

PAKISTAN AUTOS

MARKET VISTA

Receding growth with PC sales sustaining

- Total industry sales for the month of Feb'19 came in at 20,275 units (-12%MoM/-13%YoY) with LCV sales of 17,071 units (-12%MoM/-10%YoY), Truck offtake of 527 units (-2% MoM/-27%YoY) and 36 Buses (-45%MoM/-36%YoY), marking MoM/YoY depletion in all automotive segments.
- Cumulative 8MFY19 total industry sales stood at 167,628 units (+9.4%YoY) with passenger car sales at 140,462 units +13.9%YoY, LCVs amounting to 22,230 (-9%YoY) and Truck sales of 4,289 units (-17%YoY), with monthly sales continue their four month downtrend.
- Amongst OEMs PSMC/INDU/HCAT recorded monthly offtake of 10,851/5,529/3,281 units moving -8/-12/-27%MoM and -17/+8/-27%YoY, taking cumulative 8MFY19 sales to 85,754/44,409/32,077 vehicles, a move of +3/+25/+10%YoY, with INDU marking relative resilience during 3QFY19 and into Feb'19.
- Channel checks with dealers indicate a clear softening of demand, with order books receding and delivery schedules for Civic/Corolla 1.6-1.8L variants shorter than a month. In this backdrop we remain sanguine on our outlook for sales, with INDU on firm grounds to hit our expected sales growth target of 12.4%YoY (underpinned by Corolla sales growth of 15%YoY) for FY19.
- That said, our Neutral call on the stock stands, with recent price performance (+13%CYTD return) lowering potential upside to 14.1% (TP of PkR1,465/sh), inclusive of a tapered D/Y of 7.3% as CAPEX guidance lowers our expectation of payouts over the medium term.

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PSMC organic growth fails: PSMC had an slightly below average month for monthly sales (10,851 units) shifting -8%MoM/-15%YoY decline is indicative of slowing organic sales growth mixed with latent seasonality. Largest contributors to sequential consolidation arose from the soon to be replaced Mehran (+8%MoM/-33%YoY), Wagon R (-22%MoM/+16%YoY) and Bolan (+2%MoM/-18%YoY). Cumulative sales volume for 8MFY19 stand at 85,754 units, firming up 3%YoY, keeping capacity utilization level at ~86% vs. ~83% during 8MFY18. Growth was recorded in the sales of Wagon R (continued to climb, up 28%YoY), Cultus (up 28%YoY) and Swift (+22%YoY), while Mehran (-15%YoY) and Bolan (-10%YoY) kept a hampered volumetric sales.

INDU – keeping strong and steady: The OEM posted sales of 5,529 units during Feb'19 falling 12%MoM, while remaining strong on annual comparisons (+8%YoY), as delayed price hikes effectively depleted the new year seasonal sales bump. Corolla sales for the month stood at 4,945 units, moving -8%MoM/+23%YoY indicating continued demand, despite drastic sales price hikes. On a cumulative basis 7MFY19 sales figures clocked in at 44,409 units rising 25%YoY, where the OEM has gained market share lost during FY18 due to the new product rollout and plant closures. At the newly raised production capacity of 65,000 units annually the OEM's utilization levels of ~100% continues to showcase a strong operational picture.

HCAR– lower production caps sales: Cratering -27%MoM and -24%YoY, HCAR's Civic and City sales decline may be attributed to plant overhaul and production constraints (Feb'19 production down 24%YoY), where cumulative sales show 22%YoY growth. BRV sales are not faring better, cratering 33%MoM/45%YoY with cumulative sales falling 41%YoY.



AKD Securities Limited

Pakistan Automotive Industry Sales Snapshot

(Units)	Feb-19	Jan-19	MoM	YoY	8MFY19	8MFY18	YoY
Ind. Perform.							
Total Industry Sales	20,275	23,140	-12%	-13%	167,628	153,200	9.4%
Cars	17,071	19,353	-12%	-10%	140,462	123,356	13.9%
LCVs & Pickups	2,641	3,185	-17%	-27%	22,230	24,344	-8.7%
Trucks	527	537	-2%	-27%	4,289	5,136	-16.5%
Buses	36	65	-45%	-36%	647	364	77.7%
Tractors	4,044	3,486	16%	-37%	32,013	38,173	-16.1%
Company Wise							
PSMC	10,851	11,746	-8%	-17%	85,754	83,017	3.3%
INDU	5,529	6,249	-12%	8%	44,409	35,515	25.0%
HCAR	3,281	4,518	-27%	-27%	32,077	29,168	10.0%
MTL	2,412	1,950	24%	-31%	20,472	23,263	-12.0%
AGTL	1,596	1,492	7%	-45%	11,243	14,776	-23.9%
Segment-Wise Sales							
1300cc & above	8,239	9,750	-15%	-2%	70,232	55,730	26.0%
1000cc	4,262	5,285	-19%	0%	36,385	28,391	28.2%
800cc & below	4,570	4,318	6%	-28%	33,845	39,235	-13.7%
Passenger Cars	17,071	19,353	-12%	-10%	140,462	123,356	13.9%
PSMC							
Swift	344	371	-7%	-28%	3,224	2,653	21.5%
Cultus	1,843	2,185	-16%	-14%	14,785	11,547	28.0%
Wagon R	2,419	3,100	-22%	16%	21,600	16,844	28.2%
Mehran	2,925	2,709	8%	-33%	22,460	26,543	-15.4%
Bolan	1,645	1,609	2%	-18%	11,385	12,692	-10.3%
Ravi	1,675	1,772	-5%	-14%	12,300	12,738	-3.4%
INDU							
Corolla	4,945	5,353	-8%	23%	38,248	29,568	29.4%
Fortuner	332	258	29%	80%	1,843	2,103	-12.4%
Hilux	252	638	-61%	-72%	4,318	3,844	12.3%
HCAR							
Civic & City	2,950	4,026	-27%	-24%	28,760	23,509	22.3%
B-RV	331	492	-33%	-45%	3,317	5,659	-41.4%

Source: PAMA, AKD Research

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Sell	< 13% expected total return (Rf: 13%)

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