



AKD Securities Limited

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Today's Daily

Autos: May'17 Sales is largely priced in

Total automotive industry sales for May'17 reached 21,624 units growing 12.9%MoM/20.6%YoY lifted by 31.5%MoM/82.8%YoY rise in LCV & Pickups (LCV&P) and 10.2%MoM/13.4%YoY increase in Passenger Car (PC) offtake. On the production side, total industry production picked up 10%MoM/19%YoY where LCV&P segment (+22%MoM/58%YoY) was the major propellant. Monthly capacity utilizations for major Passenger Vehicle OEMS were at 70/109/88% for PSMC/INDU/HCAR whereas the same stood at 61/118/80% for the month before indicating firm offtake for PSMC & HCAR in the coming month. Outlook for premium 1300CC+ category remains robust, with news flows about delayed production plans for new entrants prolonging present dynamics in favor of incumbents. Therefore, INDU remains our top pick in the space (FCFE TP of 2,214/sh) with a Neutral stance.

KSE100 - Index

Current 47,671.80
Previous 49,526.92
Chg. -3.75%

Mkt Cap. (PkrBn/US\$bn)

Current 9,539 / 90.97
Previous 9,859 / 94.02
Chg. -3.25%

Daily Turnover (mn)

Current 219.37
Previous 208.57
Chg. 5.2%

Value Traded (PkrMn/US\$m)

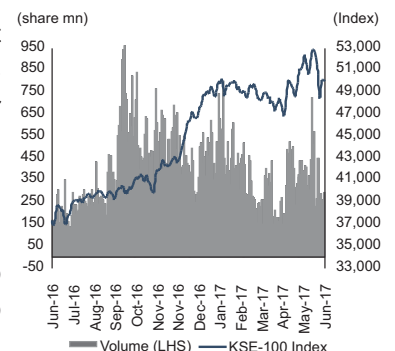
Current 9,272 / 88.42
Previous 8,196 / 78.16
Chg. 13.1%

AKD Daily

Tuesday, Jun 13, 2017

News and Views

- The joint investigation team (JIT) - constituted by the Supreme Court (SC) to probe businesses and financial dealings of the Sharif family- has leveled serious allegations against some government institutions for changing and tampering the record pertaining to the Panama Papers.
- As per recent data released by PBS, Pakistan's trade deficit widened 42%YoY to US\$29.99bn during the 11MFY17, where exports declined 3.13%YoY to US\$16.918bn, while imports jumped 20.6%YoY to US\$48.54bn. On a monthly basis, exports in May'17 fell 10.95%YoY to US\$1.63bn whereas imports surged by 27.88%YoY to stand at US\$5.09bn.
- As per news sources, the GoP will secure loans worth of US\$600mn in the next few days from the Asian Development Bank to cushion its foreign currency reserves.



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When growth remains elusive: Cumulative 11MFY17 total industry sales, including trucks and buses was at a relatively tepid 205,564 units (-0.8%YoY), with the industry expected to clock in FY17E sales north of 225K units. High growth segment of Trucks/Buses inched upwards (+37/15%YoY) but only contribute 7,907 units in total. Car sales were higher by 3.1%YoY where HCAR increased offtake (36,299 units up 51.6%YoY) whereas the rest (INDU/PSMC sales down 3.8/11.5%) underwent a decline in volume. Segment wise sales for 1000CC/1300+CC were up 33.8/9.0%YoY for 11MFY17, whereas the 800CC and below class dipped 15.8%YoY.

PSMC: Selling 11,131 units (+21.4%MoM/+23.7%YoY) in May'17, benefitting from a full production run of the new Cultus (2,012 units sold up 27.7%YoY), Wagon R sales uptick (+29.9%MoM/172.2%YoY) and encouraging Bolan/Ravi offtake (+57.6/57.4%MoM).

