



## AKD Securities Limited

TREC Holder & Registered Broker  
Pakistan Stock Exchange

Equity Research / Pakistan



REP-108  
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### Today's Daily

#### ■ Autos: Feb'18 numbers keep the music playing

Selling 23,433 units for the month, total industry sales for Feb'18 stood -4.4%MoM in the shortest month of the year, where the +14.8%YoY number stands as a proof of robust demand prevailing for domestic OEMs. The share of passenger cars stood above 19K consecutively for the second month with sales clocking in 19,027 for the month (-4.5%MoM/+11.1%YoY). While Tractors showed an unexpected, off-season hike, posting 6,454 units (+10.1%MoM/14.3%YoY), LCVs sales remained resilient with 3,627 units (-0.3%MoM/+41.3%YoY). Looking at the segment-wise sales, we notice that the 1000CC and below segment maintains strong demand with sales rising +24.9%/+27.5%YoY for 1000cc/800 & below segment. On a cumulative basis, the 8MFY18 industry sales amounted to 176,632 units vs. 159,378 units for SPLY (+10.8%YoY). Chief source of incremental growth on cumulative sales was seen in the LCVs space where sales climbed 41.9%YoY for 8MFY18 to 27,970 units. Riding the wave of wider LCV sales growth in a rather thinly crowded segment (which could get crowded further as new entrant's eye this segment), PSMC emerged as the strongest contender. Backed by the same, cumulative Ravi & Bolan variants amassed sales of ~29k units during 8MFY18 resting above 27,377 units sold during 8MFY16, the peak of the Rozgar sales period. In this sturdy backdrop for strong demand led earnings and improved dividend yield due to statutory restrictions for PSMC, our TP of PkR691.51/sh offers an upside of 39.65% from current price levels.

#### KSE100 - Index

Current 43,410.93  
Previous 43,011.26  
Chg. 0.93%

#### Mkt Cap. (PkRbn/US\$bn)

Current 9,022 / 81.59  
Previous 8,989 / 81.30  
Chg. 0.36%

#### Daily Turnover (mn)

Current 109.73  
Previous 139.90  
Chg. -21.6%

#### Value Traded (PkRmn/US\$m)

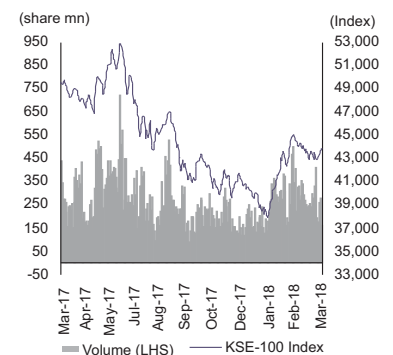
Current 4,471 / 40.44  
Previous 6,045 / 54.67  
Chg. -26.0%

AKD Daily

Tuesday, Mar 13, 2018

#### News and Views

- The ruling Pakistan Muslim League-Nawaz (PML-N) lost the race to appoint their favoured candidates to the top Senate slots as Sadiq Sanjrani, an opposition-backed candidate from Balochistan, was appointed Senate chairman on Monday.
- As per news report, the GoP has decided in principle to increase gas prices by 5-7%, involving additional revenue of PkR18bn to cover losses of the two gas utilities (SSGC and SNGP) with retrospective effect from 2012-13. The forthcoming meeting of the Economic Coordination Committee (ECC) of the Cabinet is expected to issue formal instructions to the Ogra to make past adjustments in UFG losses since 2012-13.
- The US House of Representatives has passed a bill to renew the Generalised System of Preferences (GSP) scheme allowing duty free access for goods from 120 countries including Pakistan for the next three years. The scheme expired on Dec 31'17. The Bill now provides an extension up to Dec'20.



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## Autos: Feb'18 numbers keep the music playing

Selling 23,433 units for the month, total industry sales for Feb'18 stood -4.4%MoM in the shortest month of the year, where the +14.8%YoY number stands as a proof of robust demand prevailing for domestic OEMs. The share of passenger cars stood above 19K consecutively for the second month with sales clocking in 19,027 for the month (-4.5%MoM/+11.1%YoY). While Tractors showed an unexpected, off-season hike, posting 6,454 units (+10.1%MoM/14.3%YoY), LCVs sales remained resilient with 3,627 units (-0.3%MoM/+41.3%YoY). Looking at the segment-wise sales, we notice that the 1000CC and below segment maintains strong demand with sales rising +24.9%/+27.5%YoY for 1000cc/800 & below segment. On a cumulative basis, the 8MFY18 industry sales amounted to 176,632 units vs. 159,378 units for SPLY (+10.8%YoY). Chief source of incremental growth on cumulative sales was seen in the LCVs space where sales climbed 41.9%YoY for 8MFY18 to 27,970 units. Riding the wave of wider LCV sales growth in a rather thinly crowded segment (which could get crowded further as new entrant's eye this segment), PSMC emerged as the strongest contender. Backed by the same, cumulative Ravi & Bolan variants amassed sales of ~29k units during 8MFY18 resting above 27,377 units sold during 8MFY16, the peak of the Rozgar sales period. In this sturdy backdrop for strong demand led earnings and improved dividend yield due to statutory restrictions for PSMC, our TP of PkR691.51/sh offers an upside of 39.65% from current price levels.

