



## AKD Securities Limited

TREC Holder & Registered Broker  
Pakistan Stock Exchange

### Today's Daily

#### Autos: August'17 sales are the most exciting of 2017

August'2017 total auto industry sales read at 22,956 units +12.7MoM/+25%YoY of which 18,665 passenger cars (+14.2% MoM/+23% YoY), 3,430 LCVs & pickups (+5.9%MoM/+38.1%YoY) and 5,138 tractors (+11.2%MoM/+114.9%YoY) were sold during the last month. Although MoM sales accretion continued to weaken when compared with sales trends between Aug vs. July over CY10-17, Aug'17 numbers were the highest monthly sales for 2017. Cumulative 8MCY17 industry sales stood at 163,658 (strengthening 14.5%YoY) where growth from Car sales (134,882 units growing 13.7% YoY) and Tractor off-take (44,616 units increasing by 71.1%) were in play. Sales for major OEMs during 8MCY17 rose by 55.6%/13.5% for HCAR/PSMC with HCAR's sales increased off-take from the 'new' (launched July'16) Honda Civic and Honda City with cosmetic changes, while INDU's production halt for little over a week, pulled production lower (-3.6%YoY). During the period, segment-wise sales stood at 66,618/27,816/40,448 units for 1300CC+/800-1000CC/800CC & below moving +8.7%/+48.9%/+4.6% YoY. Recent slide-down in prices and market-erosion has added upside to our investment case in INDU & PSMC where Corolla facelift continues to strengthen the market for INDU. In the meantime, our FCFE based TP of 2,068/share remains, where the stock trades at FY18/19F P/E of 9.2/9.8x accompanied by FY18/19 DY 6.4/7%.

#### KSE100 - Index

Current	41,279.30
Previous	41,126.83
Chg.	0.37%

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

Current	8,654 / 82.11
Previous	8,640 / 81.97
Chg.	0.17%

#### Daily Turnover (mn)

Current	99.68
Previous	94.95
Chg.	5.0%

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

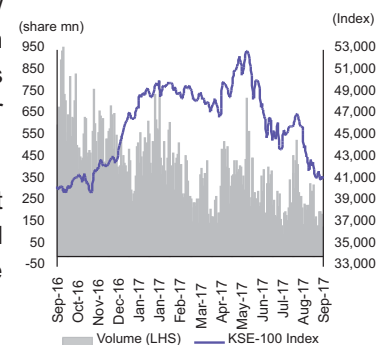
Current	5,408 / 51.31
Previous	5,557 / 52.73
Chg.	-2.7%

AKD Daily

Wednesday, Sep 13, 2017

### News and Views

- PBS clarified the figures of exports and imports previously posted on 12th Sep 2017. As per the corrected figures, the exports in August show a growth of 14.41% over July (previously: 26.85%) and 12.8% growth over the last August in dollar terms. Similarly for imports the data shows a low growth of 2.42% over July (previously: 13.59%) and 15.08% over the last August in dollar terms.
- Remittances sent by overseas Pakistani workers increased 13.2 per cent in the first two months of 2017-18, SBP reported. The country received \$3.49 billion in the period under review compared to \$3.09bn in the same two months a year ago.
- The boards of Younus Brothers Group and Sapphire Group have announced their investment plans for Energas LNG terminal to be developed at Port Qasim. The LNG terminal is designed to berth a FSRU of 173,340 m3 along with an LNG carrier of 266,000 m3. Tolling capacity of the terminal shall be a maximum of 800mmcf/d with a 30-inch pipeline connection to the main grid.



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**PSMC:** Aug'17 sales was an off-take for PSMC where the sales/production settled at 11,888/12,531 (+13.8%/0.9%MoM and +26%/31%YoY) with cumulative sales improving to 83,925 units which was +13.5%YoY. Sales of swift/Wagon R/ Mehran/ Ravi increased by 50.7%/13.7%/38.4%/8% on MoM basis but sale of Cultus and Bolan eroded by 6.2%/5.9%.

**INDU:** The company posted sales/production of 5,541/5,101 units during Aug'17 up 12.4%/9.3%MoM and 20%/8.7%YoY. Sales volume of corolla were at 4,782 units up by 23.4%MoM and 4.6% with Fortuner sales surging +284%YoY, settling at 265 units for the previous month, marginally down by 1.9%MoM. INDU recently launched its facelift model which is being called a 'minor-major' change in the model as per management where it has received strong response from the market based on our conversations with dealers and prospective buyers. On a cumulative basis, the 8MCY17 sales clocked in at 41,564 units inching lower by 3.6%.

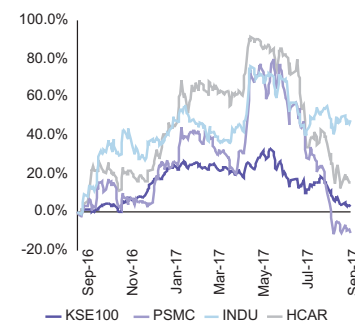
**HCAR:** The company recorded volumetric sales/ production of 4,666/4,536 units in Aug'17, where production stood the same but sales grew by 3.5%MoM and remained +43%/+47%YoY. The cumulative sales of 8MCY17 amounted to 31,768 units up 55.6%YoY with HCAR's sales riding the wave of the 'new' (launched July'16) Honda Civic and Honda City with cosmetic changes. The BR-V seems to be faring better where the production and

