

Pakistan Automobile Sector

APR'21: Automobile Sales

April sales dip 17% MoM across the board due to high base effect

The Auto sector sales in Apr'20 came to a full stop when the country was engulfed in the first wave of Covid 19, due to which the YoY uptrend in unit sales (PC, LCV and SUV) this year on the surface appears impressive. However, sales of 20,813 units in Mar'21 raised the bar so high that the volumes in Apr'21 recorded a 17% MoM decline to 17,233 units. The unit sales (PC, LCV and SUV) of the Japanese trio decreased by 19% MoM, with HCAR recording the largest decline of 27% MoM, followed by the previous month leader i.e INDU (↓20% MoM) and lastly, PSMC (↓15% MoM). The 10MFY21 sales (PC, LCV & SUV) kept the post covid auto sector momentum steady with sales of 151,951 units, up 54% YoY. The sector upcycle is expected to taper down to a more stable level on the back of attractive financing rates and economic rebound. The Honda City 2021 is expected to be unveiled in May'21 between the price level of PKR 2.5-3Mn, which should boost HCAR sales in the medium term.

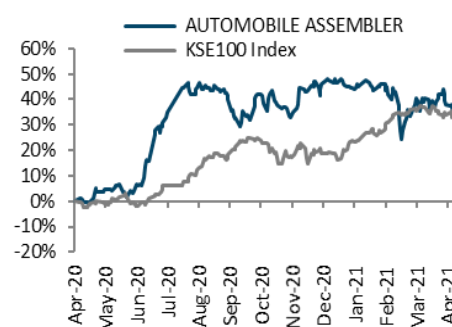
Big three OEMs face MoM decline in Apr'21: Starting with HCAR, its sales clocked in at 2,287 units (↓27% MoM), which we suspect is mainly due to consumers delaying purchase for the launch of the new Honda City'21 and lower BRV sales (↓57% MoM). As INDU had reported record production and sales in Mar'21, the lower sales of 5,355 units in Apr'21 (↓20% MoM) were not unexpected. Further, similar to HCAR buyers, INDU sales for both the Hilux and Fortuner were down by 10% and 28%, respectively, as their facelifted versions are expected to be launched before Jun'21 and the new Toyota Cross (CBU) may have attracted some buyers due to its similar price and advanced features. The sedans of the company did not fare well either as the Yaris and Corolla sales fell 22/19% MoM. PSMC reported its lowest sales in the last 4 months, which was due to the company facing severe raw material supply chain and international shipping issues, which caused longer delivery times. The sales clocked-in at 8,606 units (↓15% MoM), with major decline seen in its top selling vehicles. The Alto, Cultus and Wagon R unit sales declined by 14/20/15% MoM, respectively.

Major players: Hyundai Nishat has been on a proactive stance, aggressively increasing its sales to 896 units in the month of April, up 24% MoM. The Elantra and Porter sales increased 6.1/0.8x MoM, while the Tucson reported decline of 18% MoM. All other listed player's sales declined on a MoM basis with sales of; 1) MTL 3,214 tractors (↓9% MoM), 2) AGTL 1,287 tractors (↓36% MoM), 3) GHNI 194 units (↓44% MoM), 4) GHNL 63 units (↓21% MoM), 5) HINO 55 units (↓31% MoM), 6) ATLN 115,001 bikes (↓8% MoM), and 7) SAZEW 1,021 three wheelers (↓16% MoM), respectively.

Future outlook: Despite pressure, the momentum which drove sales after Jul'20 has not completely halted and should continue to drive vehicles sales in the country till Dec'21. Moreover, the presence of Own money on vehicles reflects the contemporary demand and bottlenecked capacities. The existing dynamics should change in CY22 when new entrants gear up for their production plants, offering variety of options and reduced delivery times. However, caution is required due to increasing input prices of steel, plastics resin and semi conductor chips, which may lead to price hike and subsequently lower sales.

Recommendation: We maintain our BUY recommendation on INDU, HCAR and MTL with a Dec'21 TP of 1600/sh, 388/sh, and 1,200/sh, respectively. Major risks to our thesis include a further delay in transport/shipping, increasing raw material prices, adverse Auto policy, PKR devaluation and hike in policy rate.