INDU: 11MFY17 sales of 56,312 units (-3.8%YoY) are pressed by 7%YoY fall in Corolla sales, on track to meet our FY17E target of 56.1K units (down 3%YoY) re-affirming our hypothesis of sales remaining resilient. Moreover, on a consolidated basis, Fortuner/Hilux sales grew 1.2x/20%YoY as the facelift for these models gains prominence.

HCAR: The OEM began recording BRV sales from April'17, allowing us a peek at variant-wise growth in sales, which is at 52%YoY with 11MFY17 sales at 36,299 units. Accompanying the growth in sales is an expansion in market share, as Civic & City variants command a market share of 39.5% for 11MFY17 vs. 29.5% for the same period last year in the 1300CC+ segment.

Investment Perspective: When compared to wider growth trends, 11MFY17 growth for Total Industry/PC/LCV&P of -0.8/+3.1/-26.4%YoY stands below 5YR historical sales CARGRs of +4.8/+4.2/+5.5%. We believe this is a



near term 'blip' as during the period under review, OEMs underwent idiosyncratic operational developments (overhaul, plant BMRs, phasing out of models) limiting production and lowering sales. Outlook for premium 1300CC+ category remains robust, with news flows about delayed production plans for new entrants prolonging present dynamics in favor of incumbents. Therefore, INDU remains our top pick in the space (FCFE TP of 2,214/sh) with a Neutral stance.

May'17: Auto Industry Sales

(Units)	May-17	Apr-17	MoM	YoY	11MFY17	11MFY16	YoY
Ind. Perform.							
Total Industry Sales	21,624	19,158	12.9%	20.6%	205,564	207,207	-0.8%
Cars	17,478	15,863	10.2%	13.4%	172,911	167,648	3.1%
LCVs & Pickups	3,242	2,466	31.5%	82.8%	24,746	33,644	-26.4%
Trucks	805	728	10.6%	27.8%	6,854	5,001	37.1%
Buses	99	101	-2.0%	-9.2%	1,053	914	15.2%
Tractors	6,463	6,263	3.2%	60.7%	50,541	33,607	50.4%
Company Wise							
PSMC	11,131	9,171	21.4%	23.7%	105,045	118,629	-11.5%
INDU	4,929	5,639	-12.6%	-11.1%	56,312	58,531	-3.8%
HCAR	4,660	3,519	32.4%	76.0%	36,299	23,941	51.6%
MTL	4,213	4,034	4.4%	88.6%	31,792	21,208	49.9%
AGTL	2,211	2,180	1.4%	24.8%	18,317	11,653	57.2%
Segment-Wise Sales							
1300cc & above	8,293	8,046	3.1%	0.0%	88,434	81,112	9.0%
1000cc	3,939	2,805	40.4%	72.5%	31,245	23,347	33.8%
800cc & below	5,246	5,012	4.7%	8.3%	53,232	63,189	-15.8%
Passenger Cars	17,478	15,863	10.2%	13.4%	172,911	167,648	3.1%
PSMC							
Swift	289	301	-4.0%	-33.7%	3,871	3,761	2.9%
Cultus	2,012	1,321	52.3%	27.7%	15,238	14,850	2.6%
Wagon R	1,927	1,484	29.9%	172.2%	16,006	8,490	88.5%
Mehran	3,385	3,831	-11.6%	8.4%	35,252	34,691	1.6%
Bolan	1,861	1,181	57.6%	8.1%	17,980	28,498	-36.9%
Ravi	1,657	1,053	57.4%	15.3%	16,698	28,339	-41.1%
INDU							
Corolla	4,220	4,753	-11.2%	-19.0%	49,667	53,410	-7.0%
Fortuner	113	212	-46.7%	276.7%	1,136	518	119.3%
Hilux	596	674	-11.6%	94.1%	5,509	4,603	19.7%
HCAR	4,660	3,519	32%	76%	36,299	23,941	52%

Source: PAMA & AKD Research



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Neutral	≤ 5% to ≥ -5% potential
Reduce	< -5% to > -20% downside potential
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