

Auto Sector - Sales performance

| | 11MFY12 | 11MFY13 | YoY Change |
|-------|---------|---------|------------|
| HCAR | 9,901 | 18,928 | 91.2% |
| PSMC | 85,832 | 59,285 | -30.9% |
| INDU | 45,282 | 29,666 | -34.5% |
| Total | 141,015 | 107,879 | -23.5% |

Source: www.pama.org.pk

Auto Sector - Sales performance

| | Apr-12 | May-13 | MoM Change |
|-------|--------|--------|------------|
| HCAR | 1,780 | 2,392 | 34.4% |
| PSMC | 5,320 | 6,055 | 13.8% |
| INDU | 3,284 | 3,339 | 1.7% |
| Total | 10,384 | 11,786 | 13.5% |

Source: www.pama.org.pk

Hybrid cars and the auto sector review

The newly elected government presented its fiscal budget on the Wednesday, and came up with proposal for duty free import up to 1200cc Hybrid cars and 25% -50 % tax exemptions on above 1200cc hybrid cars in Pakistan. We believe will impact on sale of locally assemble cars which are at present running on other fuels such as petrol – but still it is a long drawn conclusion. However, we believe that INDU will take advantage of it by importing hybrid cars from Toyota Japan, holding company. *The idea of the government is to replace other cars from hybrid cars. The government would encourage its use since other fuels are expensive and a burden on country's economy. The hybrid cars are stated to go 25km/litre and it thus the usage of petrol may be halved in coming period and it is also cheaper from CNG – which faces closure every now and then.*

Auto sectors sales recorded 13.5% growth on MoM basis

Auto sales of the industry witnessed substantial decline of 23.5% YoY to 107,879 units in 11MFY12 as against the sales of 141,015 units in the corresponding period last year. Conversely, on monthly basis, industry sales have posted 13.5% growth in sales to 11,786 units in the month of May 13 in comparison of 10,384 units in the previous month. Overall industry sales were higher because of the general election in the country.

CNG problems diminish interest of middle and low income customers

Pak Suzuki Motor Company Limited (PSMC) has witnessed a 14% growth in sales on mom basis to 6,055 units in May 13 against 5,320 units in April 13. Whereas company faced a 31% lower sales on YoY basis to 59,285 units in 11MFY13 as against the sales of 85,832 units in the same period last year. Highest decline was due to the discontinue of Suzuki Alto last year and major decline in sales of Suzuki Liana due to less preference by the buyers. Suzuki Cultus was able to maintain its sales somehow same as last year's same period sales and growth in sales on MoM basis. Where in Suzuki Bolan enjoyed 43% growth in sales on MoM basis. PSMC have portfolio of vehicles to target the middle and lower end buyers of cars, but due to CNG problems and uncertain condition of majors cities, people were less interested to buy a new vehicles in this year that's why sales was hampered.

INDU sales was badly affected

Indus Motor Company Limited (INDU) witnessed a 34.5% YoY decline in sales to 29,666 units in 11MFY13 as against 45,282 units in the same period last year. Hilux enjoyed slightly growth in sales this year; Toyota Fortuner has joined the family of Toyota as locally manufactured automobile in Feb 13 and was able to sale 626 units in four months from its launching in Pakistan. The major decrease in sales was due to 30% YoY decline in sales of Toyota Corolla to 28,969 against 41,720 units in same period of previous year. And discontinue of Core production has highly effected the INDU sales.

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General Elections boosted high-end cars

Honda Atlas Cars Pakistan Limited (HCAR) has posted a 34 % growth in sales on mom basis to 3292 units in May 13 against 1780 units in April 13 and has shown a drastic growth in sales of almost double in units on YoY basis to 18,928 units 11MFY13 as against 9,901 units in the same period of previous year.

The main reason behind the growth in the sales of both brands was due to new models of both brands this year and also due to general elections, the demand of high end cars was attractive and as per our expectations company showed the incremental sales.

Recommendations

Currently we maintain our HOLD on INDU & HCAR as well as PSMC.