

Auto Sector Statistics
As on October 11, 2013

Script		HCAR	PSMC	INDU
Avg volume (52 weeks)		289,808	67,219	9,344
52 weeks High	(Rs)	55.83	161.91	364.60
52 weeks low	(Rs)	13.30	81.70	237.00
Close	(Rs)	41.00	125.66	321.18
Market Capitalization	(bn)	5.85	10.34	25.24
Beta		1.06	0.57	0.27
Total No of shares	(mn)	142.80	82.30	78.60
Free float shares	(Mn)	28.56	21.54	19.65

Source: www.scstrade.com

Auto Sector - YoY Sales performance

	1QFY13	1QFY14	Change
HCAR	4,421	6,304	42.6%
PSMC	17,659	17,966	1.7%
INDU	8,228	8,419	2.3%
Total	30,308	32,689	7.9%

Source: www.pama.org.pk

Auto Sector - MoM Sales performance

	Aug-13	Sep-13	Change
HCAR	2,127	2,215	4.1%
PSMC	5,982	6,287	5.1%
INDU	2,923	2,602	-11.0%
Total	11,032	11,104	0.7%

Source: www.pama.org.pk

Auto Sector Fundamentals
As on October 11, 2013

Script		HCAR	PSMC	INDU
Closing Price	(Rs)	41.00	125.66	321.18
Latest EPS	(Rs)	2.29(3M)	14.05(6M)	42.72(12M)
DPS	(Rs)	0.30(LY)*	2.50(LY)	25.00
Expected PE	(x)	4.48	4.47	7.52
Dividend Yield	(%)	0.73	1.99	7.78
PBV		3.55	0.62	1.43

Source: www.scstrade.com *LY= Based on last year financials

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Auto Sector Review.....BUY stance for HCAR and PSMC

Auto sectors sales recorded 7.9% growth on YoY basis, where in almost remain unchanged on MoM basis

Auto sales of the industry witnessed substantial increase of 7.9% YoY to 32,689 units in 1QFY14 as against the sales of 30,308 units in the corresponding period last year. Conversely, on monthly basis, industry sales have posted slightly growth of 0.7% in sales to 11,104 units in the month of Sep 13 in comparison of 11,032 units in the previous month. Overall auto industry has observed incremental sales with lower rate, which does not create the good picture for auto industry.

Auto industry sales is surrounded by many of the hurdles starting from the CNG shortage problem, consistently increasing petroleum prices, poor law and order situation and also inflation in the country.

Launch of new models supported the HCAR sales on YoY Basis

For Honda Atlas Cars (HCAR) 1QFY14 was fabulous, company sold 6,304 units of cars increased by 42.6% against the last year same period selling figure of 4,421 units. Observing the monthly sales, company reported 4.1% higher sales of 2,215 units in month of September against 2,127 units in August.

Diminishing Purchasing power in middle income group

Pak Suzuki Motor Company Limited (PSMC) has witnessed a 1.7% growth in sales on YoY basis to 17,966 units in 1QFY14 against 17,659 units in 1QFY13. Whereas company's sales increased by 5.1% on MoM basis. PSMC produces the vehicles which are usually purchased by the middle income population, due to under pressure law and order situation and increasing petroleum products, and lowering purchasing power were the main reasons of steady sales of PSMC.

INDU sales was badly affected on MoM

Indus Motor Company Limited (INDU) witnessed a 2.3% YoY increase in sales to 8,419 units in 1QFY14 as against 8,228 units in the same period last year. Whereas INDU recorded 11% on MoM decline due to less preference of customers in buying of Toyota Corolla. However Toyota Hilux and Toyota Fortuner supported the sales of INDU. We see a prosperous future if company come up with new cars targeting the low to middle income group in place of Coure or coming up with Hybrid cars.

Valuation:

Auto industry is one of emerging industries in Pakistan; with three major players PSMC leads the industry in terms of sales. Based on expected earnings PSMC and HCAR yield PE multiple of 4.5x each, which makes BUY stance for both companies and INDU yields 7.5x and we maintain SELL.