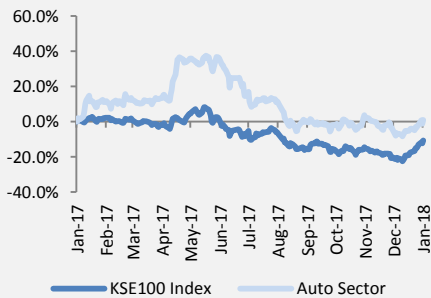


Sector Performance

	1M	3M	12M
Absolute %	8.5	3.0	1.0
Relative to KSE %	(4.9)	(4.4)	11.7

Auto Sector vs. KSE100



- The latest Auto numbers released by Pakistan Automobile Manufacturers Association (PAMA) for 1HFY18 depicted a growth of 27%YoY in sales to 124K units.
- INDU depicted a 14%MoM/3%YoY decline to 4,576 units in Dec'17 due to cancellation of pre-booked orders as result of excess premium charged by dealers, taking 1HFY18 sales to 30,134 units (+6%YoY).
- PSMC outperformed the industry in Dec'17 with a growth of 1%MoM/29%YoY.
- HCAR sales fell 28%MoM to 2,464 units in Dec'17 however remained up 33%YoY, taking 1HFY18 sales to 24k units (up 50%YoY).
- Tractor sales remained dismal, posting a 11%MoM decline to 4,976 units in Dec'17, however, on a cumulative basis, 1HFY18 sales jumped to 32,310 units up 54%YoY.
- Trucks & buses sales were upbeat during 1HFY18 taking sales to 4,562 units (18%YoY).

The latest Auto numbers released by Pakistan Automobile Manufacturers Association (PAMA) for 1HFY18 depicted a growth of 27%YoY in sales to 124K units. This is attributed to low interest rates, high economic growth and increasing demand from online taxi apps. On a sequential basis, sales declined by 9%MoM in Dec'17 owing to the year-end effect.

Auto Numbers	Dec'17	Nov'17	MoM	Dec'16	YoY
Corolla	3,807	4,537	-16%	4,140	-8%
Hilux	539	534	1%	565	-5%
Fortuner	230	279	-18%	18	1178%
INDU	4,576	5,350	-14%	4,723	-3%
Cultus	1,499	1,363	10%	1,298	15%
Mehran	3,390	3,958	-14%	2,773	22%
Wagon R	2,758	2,116	30%	1,382	100%
Bolan	1,860	1,709	9%	1,690	10%
Swift	381	342	11%	324	18%
Ravi	1,560	1,797	-13%	1,435	9%
PSMC	11,448	11,285	1%	8,902	29%
Civic and City	2,464	3,208	-23%	2,416	2%
BR-V	749	1,248	-40%	-	-
HCAR	3,213	4,456	-28%	2,416	33%
Total	19237	21091	-9%	16041	20%

Farm Tractors	Dec'17	Nov'17	MoM	Dec'16	YoY
AGTL	1,223	2,453	-50%	704	74%
MTL	3,733	3,103	20%	2,460	52%
Orient	20	21	-5%	37	-46%
Total	4976	5577	-11%	3201	55%

Trucks	Dec'17	Nov'17	MoM	Dec'16	YoY
Hino	286	290	-1%	204	40%
Nissan (UD) (GHNI)	-	-	0%	101	-
Master	104	127	-18%	93	12%
Isuzu (GHNL)	235	239	-2%	282	-17%

Source: PAMA, BIPLS Research

Indus Motors Limited (INDU): Sales declined by 14%MoM/3%YoY reportedly due to cancellation of pre-booked orders due to excess premium charged by dealers. Sales for Corolla took the heat in the month falling 16%MoM/8%YoY. Fortuner also continued to report strong numbers with sales clocking in at 230 units.

Pak Suzuki Motor Company Limited (PSMC): The Company outperformed the industry in Dec'17 with a growth of 1%MoM/29%YoY. Wagon R remained the prime contributor towards the growth with 30%MoM/100%YoY increase in sales. Bolan and Swift followed with a growth of 9%MoM/10%YoY and 11%MoM/18%YoY, respectively.

Honda Atlas Cars Limited (HCAR): Sales for the company took a dive falling 28%MoM, however witnessed an increase of 33%YoY. BR-V played the key role in YoY growth as the product was well received by the market.

Tractors: Tractors sales depicted a 11%MoM decline on sequential basis in Dec'17, however grew by 55% on YoY basis. MTL took the lead with a 20%MoM/52%YoY growth in sales. AGTL witnessed a decline of 50%MoM however on a YoY basis registered a growth of 74%.

