



1QFY19 Auto Sales fall 4% YoY

Syed Daniyal Adil^{AC}
daniyal@topline.com.pk
Tel: +9221-35303330, Ext: 133
Topline Securities, Pakistan



www.jamapunji.pk

ASIAMONEY

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



Best Local Brokerage House 2015-16

1QFY19 Auto sales down 4% YoY; Steepest 1QFY Decline in 5 Years

Pakistan Car Sales Numbers							
Units	Sep'18	Sep'17	YoY	MoM	1QFY19	1QFY18	YoY
PSMC	9,900	10,441	-5%	14%	29,478	32,777	-10%
INDU	4,933	4,928	0%	-2%	15,419	15,087	2%
HCAR	4,512	3,429	32%	14%	13,454	12,605	7%
Total	19,345	18,798	3%	10%	58,351	60,469	-4%

Source: PAMA, Topline Securities

- Pakistan Auto sales grew by 3% YoY in Sep 2018, breaking the trend of falling volumes in past couple of months. Sales were also up by 10% MoM due to higher number of working days in the month of Sep 2018 compared to Aug 2018. However, sales are down 4% YoY for 1QFY19. The decline in industry sales was muted (due to low base effect of HCAR sales in Sep 2017) but was still the steepest 1Q fall since FY13. We continue to expect significant demand contraction in auto sector due to 1) deteriorating macroeconomic environment, 2) multiple prices hikes since Dec 2017 and 3) impact of law requiring car purchasers to be tax filers, in our view.
- Automobile prices are expected to rise further due to sharp PKR depreciation (8%) witnessed yesterday. This further solidifies our stance on volumetric decline within auto sector as consumers' affordability comes into question.

1QFY19 Auto sales down 4% YoY; Steepest 1QFY Decline in 5 Years



- Honda (HCAR) witnessed significant increase in volumes as unit sales rose by 32% YoY due to low base effect from Sep 2017. Similarly, on a sequential basis, unit sales increased by 14% MoM while 1QFY19 sales are up by 7% YoY. Variant wise, Civic and City rose by 47% YoY while BR-V sales continued to disappoint falling by 35% YoY.
- Indus Motors (INDU) sales remained flattish YoY, with the company recording 2% MoM decrease in units sold. Moreover, in 1QFY19, the company has sold 15,419 units, up by 2% YoY. During Sep 2018, sales were led by Corolla, up by 8% YoY. On the other hand, Hilux sales saw a rapid decline, down by 42% YoY, reversing the trend of high growth witnessed in first two months of FY19. Simultaneously, Fortuner sales continued to fall, -29% YoY.
- Pak Suzuki Motor Company (PSMC) continues to report the worst decline in volumes, with Sep 2018 sales down by 5% YoY. However, sales were up by 14% MoM. For the 1QFY19, unit sales are down 10% YoY to 29,478 units. During Sep 2018 Wagon-R and Swift led the growth chart, up by 61% YoY and 41% YoY, respectively. However, unit sales were dragged down by 37% YoY and 23% YoY decline in Mehran and Bolan, respectively.

Company wise auto sales

Motorbikes and Three wheelers sales up by 15% YoY

Units	Sep'18	Sep'17	YoY	MoM	1QFY19	1QFY18	YoY
ATLH	96,008	81,060	18%	20%	266,029	268,309	-1%
PSMC	1,922	1,736	11%	5%	5,660	5,014	13%
SAZEW (3 wheeler)	1,630	1,729	-6%	21%	4,440	5,158	-14%
Others	64,120	57,992	11%	19%	172,930	181,009	-4%
Total sales	163,680	142,517	15%	19%	449,059	459,490	-2%

Source: PAMA, Topline Securities

Pakistan Tractors Sales down by 2% YoY

Units	Sep'18	Sep'17	YoY	MoM	1QFY19	1QFY18	YoY
Millat	4,028	3,674	10%	35%	10,014	10,000	0%
AGTL	1,737	2,265	-23%	65%	3,602	5,672	-36%
Orient	53	14	279%	430%	115	38	203%
Total Tractors	5,818	5,953	-2%	44%	13,731	15,710	-13%

Source: PAMA, Topline Securities

Pakistan Trucks & Buses Sales down by 26% YoY

Units	Sep'18	Sep'17	YoY	MoM	1QFY19	1QFY18	YoY
Hino	204	360	-43%	-30%	755	1,062	-29%
Nissan	-	-	NM	NM	-	18	NM
Master	95	153	-38%	-27%	359	480	-25%
Isuzu	290	280	4%	-4%	891	886	1%
Total	589	793	-26%	-18%	2,005	2,446	-18%

Source: PAMA, Topline Securities

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.