



Jan 2018 Auto Sales +13% YoY (+22% MoM)

Record monthly sales

ASIAMONEY

Best Local Brokerage House
Brokers Poll 2011-14, 2016-17

 CFA Society
Pakistan

Best Local Brokerage House 2015-16

 Jama
Punji

www.jamapunji.pk

Rai Omar Basharat ^{AC}
rai.omar@topline.com.pk
Tel: +9221-35303330
Topline Securities, Pakistan

Highest ever Pakistan monthly car sales at 23.5k

Pakistan Car Sales Numbers						
Units	7MFY18	7MFY17	YoY	Jan'18	YoY	MoM
PSMC	83,017	63,562	31%	13,793	24%	20%
INDU	35,515	34,281	4%	5,381	-7%	18%
HCAR	29,168	20,573	42%	4,388	10%	37%
Total	147,700	118,416	25%	23,562	13%	22%

Source: PAMA, Topline Securities

- According to the latest figures released by Pakistan Automotive Manufacturers Association (PAMA), local car assemblers (including LCVs, Vans and Jeeps) managed to sell 23,562 units in Jan 2018, up 13% YoY (+22% QoQ) as start of year is generally a robust period for auto sales. The change in import procedure, demand from online ride hailing services and availability of auto finance at lower rates have contributed to strong demand in outgoing month. This is the highest monthly unit sale recorded in a Jan month. Cumulatively, industry sales during 7MFY18 exhibited 25% YoY growth to 147,700 units.
- We believe Pak Suzuki (PSMC), continues to be major beneficiary as majority of used car imports fall under lower engine capacity segment. PSMC exhibited robust growth where sales rocketed 24% YoY as price conscious models Mehran (+27% YoY), WagonR (+84%), & Cultus (+36%) all exhibited strong sales growth. 7MFY18 sales were up 31% YoY for PSMC to 83,017 units. This is the highest monthly unit sales recorded for PSMC.
- Honda's (HCAR) sales clocked-in at 4,388 units staying up 10% YoY, (37% MoM) due to strong order book . 7MFY18 sales grew 42% YoY to 29,168 units due to success of new models Civic/BRV & recently revamped City.
- Toyota's Indus Motors (INDU) lagged behind peers with decrease of -7%/+18% YoY/MoM as it continues to face capacity constraints, though 7MFY18 units sales are up 4% YoY.

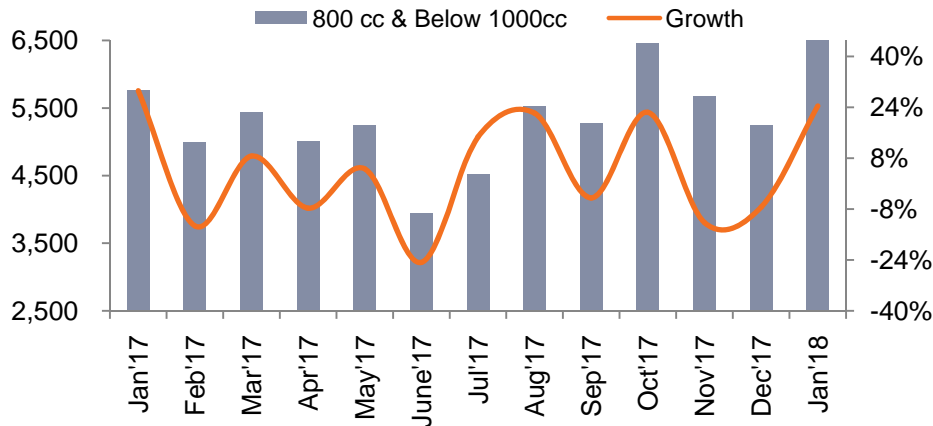
Company Wise Auto Sales

Pak Suzuki (PSMC)						
Units	7MFY18	7MFY17	YoY	Jan'18	YoY	MoM
Mehran	26,543	20,902	27%	4,324	16%	28%
Wagon R	16,844	9,167	84%	2,703	69%	-2%
Cultus	11,547	8,469	36%	2,046	50%	36%
Swift	2,653	2,525	5%	512	24%	34%
Bolan	12,692	11,643	9%	2,208	9%	19%
Ravi	12,738	10,856	17%	2,000	2%	28%
Total sales	83,017	63,562	31%	13,793	24%	20%
Indus Motors (INDU)						
Units	7MFY18	7MFY17	YoY	Jan'18	YoY	MoM
Corolla	29,568	30,876	-4%	4,243	-17%	11%
Hilux	3,844	3,074	25%	673	24%	25%
Fortuner	2,103	331	535%	465	269%	102%
Total sales	35,515	34,281	4%	5,381	-7%	18%
Honda Car (HCAR)						
Units	7MFY18	7MFY17	YoY	Jan'18	YoY	MoM
Civic & City	23,509	20,573	14%	3,888	-3%	58%
BRV	5,659	-	NM	500	0%	-33%
Total sales	29,168	20,573	42%	4,388	10%	37%
Grand Total	147,700	118,416	25%	23,562	13%	22%