Investment perspective: With growing economy, increasing demand coming from online taxi apps, increased auto financing penetration and sustained low interest rates, the growth in industry is expected to continue in the remaining FY18.

Disclaimer

This research report is for information purposes only and does not constitute nor is it intended as an offer or solicitation for the purchase or sale of securities or other financial instruments. Neither the information contained in this research report nor any future information made available with the subject matter contained herein will form the basis of any contract. Information and opinions contained herein have been compiled or arrived at by BIPL Securities Limited from publicly available information and sources that BIPL Securities Limited believed to be reliable. Whilst every care has been taken in preparing this research report, no research analyst, director, officer, employee, agent or adviser of any member of BIPL Securities Limited gives or makes any representation, warranty or undertaking, whether express or implied, and accepts no responsibility or liability as to the reliability, accuracy or completeness of the information set out in this research report. Any responsibility or liability for any information contained herein is expressly disclaimed. All information contained herein is subject to change at any time without notice. No member of BIPL Securities Limited has an obligation to update, modify or amend this research report or to otherwise notify a reader thereof in the event that any matter stated herein, or any opinion, projection, forecast or estimate set forth herein, changes or subsequently becomes inaccurate, or if research on the subject company is withdrawn. Furthermore, past performance is not indicative of future results.

The investments and strategies discussed herein may not be suitable for all investors or any particular class of investor. Investors should make their own investment decisions using their own independent advisors as they believe necessary and based upon their specific financial situations and investment objectives when investing. Investors should consult their independent advisors if they have any doubts as to the applicability to their business or investment objectives of the information and the strategies discussed herein. This research report is being furnished to certain persons as permitted by applicable law, and accordingly may not be reproduced or circulated to any other person without the prior written consent of a member of BIPL Securities Limited. This research report may not be relied upon by any retail customers or person to whom this research report may not be provided by law. Unauthorized use or disclosure of this research report is strictly prohibited. Members of BIPL Securities and/or their respective principals, directors, officers, and employees and their families may own, have positions or affect transactions in the securities or financial instruments referred herein or in the investments of any issuers discussed herein, may engage in securities transactions in a manner inconsistent with the research contained in this research report and with respect to securities or financial instruments covered by this research report, may sell to or buy from customers on a principal basis and may serve or act as director, placement agent, advisor or lender, or make a market in, or may have been a manager or a co-manager of the most recent public offering in respect of any investments or issuers of such securities or financial instruments referenced in this research report or may perform any other investment banking or other services for, or solicit investment banking or other business from any company mentioned in this research report. Investing in Pakistan involves a high degree of risk and many persons, physical and legal, may be restricted from dealing in the securities market of Pakistan. Investors should perform their own due diligence before investing. No part of the compensation of the authors of this research report was, is or will be directly or indirectly related to the specific recommendations or views contained in the research report. By accepting this research report, you agree to be bound by the foregoing limitations.

BIPL Securities Limited and / or any of its affiliates, which operate outside Pakistan, do and seek to do business with the company(s) covered in this research document. Investors should consider this research report as only a single factor in making their investment decision. BIPL Securities Limited prohibits research personnel from disclosing a recommendation, investment rating, or investment thesis for review by an issuer/company prior to the publication of a research report containing such rating, recommendation or investment thesis.

BIPL Securities Limited endeavors to make all reasonable efforts to disseminate its publication to all eligible clients in a timely manner through either physical or electronic distribution such as mail, fax and/or email. Nevertheless, not all clients may receive the material at the same time.

Stock Rating

Investors should carefully read the definitions of all rating used within every research reports. In addition, research reports carry an analyst's independent view and investors should ensure careful reading of the entire research reports and not infer its contents from the rating ascribed by the analyst. Ratings should not be used or relied upon as investment advice. An investor's decision to buy, hold or sell a stock should depend on said individual's circumstances and other considerations. BIPL Securities Limited uses a three tier rating system: i) Buy, ii) Hold and iii) Sell with our rating being based on total stock returns. A table presenting BIPLS' rating definitions is given below:

The rating system

Rating	Definition
Buy	Total stock return \geq 15%
Hold	$0\% \leq$ Total stock return $<$ 15%
Sell	Total stock return $<$ 0%

* Total stock return = capital gains + dividend yield

Valuation Methodology

To arrive at our period end target prices, BIPL Securities uses different valuation methodologies including

- Discounted cash flow (DCF, DDM)
- Relative Valuation (P/E, P/B, P/S etc.)
- Equity & Asset return based methodologies (EVA, Residual Income etc.)