**PSMC:** The OEM has maintained strong volumetric offtake for the year with 13,045 units sold for the month (-5.4%MoM/25.4%YoY), taking the 8MFY18 sales to reach 96,062 units vs. 81,677 units SPLY (up 17.6%YoY). Chief contribution to the volumetric sales for the month came from the Mehran (+0.8%MoM/+29.8%YoY) and Cultus (+5.1%MoM/22.8%YoY) taking 8MFY18 Mehran/Cultus sales to 30,903/13,697 units (+14.1%/15.9%YoY), both variants being fleet sales favorites.

**INDU:** The OEM posted weaker sales for the month, down -5.1%MoM/-7.6%YoY to 5,108 units vs. 5,381/5,529 in Jan'18/Feb'17 due to production side limitations despite maintaining a healthy order book (order book remain filled to May'18). While the OEM has introduced Diesel variants for Hilux/Fortuner; sales clocked in at 890/184 units for the month, where Hilux sales were +32.2%MoM/+33.4%YoY whereas Fortuner sales were -60.4%/-22.4% due to temporary halt of production of Petrol Variant Fortuner. The auto-assembler sold 4,034 units for Corolla, taking total 8MFY18 sales of the OEM to 40,623 units (-10.2%YoY).

**HCAR:** Despite the shortest month of the year, the OEM continued to surprise through offtake growth with sales clocking in at 4,501 units vs. 4,388/3,752 units for Jan'18/Feb'17. Civic & City sales number came out



to 3,900 units for the month (+0.3%MoM/3.9%YoY) taking the cumulative sales for 8MFY18 to 27,409 (+4.4%YoY). While BR-V sales remained weak due to the immense competition from the imported Honda Freed/Spike, the OEM only sold 601 units for the month, taking the total units sold since launch to 6,251 units.

**Investment Outlook:** With annual results expected next month, PSMC is expected to announce consolidated earnings of PkR3.97bn for the year (EPS: 49.39) coupled with a dividend of PkR22.5/sh (minimum 40% payout of earnings to avoid additional tax). With unrelenting progression in offtake despite price hikes due to PkR/USD devaluation, the incumbent's sales performance solidifies our investment case. Having presented our investment thesis, we remain upbeat on our TP of PkR691.51/sh, which offers an upside of 39.65% from current price levels.

### Feb'18: Auto Industry Sales

(Units)	Feb-18	Jan-18	MoM	Jan-17	YoY	8MFY18	8MFY17	YoY
<b>Ind. Perform.</b>								
Total Industry Sales	23,433	24,500	-4.4%	20,420	14.8%	176,633	159,378	10.8%
Cars	19,027	19,924	-4.5%	17,119	11.1%	142,384	133,466	6.7%
LCVs & Pickups	3,627	3,638	-0.3%	2,567	41.3%	27,970	19,718	41.9%
Trucks	723	884	-18.2%	638	13.3%	5,859	5,326	10.0%
Buses	56	54	3.7%	96	-41.7%	420	868	-51.6%
Tractors	6,454	5,863	10.1%	5,647	14.3%	44,606	35,176	26.8%
<b>Company Wise</b>								
PSMC	13,045	13,793	-5.4%	10,405	25.4%	96,062	81,677	17.6%
INDU	5,108	5,381	-5.1%	5,529	-7.6%	40,623	45,256	-10.2%
HCAR	4,501	4,388	2.6%	3,752	20.0%	33,669	26,251	28.3%
MTL	3,509	3,109	12.9%	3,550	-1.2%	26,772	22,439	19.3%
AGTL	2,910	2,715	7.2%	2,082	39.8%	17,686	12,427	42.3%
<b>Segment-Wise Sales</b>								
1300cc & above	8,413	8,643	-2.7%	8,725	-3.6%	64,144	69,049	-7.1%
1000cc	4,242	4,749	-10.7%	3,396	24.9%	32,633	22,406	45.6%
800cc & below	6,372	6,532	-2.4%	4,998	27.5%	45,607	42,012	8.6%
Passenger Cars	19,027	19,924	-4.5%	17,119	11.1%	142,384	133,467	6.7%
<b>PSMC</b>								
Swift	479	512	-6.4%	348	37.6%	3,132	3,255	-3.8%
Cultus	2,150	2,046	5.1%	1,751	22.8%	13,697	11,820	15.9%
Wagon R	2,092	2,703	-22.6%	1,645	100.0%	18,936	10,585	78.9%
Mehran	4,360	4,324	0.8%	3,360	29.8%	30,903	27,075	14.1%
Bolan	2,012	2,208	-8.9%	1,638	22.8%	14,704	14,937	-1.6%
Ravi	1,952	2,000	-2.4%	1,663	17.4%	14,690	14,005	4.9%
<b>INDU</b>								
Corolla	4,034	4,243	-4.9%	4,625	-12.8%	33,602	39,543	-15.0%
Fortuner	184	465	-60.4%	237	-22.4%	2,287	652	250.8%
Hilux	890	673	-60.4%	667	-72.4%	4,734	5,061	-6.5%
<b>HCAR</b>								
Civic & City	3,900	3,888	0.3%	3,752	3.9%	27,410	26,251	4.4%
B-RV	601	500	20.2%	-	100.0%	6,259	-	100.0%

Source: PAMA & AKD Research



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