0.30

KATS Code	PSMC
Bloomberg Code	PSMC.PA
Price PkR	356.85

Market Cap (PkRmn)	29,369
Market Cap (US\$m)	242.72
Shares (mn)	82.30
3M Avg Turnover '000	62.14
1 Yr Avg Turnover '000	67.57
3M Avg DT Value (US\$m)	0.23
1Yr Avg DT Value (US\$m)	0.28

Universe Autos Sector vs. KSE100 Index



Source: PSX & AKD Research



segment and cash heavy balance sheet. Moreover, we have an FCFE based TP of PkR2,191/sh, while the stock trades at FY19F P/E of 6.5x, offering capital upside of 69% at current levels, along with a D/Y of 9.66%.

Jun'18: Auto Industry Sales

(Units)	Jun-18	May-18	MoM	May-17	YoY	FY18	FY17	YoY
Ind. Perform.								
Total Industry Sales	19,270	22,719	-15.2%	16,184	19.1%	268,578	221,747	21.1%
Cars	15,652	18,223	-14.1%	12,870	21.6%	216,786	185,780	16.7%
LCVs & Pickups	2,866	3,590	-20.2%	2,592	10.6%	41,846	27,338	53.1%
Trucks*	695	804	-13.6%	645	7.8%	9,202	7,499	22.7%
Buses*	57	102	-44.1%	77	-26.0%	744	1,130	-34.2%
Tractors	3,895	6,753	-42.3%	4,446	-12.4%	70,887	54,801	29.4%
Company Wise								
PSMC	10,344	11,651	-11.2%	8,999	14.9%	144,070	114,044	26.3%
INDU	4,548	5,910	-23.0%	3,599	26.4%	63,068	59,911	5.3%
HCAR	3,626	4,252	-14.7%	2,864	26.6%	51,494	39,163	31.5%
MTL	2,358	4,165	-43.4%	2,900	-18.7%	42,707	34,506	23.8%
AGTL	1,505	2,505	-39.9%	1,516	-0.7%	27,839	19,833	40.4%
Segment-Wise Sales								
1300cc & above	6,839	8,865	-22.9%	5,491	24.5%	99,138	93,925	5.6%
1000cc	4,042	4,114	-1.8%	3,433	17.7%	49,689	34,678	43.3%
800cc & below	4,771	5,244	-9.0%	3,946	20.9%	67,959	57,178	18.9%
Passenger Cars	15,652	18,223	-14.1%	12,870	21.6%	216,786	185,781	16.7%
PSMC								
Swift	352	439	-19.8%	374	-5.9%	4,916	4,245	15.8%
Cultus	1,362	1,412	-3.5%	1,768	-23.0%	20,483	17,006	20.4%
Wagon R	2,680	2,702	-0.8%	1,665	100.0%	29,206	17,671	65.3%
Mehran	3,214	3,557	-9.6%	2,681	19.9%	46,221	37,933	21.8%
Bolan	1,557	1,687	-7.7%	1,265	23.1%	21,738	19,245	13.0%
Ravi	1,179	1,854	-36.4%	1,246	-5.4%	21,506	17,944	19.9%
INDU								
Corolla	3,546	4,676	-24.2%	3,009	17.8%	51,412	52,676	-2.4%
Fortuner	414	508	-18.5%	239	73.2%	4,186	1,375	204.4%
Hilux	588	726	-19.0%	351	67.5%	7,470	5,860	27.5%
HCAR								
Civic & City	2,941	3,750	-21.6%	2,108	39.5%	42,810	37,004	15.7%
B-RV	685	502	36.5%	756	-9.4%	8,684	2,159	302.2%

Source: PAMA & AKD Research



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