

May 12, 2010

## Pakistan Market

## MORNING BRIEFING


**April auto sales 2%MoM up – INDU sets all time high** KSE100 Index: Closing 10208.82 ↓ (-79.32)

atif.zafar@js.com

92 (21) 111-574-111 (ext. 3118)

### Also in focus

#### Remittances up 15% to US\$7.31bn in 10MFY10

Remittances climbed up further in April, and were recorded at US\$756mn, taking the cumulative figure to US\$7.31bn for the first ten months of the fiscal year. The same figure stood at US\$6.36bn in the corresponding period last year. Impressive remittances continue to be the key reason behind containment of the current account deficit.

#### Trade deficit down 14% to US\$12.2bn in 10MFY10

Trade gap continued to narrow, as deficit in April alone was down 13.5% to US\$1.28bn as exports rose faster than imports. As a result, cumulative deficit for 10MFY10 came in at US\$12.2bn versus US\$14.2bn in the corresponding period, down 13.9%YoY.

Auto sales continued their positive momentum in April 2010, rising by 62%YoY and 2%MoM to 12,969 units, as per the data released by the Pakistan Automotive Manufacturers Association (PAMA). Sales for the first 10 months (Jul-Apr) FY10 stood at 111,712 units, up 36% from the corresponding period last year. Indus Motor (INDU) yet again outpaced peers, recording its highest ever monthly sales of 5,205 units, which were up 36%YoY & 8%MoM. With INDU trading at an FY11F PE of 6.2x & offering a potential upside of 15% to our target price of Rs279, we maintain our 'Buy' call on the scrip.

#### April sales up 2%MoM-INDU manages record sales

Auto sales on the back of superior farm income, pick up in auto financing and pre-budget buying continued their resurgence in FY10 and rose 62%YoY and 2%MoM in the month of April. Pak Suzuki (PSMC) and INDU were once again the primary growth drivers, as their sales rose by 126% and 36%, respectively from the corresponding period last year. On a MoM basis, INDU was clearly leading the pack, recording its highest monthly sales since inception, as its volumes increased by 8% to 5,205 units, whereas PSMC sales remained flat at 6,516 units. Honda Car (HCAR), on the other hand saw its sales decline by 7%MoM as the manufacturer raised car prices by Rs20,000-35,000.

#### April 2010 auto sales

(units)	Apr-10	Apr-09	Δ%	Apr-10	Mar-10	Δ%
Pak Suzuki	6,516	2,879	126%	6,516	6,512	0%
Indus Motor	5,205	3,826	36%	5,205	4,837	8%
Honda Atlas Cars	1,072	936	15%	1,072	1,151	-7%
Dewan Farooque	41	283	-86%	41	118	-65%
<b>Industry LCV/car sale</b>	<b>12,969</b>	<b>7,996</b>	<b>62%</b>	<b>12,969</b>	<b>12,722</b>	<b>2%</b>
<b>Industry car sales</b>	<b>10,223</b>	<b>6,511</b>	<b>57%</b>	<b>10,223</b>	<b>10,278</b>	<b>-1%</b>

Source: PAMA

#### Sales remain upbeat during 10MFY10

With sales remaining upbeat in April, cumulative auto sales during the 10MFY10 arrived 36% higher YoY at 111,712 units. Interestingly, light commercial vehicles (LCVs) sales

continue to lag behind, rising by a mere 1% compared to a 47% growth witnessed in car sales. With INDU outperforming the industry by 14%, its market share improved to 36% from 33% earlier. PSMC continued to be the market leader, maintaining its share at 52%.

#### Auto sales during Jul-April

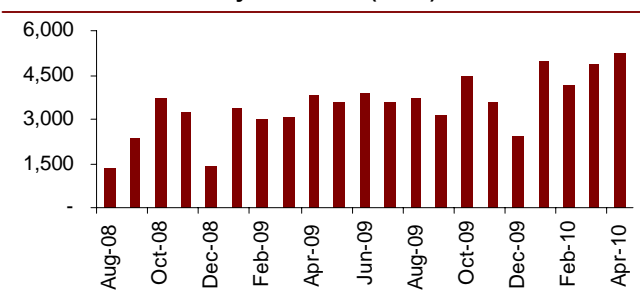
(units)	Jul -April FY10	Jul -April FY09	Δ%
Pak Suzuki	58,644	42,917	37%
Indus Motor	40,062	26,668	50%
Honda Atlas Cars	10,882	9,581	14%
Dewan Farooque Motors	1,164	1,829	-36%
<b>Industry LCV/car sale</b>	<b>111,712</b>	<b>81,906</b>	<b>36%</b>
<b>Industry car sales</b>	<b>88,808</b>	<b>60,583</b>	<b>47%</b>

Source: PAMA

#### Outlook: INDU our top pick in the auto sector

We expect auto sales for the full year FY10 to arrive at 137,000 units – up 38%YoY. With our economist expecting a reduction in the discount rate in 2010, we anticipate auto sales to continue to remain upbeat. However, liberalization of the import policy in the upcoming budget remains a key risk to our thesis. With INDU trading at an FY11F PE of 6.2x, we maintain our 'Buy' call on the scrip, however, with PSMC trading at a 2010 PE of 9.1x, we believe the stock is fairly valued.

#### Indus Motor's monthly auto sales (units)



Source: PAMA

#### JS Global Capital Limited

6th Floor, Faysal House, Main Shahrah-e-Faisal, Karachi

#### Research:

Tel: +92 (21) 32799005

Fax: +92 (21) 32800163

js.research@js.com

#### Fixed Income Sales:

Tel: +92 (21) 32799541-44

Fax: +92 (21) 32800163

tariq.usman@js.com

#### Equity Sales:

Tel: +92 (21) 32799513

Fax: +92 (21) 32800166

junaid.iqbal@js.com

#### Corporate Finance:

Tel: +92 (21) 32799005

Fax: +92 (21) 22800163

azhar.iqbal@js.com

JS RESEARCH IS AVAILABLE ON BLOOMBERG, CAPITALIQ & THOMSON REUTERS