### Passenger Cars Aug vs July MoM Sales Movement CY10-17

Sales Month	Industry Car sales	Industry LCV pickup sales	Total Passenger Vehicles Sales
Aug-17	14%	6%	13%
Aug'16	24.9%	39.1%	27%
Aug'15	24.1%	49.3%	29%
Aug'14	78.6%	64.2%	76%
Aug'13	3.3%	16.5%	5%
Aug'12	3.7%	-26.8%	0%
Aug'11	-28.0%	-47.5%	-31%
Aug'10	0.3%	8.8%	1%

Source: PAMA & AKD Research

### Auto Sector relative performance



Source: PSX & AKD Research

**KATS Code** PSMC  
**Bloomberg Code** PSMC.PA  
**Price PkR** 449.64

Market Cap (Pkrmn) 37,005  
Market Cap (US\$m) 352.97  
Shares (mn) 82.30

1Yr High (Pkr) 903.91  
1Yr Low (Pkr) 445.07

3M Avg DT Value (Pkr000) 43.36  
3M Avg DT Value (US\$000) 0.41

1Yr Avg DT Value (Pkrmn) 63.54  
1Yr Avg DT Value (US\$m) 0.61

**KATS Code** INDU  
**Bloomberg Code** INDU.PA  
**Price PkR** 1,723.00

Market Cap (Pkrmn) 135,428  
Market Cap (US\$m) 1,291.76  
Shares (mn) 78.60

1Yr High (Pkr) 2,044.30  
1Yr Low (Pkr) 1,259.35

3M Avg DT Value (Pkr000) 54.38  
3M Avg DT Value (US\$000) 0.52

1Yr Avg DT Value (Pkrmn) 70.57  
1Yr Avg DT Value (US\$m) 0.67



sales, were higher than the previous month. HCAR seems to be operating at full capacity with double shifts (109% for 8M CY17 on 50,000 double shift capacity) which is expected to carry through the year as the current order book remains healthy.

**Investment perspective:** Final dividend of PkR35/sh paid out by INDU (interim PkR80/sh) remains reflective of a strong cash position and ability to payout, where along with a sustained demand growth for the new facelift models fortify our case. We remain positive on the stock, with our FCFE based TP of 2,068/share remains, where the stock trades at FY18/19F P/E of 9.2/9.8x accompanied by FY18/19 DY 6.4/7%.

<b>KATS Code</b>	<b>HCAR</b>
<b>Bloomberg Code</b>	<b>HCAR.PA</b>
<b>Price PkR</b>	<b>555.75</b>
Market Cap (PkRmn)	79,361
Market Cap (US\$mn)	756.97
Shares (mn)	142.80
1Yr High (PkR)	922.74
1Yr Low (PkR)	508.93
3M Avg DT Value (PkR000)	57.63
3M Avg DT Value (US\$000)	0.55
1Yr Avg DT Value (PkRmn)	107.62
1Yr Avg DT Value (US\$mn)	1.03

### Aug'17: Auto Industry Sales

(Units)	Aug-17	Jul-17	MoM	YoY	8M CY17	8M CY16	YoY
<b>Ind. Perform.</b>							
Total Industry Sales	22,956	20,368	12.7%	25.0%	163,658	142,881	14.5%
Cars	18,665	16,337	14.2%	23.0%	134,882	118,638	13.7%
LCVs & Pickups	3,430	3,239	5.9%	38.1%	22,375	18,906	18.3%
Trucks	776	702	10.5%	28.3%	5,673	4,544	24.8%
Buses	85	90	-5.6%	-22.7%	728	793	-8.2%
Tractors	5,138	4,619	11.2%	114.9%	44,616	26,075	71.1%
<b>Company Wise</b>							
PSMC	11,888	10,448	13.8%	31.7%	83,925	73,965	13.5%
INDU	5,541	4,618	20.0%	1.7%	41,564	43,124	-3.6%
HCAR	4,666	4,510	3.5%	47.0%	31,768	20,411	55.6%
MTL	3,225	3,101	4.0%	100.3%	28,576	15,636	82.8%
AGTL	1,902	1,505	26.4%	145.1%	15,769	10,121	55.8%
<b>Segment-Wise Sales</b>							
1300cc & above	9,162	7,983	14.8%	13.3%	66,618	61,290	8.7%
1000cc	3,977	3,830	3.8%	72.1%	27,816	18,682	48.9%
800cc & below	5,526	4,524	22.1%	15.8%	40,448	38,666	4.6%
Passenger Cars	18,665	16,337	14.2%	23.0%	134,882	118,638	13.7%
<b>PSMC</b>							
Swift	434	288	50.7%	26.5%	2,854	2,858	-0.1%
Cultus	1,776	1,894	-6.2%	68.8%	13,573	10,682	27.1%
Wagon R	2,201	1,936	13.7%	74.8%	14,243	7,996	78.1%
Mehran	3,963	2,863	38.4%	28.4%	27,592	25,163	9.7%
Bolan	1,563	1,661	-5.9%	-7.1%	12,856	13,503	-4.8%
Ravi	1,951	1,806	8.0%	21.6%	12,807	13,763	-6.9%
<b>INDU</b>							
Corolla	4,782	3,875	23.4%	4.6%	35,565	38,021	-6.5%
Fortuner	265	270	-1.9%	284.1%	1,705	431	295.6%
Hilux	494	473	4.4%	-38.9%	4,294	4,672	-8.1%
<b>HCAR</b>							
Civic & City	3,946	3,820	3.3%	24.3%	12,704	20,411	-37.8%
B-RV	720	690	4.3%	100.0%	2,849	-	100.0%

Source: PAMA & AKD Research



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



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