Source: PAMA, Topline Securities

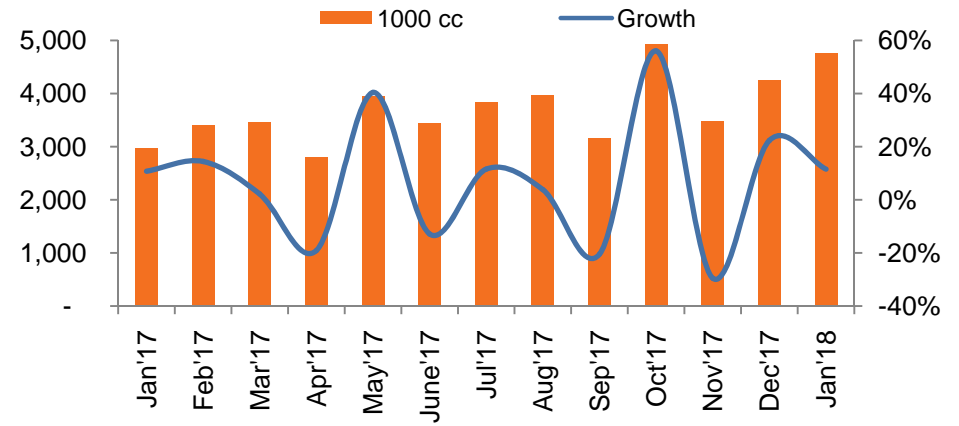
Segment wise auto sales

Passenger Cars: 800cc & below segment



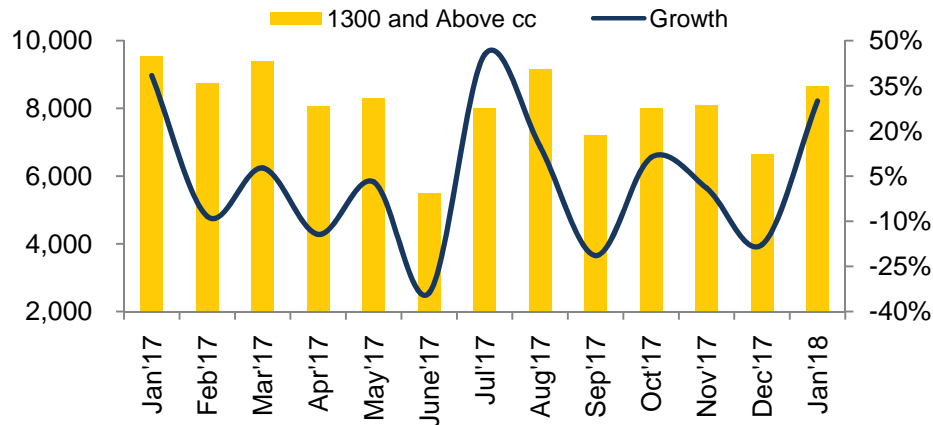
Source: PAMA, Topline Research

Passenger Cars: 1000-1200cc segment



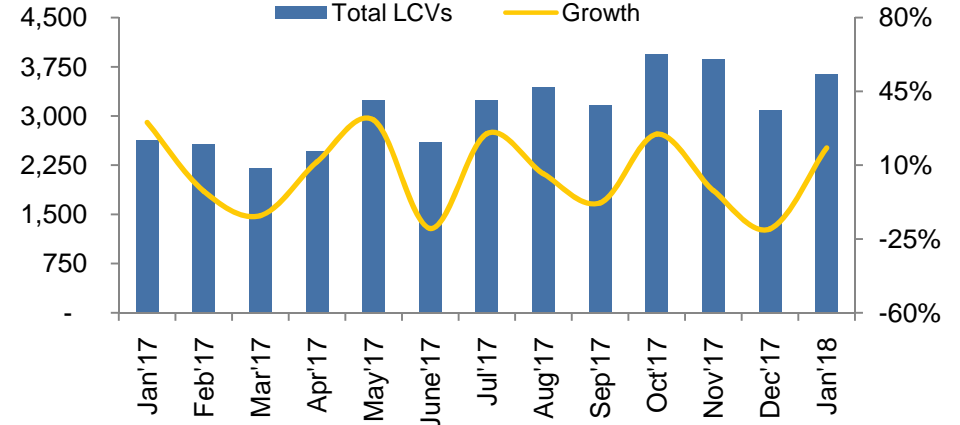
Source: PAMA, Topline Research

Passenger Cars: 1300-1800cc segment



Source: PAMA, Topline Research

Light Commercial Vehicles (LCVs)



Source: PAMA, Topline Research

Tractors and Trucks off-take on upward trajectory

Pakistan Tractors Sales Numbers						
Units	7MFY18	7MFY17	YoY	Jan'18	YoY	MoM
Millat	23,263	16,600	40%	3,109	-12%	-17%
AGTL	14,776	9,243	60%	2,715	53%	122%
Orient	134	480	-72%	39	-47%	95%
Total Tractors	38,173	26,323	45%	5,863	9%	18%

Source: PAMA, Topline Securities

- Tractor sales continue to exhibit upward trajectory with sales growing by 9% YoY in Jan 2018. Al-Ghazi Tractors (AGTL) outperformed exhibiting 53% YoY growth. During 7MFY18 tractor sales reached 38,173 units up 45% YoY. Going forward, we expect lower GST on tractor purchase, fertilizer cash subsidy, along with Rs2bn subsidy for farmers on tractor purchase recently announced in FY18 Sindh provincial budget to improve farmers purchasing power & thus support overall tractor sales going forward.

