

PAKISTAN



Automobile Sales May'21

	May'20	Apr'20	MoM	11MFY21	YoY
PC	12,170	13,688	-11%	131,604	18%
Jeeps and LCV	2,533	2,444	4%	25,859	193%
Tractors	4,240	4,501	-6%	45,696	62%
INDU	4,676	5,355	-13%	52,701	104%
PSMC	8,307	8,606	-3%	82,926	38%
HCAR	2,001	2,287	-13%	25,986	81%
Hyundai	641	896	-28%	4,931	1680%
Al-Ghazi	1,301	1,287	1%	13,587	37%
Millat	2,910	3,214	-9%	32,051	85%

Source: PAMA, Foundation Research, June 2021

Pakistan Automobile

Sequential decline observed in May'21

Event

▪ Total automobile (PCs+LCVs) sales for the month of May'21 dropped by 9% MoM, to 15,670 units from 17,233 in Apr'21 due to global shortage of semiconductors. Low base effect was observed in May'20 with 6,400 units sold as the economy reopened after zero sales in Apr'20 and was in the initial phase of revival. Among the key players PSMC was able to restrict the decline in sales to 8,307 units (↓3% MoM), whereas sales for both HCAR and INDU dropped by 13% MoM. Likewise sequential decline in sales was also observed in Tractors which decreased by 6% MoM, with MTL/AGTL sales by ↓9/↑1% MoM.

Impact

▪ **1300cc+ dominated by Yaris:** 1300cc+ segment was able to clock in at 5,484 units in May'21, which translated into a decline of 20% MoM, however on cumulative basis sales increased by 93% YoY in 11MFY21. Yaris remained top market contender with about 40% share of segment since its launch in May'20, which also observed the sequential decline of 19% (2,099 units in May'21). Cumulative sales crossed the 26,000 mark in 11MFY21. Similarly sequential sales for Corolla/Fortuner dropped by 12/13% MoM. With PSMC exiting the 1300cc segment with the discontinuation of Swift on its way, Hyundai Elantra has entered the market to give competition to high sedan, however Hyundai's focus remains on the untapped SUV segment with its Tucson.

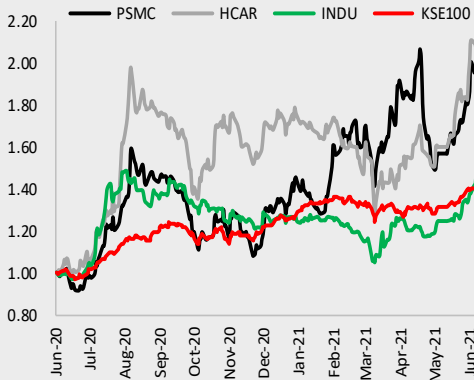
▪ **HCAR in the midst:** HCAR Civic/City also declined by 23% MoM, with 1,581 units sold in May'20. This accumulated sales of 25,986 units (↑81% YoY) in 11MFY21 for HCAR. The continuation of global shortage of semiconductor for automobile industry will lead to sequential decline in sales for upcoming periods, which has already increased the delivery time to more than 6 months for most of the vehicles.

▪ **PSMC to benefit from tax reduction in 850cc:** 800cc segment followed the industry trend with 18% MoM decline, with 3,375 units sold in May'21 compared to 4,091 units sold in Apr'21. PSMC's Alto remains the only contender in the segment with market share of ~28% of total PCs. Total Sales for PSMC reduced by 3% MoM, supported by 39% MoM increase in sales of Cultus. Government has proposed in the Finance Bill 2021, a reduced sales tax rate of 12.5% (from 17%) on locally assembled cars up to 850cc, which would result in reduction of prices up to Rs.70,000 on Alto. This initiative was to enhance the consumer base and make it affordable for the lower-middle class population. The reduction in sales tax on 850cc would stimulate growth in the segment and attract new entrants, however with the wide network dealership of PSMC, their market share is expected to remain intact.

▪ **Rising SUV segment:** Even though sales for Jeep segment dropped by 10% MoM with 993 units in May'21. Growth of 217% YoY was observed in 11MFY21 with cumulative sales of 10,184 units. This exhibited the rising competitive outlook with new entrants like Hyundai's Tucson, KIA Sportage and MG HS targeting the segment.

Outlook

▪ We are neutral on the sector as increasing demand with improving macroeconomic fundamentals being diluted by production issues. While the shortage of semiconductors is prevailing in the industry, another issue of rubber shortage might be on the rise as well. INDU remains our top pick for the sector.



