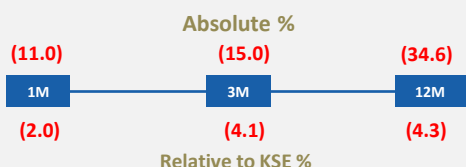


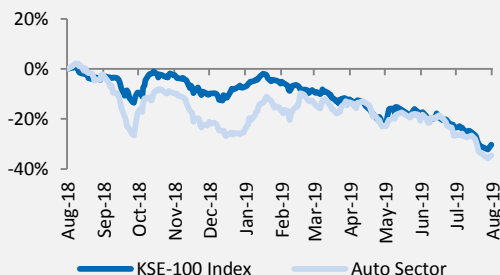
Auto sales declined by 41.1%YoY in Jul'19

20-Aug-19

Sector Performance



Auto Sector vs. KSE-100 Index



- As per the latest numbers released by PAMA for Jul'19, auto industry posted a volumetric decline of 41%YoY/28%MoM to 12.6k units.
- INDU posted a volumetric decline of 56%YoY/55%MoM in Jul'19 where sales clocked in at 2.4k units as compared to 5.5k units over the SPLY.
- PSMC witnessed a decline in volumes where its sales clocked in at 8.4k vehicles in Jul'19 as compared to 10.9k units over the SPLY, down 23%YoY/12%MoM.
- HCAR remained laggard during Jul'19 where it witnessed a volumetric decline of 66%YoY/34%MoM where the Jul'19 sales clocked in at 1.7k units vs 5.0k units over the same period last year.
- Tractors posted a volumetric decline of 20%YoY/15%MoM, where the sales in Jul'19 clocked in at 3.1k units vs 3.9k units over the SPLY.
- INDU is our top pick where we have a BUY call on the stock with a TP PKR1,425/sh.

As per the latest numbers released by PAMA for Jul'19, auto industry posted a volumetric decline of 41%YoY/28%MoM to 12.6k units.

Indus Motor Company Limited (INDU): INDU posted a volumetric decline of 56%YoY/55%MoM in Jul'19 where sales clocked in at 2.4k units as compared to 5.5k units over the SPLY. During the month of Jul'19, the company posted volumetric decline across the board where the sales of Corolla, Fortuner and Hilux posted a huge volumetric decline of 57%YoY, 96%YoY and 48%YoY, respectively. This massive decline in sales can be attributed to higher prices and FBR's vigorous activities in the country.

Pak Suzuki Motor Company Limited (PSMC): PSMC witnessed a decline in volumes where its sales clocked in at 8.4k vehicles in Jul'19 as compared to 10.9k units over the SPLY, down 23%YoY/12%MoM. This decline can be attributed to lower bank financing and rising prices of vehicles in the country. However, sale of 4.6k units of newly launched Alto saved the company from witnessing a steep decline in volumes. Additionally, decrease came from 70%YoY, 75%YoY, 64%YoY and 30%YoY volumetric decline in WagonR, Bolan, Swift and Ravi, respectively. Furthermore, discontinuation of Mehran's production also led to lower sales where the said vehicle witnessed a volumetric decline of 89%YoY.

Honda Atlas Company Limited (HCAR): HCAR remained laggard during Jul'19 where it witnessed a volumetric decline of 66%YoY/34%MoM where the Jul'19 sales clocked in at 1.7k units vs 5.0k units over the SPLY. Sales of Civic/City witnessed a volumetric decline of 69%YoY and BRV posted a decline of 35%YoY in Jul'19.

GHNI and GHNL: Ghandhara Industries Limited (GHNI) secured volumetric sales of 61 units during the Jul'19. Ghandhara Nissan Limited (GHNL) witnessed volumetric sales of 51 units during Jul'19 as compared to 56 units over the SPLY, witnessing a volumetric decline of 9%YoY where the decline can be attributed to lower business activity in the country.

Tractors: Tractors posted a volumetric decline of 20%YoY/15%MoM, where the sales in Jul'19 clocked in at 3.1k units vs 3.9k units over the same period last year mainly due to deteriorating farm economics in the country. During the month, MTL posted a massive volumetric decline of 36%YoY, sales clocked in at 1.9k units vs 3.0k units over the SPLY. However, AGTL sales clocked in at 1.1k units vs 0.8k units over the SPLY, a volumetric growth of 38%YoY.

Trucks and buses: During the month, overall trucks and buses sales declined by 24%YoY/27%MoM amid slowdown of business activities in the country. HINO and MASTER posed a volumetric decline of 46%YoY and 43%YoY, respectively. However, ISUZU posted a volumetric growth of 3%YoY in Jul'19.

Investment perspective: Recent price hike to transfer the impact of FED and PKR devaluation in the short run will further depress the demand. Also, i) decelerating GDP growth rate, ii) rising borrowing costs and iii) risk of constrained demand in anticipation of cheap Chinese brands would keep the demand for autos in check. However, strict criteria for importing vehicles would provide much needed relief to the local auto industry in the medium term. INDU is our top pick where we have a BUY call on the stock with a TP PKR1,425/sh.

Auto

INDU	Jul'19	Jul'18	YoY	Jun'19	MoM
Corolla	1,981	4,566	-56.6%	4,406	-55.0%
Hilux	358	682	-47.5%	747	-52.1%
Fortuner	74	220	-95.5%	193	-61.7%
Total	2,413	5,468	-55.9%	5,346	-54.9%
PSMC					
Cultus	1,208	1,661	-27.3%	988	22.3%
Alto	4,584	0	NA	1,685	NA
Mehran	394	3,437	-88.5%	1,052	-62.5%
WagonR	843	2,772	-69.6%	2,626	-67.9%
Bolan	332	1,346	-75.3%	1,342	-75.3%
Swift	174	484	-64.0%	562	-69.0%
Ravi	840	1,195	-29.7%	1,309	-35.8%
Total	8,375	10,895	-23.1%	9,564	-12.4%
HCAR					
Civic / City	1,452	4,609	-68.5%	2,106	-31.1%
BRV	242	372	-34.9%	452	-46.5%
Total	1,694	4,981	-66.0%	2,558	-33.8%
GHNI & GHNL					
D-Max	61	0	NA	57	7.0%
JAC	51	56	-8.9%	36	41.7%
Total	112	56	100.0%	93	20.4%
Total	12,594	21,400	-41.1%	17,561	-28.3%

Farm Tractors

Farm tractors					
AGTL	1,122	814	37.8%	871	28.8%
MTL	1,938	3,006	-35.5%	2,747	-29.5%
Orient	29	52	-44.2%	16	81.3%
Total	3,089	3,872	-20.2%	3,634	-15.0%

Truck & Buses

Trucks & Buses					
HINO	140	260	-46.2%	140	0.0%
NISSAN	0	0	NA	0	NA
MASTER	77	134	-42.5%	72	6.9%
ISUZU	308	300	2.7%	200	54.0%
Total	525	694	-24.4%	412	27.4%

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The rating system

Rating Definition

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