

DISCLAIMER

This material was produced by FDM Capital Securities (Pvt) Ltd, a corporate member of KSE. This document is not to be used or considered as an offer to sell or a solicitation of an offer to buy any securities. FDM may, from time to time, to the extent permitted by law, participate or invest in other financing transactions with the issuers of the securities ('securities'), perform services for or solicit business from such issuer, and/or have a position or effect transactions in the securities or options thereof. FDM may, to the extent permitted by applicable law or other applicable laws or regulations, effect transactions in the securities before these materials published to recipients.

Information and opinions contained herein have been compiled or arrived by FDM from sources believed to be reliable, but FDM has not independently verified the contents of this document. Accordingly, no representation or warranty, express or implied, is made as to and no reliance should be placed on the fairness, accuracy, completeness or correctness of the information and opinions contained in this document. FDM accepts no liability for any loss arising from the use of this document or its contents or otherwise arising in connection therewith. This document is not to be relied upon or used in substitution for the exercise of independent judgment. FDM shall have no responsibility or liability whatsoever in respect of any inaccuracy in or omission from this or any other document prepared by FDM for, or sent by FDM to any person and any such person shall be responsible for conducting his own investigation and analysis of the information contained or referred to in this document and of evaluating the merits and risks involved in the securities forming the subject matter of this or other such document.

Opinions and estimates constitute our judgment and are subject to change without prior notice. Past performance is not indicative of future results. This document does not constitute an offer or invitation to subscribe for or purchase any securities, and neither this document nor anything contained herein shall form the basis of any contract or commitment what so ever. It is being furnished to you solely for your information and may not be reproduced or redistributed to any other person. Neither this report nor any copy hereof may be distributed in any jurisdiction outside Pakistan where its distribution may be restricted by law. Persons who receive this report should make them aware of and adhere to any such restrictions. By accepting this report you agree to be bound by the foregoing limitations.

For Further queries;

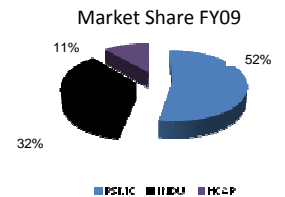
Haris Bashir
Research Analyst
Haris.bashir@fdm.com.pk
021-111-336-336 ext: 121
021-2275157

SECTOR REVIEW

Auto Sector: Sales lessening trend

According to latest monthly statistics, the total car sales have diminished by 18% MOM in Dec, compared to previous month in FY10 which revealed by PAMA, the figures plummeted by the reasons are;

- Promptly price hiking mechanism.
- Deliberately holdup by consumers for the new year `s registration.
- Unusual purchase by dealers in the foregoing months in expectancy of increase in car prices.



On the other hand the cumulative car sale numbers for 1H FY10 increased by 28% YOY compared to the last corresponding session.

Month-wise Sales cutback

The Automobile Sector recorded a second repeated month of negative growth on a MOM basis in Dec, as the overall car sales are declined by 18%. The '1300 cc and above' portion was declined by 34% MoM, the sector sold 2,655 units in Dec 09 measured against to 4,011 units in the prior month. INDU's corolla stayed the core contributor with the 77% share of total sales. Though, the sales for corolla witnessed a 36% MoM decline. In the '1000 cc' type all three cars showed negative growth in their sales by 2% whilst PMSC's mehran in 'below 1000cc' type with sales elevated by 1% MoM. While on the whole sales for this type witnessed a decline of 5% MoM. In total 7,068 units were sold in Dec as contrasting to 8,575 units in the preceding month in FY10.

CARS SALES (MoM)

Types	Nov FY10	Dec FY10	UNITS in No Chg
1300 cc & above	4,011	2,655	(36)%
1000 cc	1,577	1,552	(2) %
Below 1000 cc	2,987	2,861	(4) %
Overall cars	8,575	7,068	(18) %
Overall LCV	1,293	1,345	4 %

CARS SALES (YOY)

Types	1H FY09	1H FY10	UNITS in No Chg
1300 cc & above	14,961	24,335	63%
1000 cc	9,681	10,987	13%
Below 1000 cc	17,330	18,243	5%
Overall cars	41,972	53,565	28%
Overall LCV	10,501	7,478	(28) %

Sources: PAMA

In 1H FY10, total sales were enhanced over the period, witnessing an increase of 28% YOY, compared to the consequent period last year. Growth in '1300 cc and above' type remained overstated at 63% YOY after the effect of INDU's corolla production phase out of its previous model. The '1000 cc' and 'below 1000 cc' types showed inferior growth of 13% and 5% YOY respectively.

LCV Sales remain progressive YOY

Sales of LCV improved 4% MoM with 1,345 units selling in Dec as compared with sales of 1,293 units in the previous month. PSMC's Ravi which leads the type, observed as a gentle growth 2% MoM and INDU's Hilux witnessed an immense growth of 74% MoM. YOY sales, however remained depressed by 29% in 1H FY10 as compared to last year.

Company-wise Cars Sales

	Dec FY09	Dec FY10	UNITS in No Chg
PSMC	2,249	5,336	137%
INDU	1,386	2,424	75%
HCAR	150	567	278%

Sources: PAMA

Conclusion

Expectations of lower interest rate which will revive the consumer financing hence, increasing the sales. However, dependency on imported raw materials may steady strain over cost of production and also surge in local steel prices would be increasing upshot on it. However, PSMC's new launch Swift-1300 cc is likely to lend support to company's sales as well as increasing market share.