Source: Bloomberg, Foundation Research, June 2021

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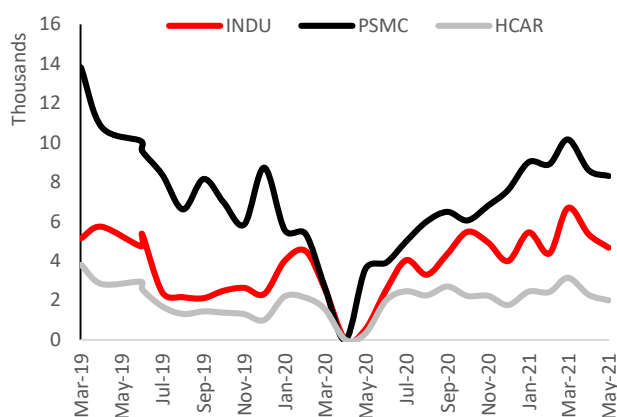
Foundation Securities (Pvt) Ltd
Monday, 14 June 2021

Table 01: Pakistan auto sales company wise

	May-21	May-20	YoY	Apr-21	MoM	11MFY21	11MFY20	YoY
Total PCs+LCVs	15,670	4,527	246%	17,233	-9%	167,392	101,507	65%
INDU	4,676	547	755%	5,355	-13%	52,701	25,847	104%
Corolla	1,514	294	n/a	1,724	-12%	16,493	21,285	-23%
Yaris	2,099	167	n/a	2,600	-19%	26,419	167	n/a
Fortuner	318	14	n/a	364	-13%	3,131	1,085	189%
Hilux	745	72	n/a	667	12%	6,658	3,310	101%
PSMC	8,307	3,600	131%	8,606	-3%	82,926	60,201	38%
Swift	31	78	-60%	181	-83%	2,108	1,626	30%
Cultus	1,820	922	97%	1,312	39%	15,240	11,477	33%
WagonR	1,491	386	286%	1,447	3%	11,805	6,508	81%
Alto	3,375	1,304	159%	4,091	-18%	36,504	29,260	25%
Bolan	764	386	98%	747	2%	8,009	4,853	65%
Ravi	826	524	58%	828	0%	9,260	6,477	43%
HCAR	2,001	326	514%	2,287	-13%	25,986	14,384	81%
City&Civic	1,581	263	501%	2,053	-23%	22,450	12,252	83%
BR-V	420	63	567%	234	79%	3,536	2,132	66%
Hyundai	641	41	1463%	896	-28%	4,931	277	1680%
Elentra	259	-	n/a	280	-8%	585	-	n/a
Tuscon	259	-	n/a	503	16%	3,262	-	n/a
Porter	123	41	200%	113	9%	1,084	277	291%
Pickups	45	13	246%	89	-49%	848	798	6%
JAC	45	10	350%	59	n/a	592	349	70%
DMAX	30	3	900%	30	n/a	256	449	-43%
Tractors	4,240	1,851	129%	4,501	-6%	45,696	27,413	67%
Al-Ghazi	1,301	138	843%	1,287	1%	13,587	9,900	37%
Millat	2,910	1,711	70%	3,214	-9%	32,051	17,328	85%
Orient	29	2	n/a	-	n/a	58	185	-69%
Trucks	361	76	375%	282	28%	3,343	2,845	18%
Hino	52	3	n/a	46	13%	631	1,005	-37%
JAC	16	8	100%	4	300%	202	41	393%
Isuzu	221	56	295%	161	37%	1,716	1,423	21%
Master	72	9	700%	71	1%	794	376	111%
Buses	34	-	n/a	51	-33%	599	535	12%
Hino	6	-	n/a	9	-33%	172	250	-31%
Isuzu	4	-	n/a	3	33%	99	120	-18%
Master	24	-	n/a	39	-38%	328	165	99%

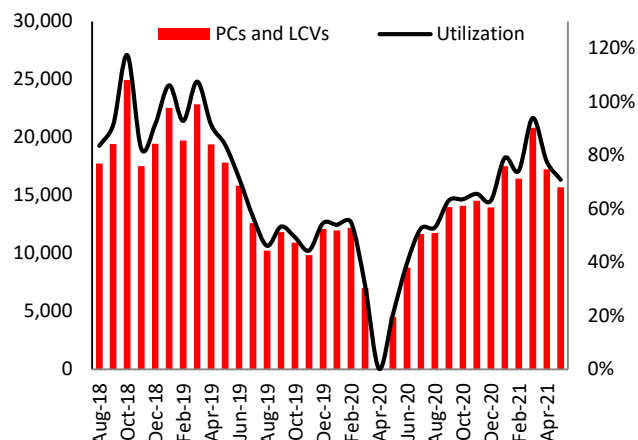
Source: PAMA, Foundation Research, June 2021

Fig 1: Automobile sales remained sluggish



Source: PAMA, FSL Research, June 2021

Fig 2: Utilization rate drops



Source: PAMA, FSL Research, June 2021

Important disclosures:

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If	
Expected return >+10%	Outperform.
Expected return from -10% to +10%	Neutral.
Expected return <-10%	Underperform.