

April 12, 2010

Pakistan Market**Autos: March sales up 80%YoY****MORNING BRIEFING**

KSE100 Index: Closing 10586.46 ↑ (+52.89)

Auto sales during March 2010 have posted an impressive performance, rising by 80%YoY and 8%MoM, as per the recently released data by the Pakistan Automotive Manufacturers Association (PAMA). As a result, sales during the first nine months of FY10 were up 34%YoY to 97,992 units. Moreover, with Indus Motor (INDU) sales rising by 57%YoY in March 2010, the company managed to record its highest ever sales in a given quarter. Trading at a FY11F PE of 6.0x, we maintain our 'Buy' stance on INDU.

Records galore in March 2010

Auto sales recovery in FY10 continued as sales rose by 80%YoY in March, with Pak Suzuki (PSMC) and INDU being the primary growth drivers. PSMC sales increased by a commendable 211%YoY to a 17 month high, mainly due to abnormally poor performance last year, amid economic slowdown and high interest rates. INDU, on the other hand has also benefited from a superior model of Corolla and increase in prices by Honda Car (HCAR). HCAR's performance remained dismal, with sales declining by 31%YoY.

March 2010 auto sales

(units)	Mar-10	Mar-09	Δ%	Mar-10	Feb-10	Δ%
Indus Motor	4,837	3,081	57%	4,837	4,150	17%
Pak Suzuki	6,512	2,092	211%	6,512	5,970	9%
Dewan Farooque Motors	118	201	-41%	118	174	-32%
Honda Atlas Cars	1,151	1,659	-31%	1,151	1,409	-18%
Industry LCV/car sale	12,639	7,039	80%	12,639	11,703	8%
Industry car sales	10,278	6,090	69%	10,278	9,449	9%

Source: PAMA

Sales remain upbeat in 9MFY10

Cumulative auto sales during 9MFY10 registered a growth of 34%YoY with INDU continuing to outperform others. With sales for the said company rising by 53%YoY during the period, its market share increased to 36% from 31% earlier. Despite an increase of 30%YoY in sales of PSMC, market

share has declined to 53%, from 55% previously.

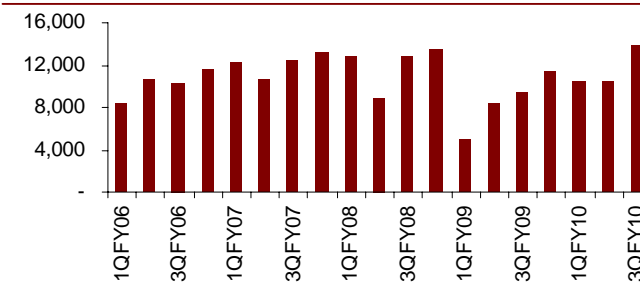
9MFY10 auto sales

(units)	July - Mar FY10	Jul - Mar FY09	Δ%
Indus Motor	34,857	22,842	53%
Pak Suzuki	52,128	40,038	30%
Dewan Farooque Motors	1,123	1,546	-27%
Honda Atlas Cars	9,810	8,645	13%
Industry LCV/car sale	97,992	73,128	34%
Industry car sales	78,585	54,072	45%

Source: PAMA

Outlook: INDU our top pick

Although auto sales have grown by 34%YoY during 9MFY10, we expect monetary easing by the Central Bank should further stimulate sales. However, Rupee depreciation against US\$ and Japanese Yen along with rising steel prices remain major cost concerns for auto assemblers. With INDU recording its highest ever quarter sales; it remains our top pick in the sector. Trading at a FY11F PE of 6.0x, we reiterate our 'Buy' stance on the scrip.

Indus Motor's quarterly auto sales

Source: PAMA

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Also in focus**9MFY09 remittances up 15.8% to US\$6.5bn**

Home remittances for the month of March 2010 jumped 29%MoM to US\$764mn, taking the cumulative remittances for 9MFY10 to US\$6.5bn. An impressive rise was witnessed in remittances from Abu Dhabi, recorded at US\$102mn last month, as against an average of US\$91mn in the first eight months of the fiscal year. We expect full year remittances to arrive at US\$8.5bn.

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