Pakistan Trucks & Buses Sales Numbers						
Units	7MFY18	7MFY17	YoY	Jan'18	YoY	MoM
Hino	2,411	2,143	13%	367	14%	-8%
Nissan	18	488	-96%	-	-100%	
Master	960	660	45%	170	40%	174%
Isuzu	2,111	1,417	49%	401	32%	60%
Total	5,500	4,708	17%	938	13%	32%

Source: PAMA, Topline Securities

- Truck & Bus sales of PAMA member companies in Jan 2018 remained strong, growing by 13% YoY, while during 7MFY18 sales rose 17% YoY. We foresee this trend to continue fueled by CPEC, higher road connectivity, low financing rate, robust growth in LSM sector and change & enforcement of axle load limit per truck on highways.

Tractors and Trucks off-take on upward trajectory

Motorbikes and Three wheelers						
Units	7MFY18	7MFY17	YoY	Jan'18	YoY	MoM
ATLH	645,029	544,769	18%	100,011	16%	10%
PSMC	11,952	10,344	16%	1,510	19%	-21%
SAZEW (3 wheeler)	13,221	12,519	6%	3,187	-7%	297%
Others	420,985	365,952	15%	45,584	36%	-24%
Total sales	1,091,187	933,584	17%	150,292	21%	-2%

Source: PAMA, Topline Securities

- Motorcycle/3-wheeler sales for Jan 2018 have grown by 21% YoY, due to rising disposable income of lower middle class, 7MFY18 sales are up 17% YoY.

Analyst Certification and Disclosures

The research analyst(s), denoted by an “AC” on the cover of this report, primarily involved in the preparation of this report, certifies that (1) the views expressed in this report accurately reflect his/her personal views about all of the subject companies/securities/sectors and (2) no part of his/her compensation was, is or will be directly or indirectly related to the specific recommendations or views expressed in this report.

Furthermore, it is stated that the research analyst or its close relative have neither served as a director/officer in the past 3 years nor received any compensation from the subject company in the past 12 months.

Additionally, as per regulation 8(2)(i) of the Research Analyst Regulations, 2015, we currently do not have a financial interest in the securities of the subject company aggregating more than 1% of the value of the company.

Rating System

Topline Securities employs three tier ratings system to rate a stock, as mentioned below, which is based upon the level of expected return for a specific stock. The rating is based on the following with time horizon of 12-months.

Rating	Expected Total Return
Buy	Stock will outperform the average total return of stocks in universe
Neutral	Stock will perform in line with the average total return of stocks in universe
Sell	Stock will underperform the average total return of stocks in universe

For sector rating, Topline Securities employs three tier ratings system, depending upon the sector’s proposed weight in the portfolio as compared to sector’s weight in KSE-100 Index:

Rating	Sector’s Proposed Weight in Portfolio
Over Weight	> Weight in KSE-100 Index
Market Weight	= Weight in KSE-100 Index
Under Weight	< Weight in KSE-100 Index

Ratings are updated daily to account for the latest developments in the economy/sector/company, changes in stock prices and changes in analyst’s assumptions or a combination of any of these factors.

Valuation Methodology

To arrive at our 12-months Target Price, Topline Securities uses different valuation methods which include: 1). Present value methodology, 2). Multiplier methodology, and 3). Asset-based methodology.

Research Dissemination Policy

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

Disclaimer

This report has been prepared by Topline Securities and is provided for information purposes only. Under no circumstances this is to be used or considered as an offer to sell or solicitation of any offer to buy. While reasonable care has been taken to ensure that the information contained therein is not untrue or misleading at the time of publication, we make no representation as to its accuracy or completeness and it should not be relied upon as such. From time to time, Topline Securities and/or any of its officers or directors may, as permitted by applicable laws, have a position, or otherwise be interested in any transaction, in any securities directly or indirectly subject of this report. This report is provided only for the information of professional advisers who are expected to make their own investment decisions without undue reliance on this report. Investments in capital markets are subject to market risk and Topline Securities accepts no responsibility whatsoever for any direct or indirect consequential loss arising from any use of this report or its contents. In particular, the report takes no account of the investment objectives, financial situation and particular needs of investors, who should seek further professional advice or rely upon their own judgment and acumen before making any investment. The views expressed in this report are those of Topline Research Department and do not necessarily reflect those of Topline or its directors. Topline as a firm may have business relationships, including investment-banking relationships, with the companies referred to in this report.

All rights reserved by Topline Securities. This report or any portion hereof may not be reproduced, distributed or published by any person for any purpose whatsoever. Nor can it be sent to a third party without prior consent of Topline Securities. Action could be taken for unauthorized reproduction, distribution or publication.