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Today's Daily

■ Autos: Post-Rozgar inflection nears for cash heavy OEMs

Feb'16 industry sales moved -6%MoM/+24%YoY amounting to 19,686 units where car sales were 17,119 units, a -6%MoM/+22%YoY variation. Highlighting the fading out of the Rozgar Scheme sales (deliveries concluded in 1QCY16), LCV sales were -2%MoM/+39%YoY, while ex-Rozgar industry sales grew by an encouraging 35%YoY. Cumulative 8MFY17 industry sales were at 138,103 units (-8%YoY), made up by 121,275 units of car sales (-1%YoY) and 16,828 LCV units (-39%YoY). Ex-Rozgar cumulative sales showed industry growth of 14%YoY, while in the car segment 1000CC/1300CC+ segment sales increased 30%/11%YoY. Tractor sales continue to climb, with 5,632 units sold in Feb'17 (+4.5%MoM/+85%YoY) and 8MFY17 sales crossing 31,150 units (+50%YoY). High multiple auto sector exposes scrips to downside in a consolidating market. That said, sturdy balance sheets of OEMs means they can weather any adverse operational challenges, as evidenced by the limited impact on their liquidity from SBP's mandated cash requirement for imports.

KSE100 - Index

Current 49,191.75
Previous 49,392.44
Chg. -0.41%

Mkt Cap. (PkRbn/US\$bn)

Current 9,697 / 92.49
Previous 9,735 / 92.86
Chg. -0.39%

Daily Turnover (mn)

Current 182.74
Previous 220.43
Chg. -17.1%

Value Traded (PkRmn/US\$m)

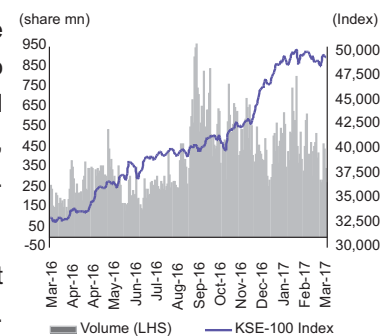
Current 9,763 / 93.12
Previous 13,941 / 132.97
Chg. -30.0%

AKD Daily

Monday, Mar 13, 2017

News and Views

- As per SBP, remittances sent by Pakistanis living abroad in Feb'17 amounted to \$1.417bn, down 4.7%MoM/6.9%YoY. Country-wise the largest decline came from KSA (down 6.9%MoM/14.9%YoY to US\$404.4mn), Dubai (down 2.9%MoM/1.9%YoY to US\$202.9mn) and UK (down 5.7%MoM/5.1%YoY to US\$170.5mn). On a cumulative basis, remittances now stand 2.47%YoY lower at US\$12.36bn in 8MFY17 vs. \$12.67bn in the comparative period.
- As per data released by PBS, trade deficit for Feb'17 clocked in at US\$2.81bn, shooting 87.9%YoY despite sequential 4.7%MoM decline. The hefty rise was driven by 35.5%YoY rise in imports bill to US\$4.44bn for the month while exports slumped 8.3%YoY to US\$1.64bn. In 8MFY17, trade deficit accumulated to US\$20.2bn, 34.3%YoY higher with exports declining 3.9%YoY to US\$13.32bn and imports increasing 15.99%YoY to US\$33.52bn.



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Autos: Post-Rozgar inflection nears for cash heavy OEMs

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Feb'17: Auto Industry Sales

(Units)	Feb-17	Jan-17	MoM	YoY	8MFY17	8MFY16	YoY
Ind. Perform.							
Industry Sales	19,686	20,884	-5.7%	24.0%	138,103	149,311	-7.5%
Cars	17,119	18,255	-6.2%	22.0%	121,275	121,934	-0.5%
LCVs & Pickups	2,567	2,629	-2.4%	39.0%	16,828	27,377	-38.5%
Tractors	5,632	5,390	4.5%	85.0%	31,150	20,772	50.0%
Company Wise							
PSMC	10,405	11,107	-6.3%	23.6%	73,967	91,608	-19.3%
INDU	5,529	5,775	-4.3%	4.8%	39,810	41,723	-4.6%
HCAR	3,752	4,002	-6.2%	73.1%	24,325	15,793	54.0%
MTL	3,550	3,544	0.2%	96.6%	19,536	13,984	39.7%
AGTL	2,082	1,772	17.5%	83.4%	11,325	6,139	84.5%

Source: PAMA & AKD Research

INDU: Selling 5,529 units in the month (-4%MoM/+5%YoY), INDU reached 8MFY17 cumulative offtake of 39,810 (-5%YoY) playing into the wider trend of stable growth, following production led disruptions from factory re-tooling and phasing out of older variants. 35,501 units of the Corolla were sold during 8MFY17, depicting -7%YoY, for a 2yr old model, which continues to remain popular. 8MFY17 cumulative market share of the Corolla variant dipped in the 1,300cc space, falling back to pre-launch of 11th Gen level of 57% vs. 67% during 8MFY16.

PSMC: Phasing out of Punjab Rozgar Scheme high base and strong growth in the 1000CC segment variants has kept growth lofty, with Feb'17 sales of 10,405 units (-6%MoM/+24%YoY) and ex-Rozgar sales growth of 45%YoY. Cumulative 8MFY17 sales amounted to 73,967 units (-19%YoY), while ex-Rozgar the growth climbs to 16%YoY (removing 28,052 units sold

PSMC Monthly Sales

	PSMC Sales	Rozgar Adjustment*	Ex-rozgar Sales
Feb-17	10,405	-	10,405
Feb-16	8,420	1,267	7,153
Change YoY	24%	-	45%
PSMC Cumulative Sales			
8MFY17	73,967	-	73,967
8MFY16	91,608	28,052	63,556
Change YoY	-19%	-	16%

Source: Co. Report & AKD Research

*Quarterly reported sales are divided equally by months in the quarter. Cumulative Rozgar sales are derived from subtracting reported rozgar sales for 1HCY15 from CY15 sales and adding 2MCY16 adjustment



under the scheme during 8MFY16). Growth in this recent phase was driven by Wagon R/Swift, +80%/+10%YoY during 8MFY17. Introduction of new variants and a reliance on CBU led growth will not be reflected in these numbers going forward,

Outlook: In response to import cash requirements imposed by the SBP, OEMs with higher localization are better off as they incur lower foreign currency exposures and use local parts suppliers for a large share of their input costs (for INDU/PSMC at 55/60%). Having abundant liquidity (INDU/PSMC have cash and short term investment of PkR41.1/11.9bn as of last reported quarter), we do not expect them to be under a liquidity crunch. Additionally, in their latest analyst briefing INDU management asserted that the cash shortfall for meeting import obligations rested at ~PkR1bn revolving monthly, amounting to only 11.7% of monthly sales (for 2QFY17). At the same rate, PSMC's cash shortfall should be ~PkR0.71bn. For INDU/PSMC this makes up 2.5/6.0% of cash and near cash item balances. Lastly, the recent launch of new CBU variants by incumbents and expected precedence given to imported CBUs by new entrants may make liquidity management more cumbersome as cash payments would have to be deposited for import cover on these offerings.



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Neutral	≤ 5% to ≥ -5% potential
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