Sector Performance vs. KSE-100 Index



%	3M	6M	12M
Absolute	0	17	(17)
Relative to KSE	37	35	3

Source: PSX

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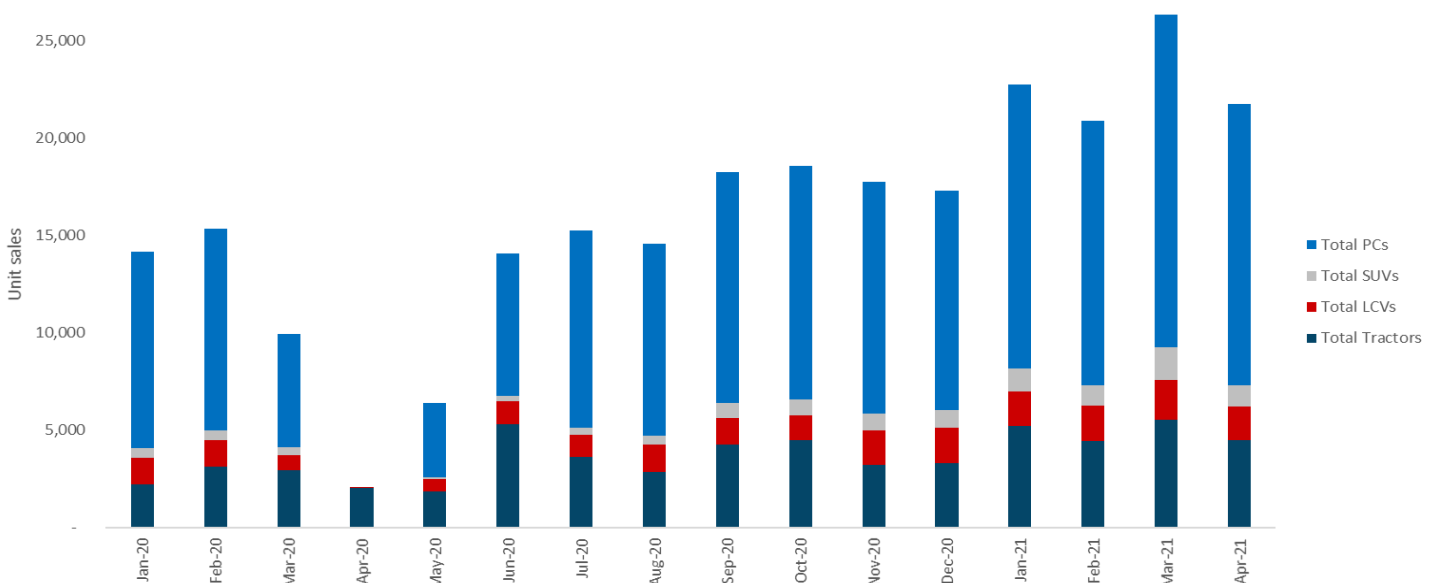
BMA Capital Management Ltd.

Automobile sales for the month of Apr'21

Description	Apr-21	Apr-20	% YoY	Mar-21	% MoM	10MFY21	10MFY20	%YoY
Honda Civic/City	2,053	0	N.M.	2,603	-21%	20,869	11,992	74%
Hyundai Elantra	280	0	N.M.	46	509%	326	0	N.M.
Toyota Corolla	1,724	0	N.M.	2,126	-19%	14,979	20,991	-29%
Toyota Yaris	2,600	0	N.M.	3,317	-22%	24,320	0	N.M.
Suzuki Swift	181	0	N.M.	355	-49%	2,077	1,548	34%
Suzuki Cultus	1,312	0	N.M.	1,637	-20%	13,420	10,555	27%
Suzuki Wagon R	1,447	0	N.M.	1,259	15%	10,314	6,122	68%
Suzuki Alto	4,091	0	N.M.	4,745	-14%	33,129	27,956	19%
Suzuki Bolan	747	0	N.M.	1,017	-27%	7,245	4,467	62%
Total PCs	14,435	0	N.M.	17,105	-16%	126,679	85,333	48%
Honda BR-V	234	0	N.M.	550	-57%	3,116	2,069	51%
Toyota Fortuner	364	0	N.M.	508	-28%	2,813	1,071	163%
Hyundai Tucson	503	0	N.M.	613	-18%	3,262	0	N.M.
Total SUVs	1,101	0	N.M.	1,671	-34%	9,191	3,140	193%
Toyota Hilux	667	0	N.M.	744	-10%	5,913	3,238	83%
Suzuki Ravi	828	0	N.M.	1,148	-28%	8,434	5,953	42%
Hyundai Porter (LCV)	113	22	N.M.	64	77%	961	236	307%
Others	89	17	N.M.	81	10%	773	785	-2%
Total LCVs	1,697	39	N.M.	2,037	-17%	16,081	10,212	57%
Total Industry (PC + LCV + SUVs)	17,233	39	N.M.	20,813	-17%	151,951	98,685	54%
HCAR	2,287	0	N.M.	3,153	-27%	23,985	14,061	71%
INDU	5,355	0	N.M.	6,695	-20%	48,025	25,300	90%
PSMC	8,606	0	N.M.	10,161	-15%	74,619	56,601	32%
Fiat	1,287	1,029	25%	2,012	-36%	12,286	9,762	26%
Massey Ferguson	3,214	1,006	219%	3,519	-9%	29,141	15,617	87%
Orient IMT	0	14	N.M.	0	N.M.	29	183	-84%
Total Tractors	4,501	2,049	120%	5,531	-19%	41,456	25,562	62%
Total Trucks	282	36	N.M.	508	-44%	2,982	2,769	8%
Total Buses	51	3	N.M.	67	-24%	565	535	6%
Total Trucks & Buses	333	39	N.M.	575	-42%	3,547	3,304	7%
Total 2 & 3 Wheelers	149,368	2,974	N.M.	170,350	-12%	1,438,194	1,184,659	21%
Total Vehicles	171,435	5,101	N.M.	197,269	-13%	1,635,148	1,312,210	25%

Source: PAMA, BMA Research

The industry has come a far way from the Covid impact in Apr'20 on Auto sales.



Source: PAMA, BMA Research

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Buy	>15% expected total return
Hold	10%-15% expected total return
Underperform	<10% expected total return
*Total stock return = capital gain + dividend yield	

Old rating system

Overweight	Total sector return > expected market return
Marketweight	Expected market return
Underweight	Total stock return < expected market return

Valuation Methodology

To arrive at our period end target prices, BMA Capital 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.)