

PAKISTAN AUTOS

MARKET VISTA

REP-019

Strong variants fail to save industry sales

- Total industry sales for outgoing April'19 fell to 19,868 units -15%MoM/-25%YoY held back by soft passenger car sales (-14%MoM/-21%YoY), cratering LCV & pickups offtake (-21%MoM/-42%YoY), marking a trough, in a high-base month for industry offtake.
- Cumulative 10MFY19 total industry/car sales (210,821/177,435) fall short of 10MFY18 sales by -7%/-3%YoY, with primarily commercial sector constituents (LCV/Truck sales during period fell -22/-34%YoY), coming off a cliff (10MFY18 LCV sales of 35,359 was a peak for the segment)
- For PC segment sales, Mehran's winding down was reflected in 800 & below segment offtake flat-lining (-31%MoM/-39%YoY for April'19) while 1,300CC+ sales facing the tax non-filer sales ban on 1,700CC+ vehicles and 10% FED levy managed smaller declines (-6% MoM/-16%YoY). Moreover, cumulative numbers show the 1000CC segment strengthened its position in the segment-wise sales split (800 & below/1000CC/1300CC+ sales over 10MFY19 moved -24/+12/+4%YoY).
- Amongst OEMs, prominence of Corolla (April'19 sales moved +11%MoM/+6%YoY) moderated INDU's overall numbers (+11%MoM/-7%YoY) while PSMC/HCAR sales dipped further (-22/-26%MoM and -27/-38%YoY) tainting wider 10MFY19 cumulative sales (PSMC/INDU/HCAR sales shift -10/+5/-11%YoY).
- A tough demand environment (inflation suppressing consumer discretionary spend) mixed with operational headwinds (rising cost of borrowing, PkR weakness pushing prices) make for a terse backdrop for the space at large. With its competitive 'moats' being tested, INDU's investment thesis gets further traction from planned segmentation of its Corolla variant (1,300CC new model launch of Vios), where prevailing Corolla sales indicate significant new-model sales bump on launch (forecasted from 2HFY20). At current levels the stock trades at FY19/20 P/E of 6.8/6.4x.

PSMC: Selling 10,789 units (-22%MoM/-27%YoY) in April'19, was dampened by LCV segment cratering (Ravi/Bolan sales fell -39%/-31%MoM and -43%/-33%YoY) and Mehran's winding down (2,738 units sold -31%MoM/-41%YoY). Recent models fared better where Cultus sales moderated YoY declines (-3%MoM/+5%YoY), in a month with an unfavorably high-base for the OEM. Cumulative sales for the OEM crossed 110,358 vehicles (-10%YoY), where growth was seen in Wagon R/Cultus sales (+14/+9%YoY), as Bolan/Ravi sales (-15/-19%YoY) and the lag between discontinued Mehran sales and Alto deliveries (expected in June'19) make for a bleak sales outlook.

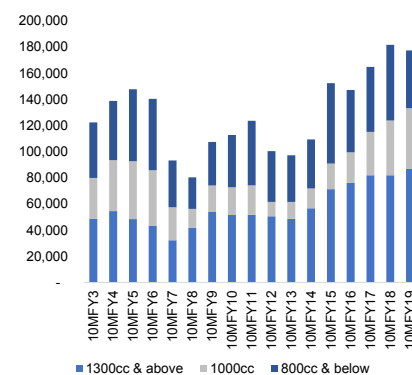
INDU: 10MFY19 sales of 55,304 units (+5%YoY) are pushed by 12%YoY rise in Corolla sales, on track to meet our FY19E target of 58.9K units (up 14%YoY) re-affirming our hypothesis of sales remaining resilient. That said, Fortuner/Hilux sales will continue their downtrend (-33%/-21%YoY over 10MFY19) as they come-off high's established during last year's pre-election buying spree.

HCAR: Monthly offtake for the OEM continued to slide (2,836 units sold, down -26%MoM/-38%YoY), with the launch of its Civic facelift during the month suppressing sales further (Civic and City sales -33%MoM/-43%YoY), while the BRV had a better month (526 units sold +45% MoM/-6%YoY). Cumulative 10MFY19 offtake of 38,724 units fell 11%YoY, with Civic & City variants softening under regulatory headwinds (-4%YoY).

Investment Perspective: A tough demand environment (inflation suppressing consumer discretionary spend) mixed with operational headwinds (rising cost of borrowing, PkR weakness pushing prices) make for a terse backdrop for the space at large. With its competitive 'moats' being tested, INDU's investment thesis gets further traction from planned segmentation of its Corolla variant (1,300CC new model launch of Vios), where prevailing Corolla sales indicate significant new-model sales bump on launch (forecasted from 2HFY20). At current levels the stock trades at FY19/20 P/E of 6.8x/6.4x.

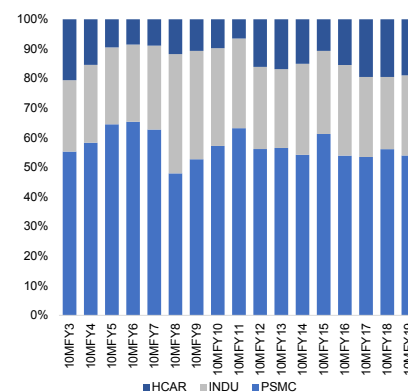
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Segment wise sales



Source: PAMA & AKD Research

Company wise share



Source: PAMA & AKD Research



AKD Securities Limited

Pakistan Automotive Industry Sales Snapshot

(Units)	Apr-19	Mar-19	MoM	YoY	10MFY19	10MFY18	YoY
Ind. Perform.							
Total Industry Sales	19,868	23,325	-15%	-25%	210,821	226,589	-7.0%
Cars	17,076	19,897	-14%	-21%	177,435	182,911	-3.0%
LCVs & Pickups	2,320	2,936	-21%	-42%	27,486	35,390	-22.3%
Trucks	407	425	-4%	-55%	5,120	7,703	-33.5%
Buses	65	67	-3%	-14%	780	585	33.3%
Tractors	5,430	5,729	-5%	-32%	43,172	60,239	-28.3%
Company Wise							
PSMC	10,789	13,815	-22%	-27%	110,358	122,075	-9.6%
INDU	5,738	5,157	11%	-7%	55,304	52,610	5.1%
HCAR	2,836	3,811	-26%	-38%	38,724	43,616	-11.2%
MTL	3,400	3,078	10%	-32%	26,950	36,184	-25.5%
AGTL	2,001	2,628	-24%	-32%	15,872	23,829	-33.4%
Segment-Wise Sales							
1300cc & above	8,019	8,576	-6%	-16%	86,827	83,434	4.1%
1000cc	4,832	5,235	-8%	-6%	46,452	41,533	11.8%
800cc & below	4,225	6,086	-31%	-39%	44,156	57,944	-23.8%
Passenger Cars	17,076	19,897	-14%	-21%	177,435	182,911	-3.0%
PSMC							
Swift	453	386	17%	-15%	4,063	4,125	-1.5%
Cultus	2,191	2,253	-3%	5%	19,229	17,709	8.6%
Wagon R	2,641	2,982	-11%	-13%	27,223	23,824	14.3%
Mehran	2,738	3,942	-31%	-41%	29,140	39,450	-26.1%
Bolan	1,487	2,144	-31%	-33%	15,016	18,494	-18.8%
Ravi	1,279	2,108	-39%	-43%	15,687	18,473	-15.1%
INDU							
Corolla	5,256	4,741	11%	6%	48,245	43,190	11.7%
Fortuner	195	166	17%	-63%	2,204	3,264	-32.5%
Hilux	287	250	15%	-60%	4,855	6,156	-21.1%
HCAR							
Civic & City	2,310	3,449	-33%	-43%	34,519	36,119	-4.4%
B-RV	526	362	45%	-6%	4,205	7,497	-43.9%

Source: PAMA & AKD Research

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Neutral	> 13% to < 19% expected total return
Sell	< 13% expected total return (Rf: 13%)

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Buy	> 20% upside potential
Accumulate	> 5% to < 20% upside potential
Neutral	< 5% to > -5% potential
Reduce	< -5% to > -20% downside potential
Sell	< -20% downside potential
Not Rated	No investment opinion or recommendation

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- Equity & Asset return based methodologies (EVA, Residual Income etc.)

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