

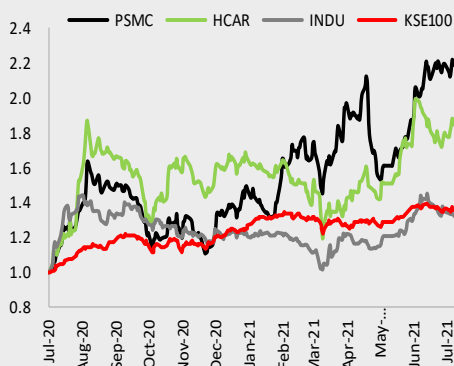
PAKISTAN



Automobile Sales Jun'21

	Jun-21	May-21	MoM	FY21	YoY
PC	11,382	12,170	-6%	142,131	-27%
Jeeps & LCV	1,246	2,444	-49%	27,105	-6%
Tractors	5,018	4,501	11%	50,685	-6%
INDU	4,535	4,676	-3%	57,236	102%
PSMC	5,106	8,307	-39%	88,032	37%
HCAR	3,305	2,001	65%	29,291	79%
Hyundai	604	637	-5%	5,790	1634%
Al-Ghazi	1,542	1,301	19%	15,129	28%
Millat	3,476	2,910	19%	35,527	72%

Source: PAMA, Foundation Research, July 2021



Source: Bloomberg, Foundation Research, July 2021

Analyst

Foundation Research Research@fs.com.pk
+92 213 5612290 Ext 312

Foundation Securities (Pvt) Ltd
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Pakistan Automobile

Volumetric recovery on fast lane

Event

Automobile sales for the month of Jun'21 were upbeat due to (1) resolution of supply chain issues, (2) low base effect and (3) rebound in economic activity. However, growth was restricted because of anticipation of taxation reforms in FY22 budget. PCs & LCVs registered an uptick of 31% YoY (↓13% MoM) in Jun'21, cumulating into ↑58% YoY (229,591 units) in FY21.

Impact

Recovery in segments: 1000/1300cc was able to grow by 139/62% YoY (↓6/↑74% MoM). However, sales for 800cc dropped by 27% YoY (↓64% MoM), this was majorly because of sales deferred in next period after implantation of sale tax cut from FY22 budget. Meanwhile LCVs/Jeeps sales jumped by 364% YoY in Jun'21 (1,122 units). Market share for 1300cc increased by 7ppt to 48% in FY21, whereas market share for 1000/800cc declined by 1/10 ppt to 20/34% in FY21.

Tractor's sales declined by 6% YoY in Jun'21 (5,018 units compared to 5,314 units in Jun'20), with Al-Ghazi sales dropped by ↓20% YoY, meanwhile sales for Millat sales increased by 3% YoY in Jun'21. Sales for trucks increased by 45% YoY, with company wise sales increasing by 12/20/26% YoY for Hino/Isuzu/Master.

PSMC to revive: PSMC sold 5,106 units in Jun'21 compared to 3,911 same period last year (↑31% YoY), which translated into cumulative sales growth of 37% (88,032 units sold in FY20), this growth in volumetric sales was attributed to Cultus/WagonR increasing by 173/79% YoY in Jun'21. Whereas Alto sales declined by 27% YoY to (1,216 units) in Jun'21, because of tax cut effective from July'21 deferring sales for month of Jun'21. PSMC restarted its Swift production and sold 208 units (↑3% YoY). Alto accounted for cumulative 37,720 units sold in FY21 which acquired 21% of market share (PCs and LCVs). Going forward, the incentives provided by the gov't in FY22 budget would likely stimulate the volumetric growth as sales tax and FED declined for PSMC's market segment of up to 1000cc.

Yaris and its novelty factor: INDU was able to depict 79% YoY increase in sales to 4,535 units sold in Jun'21 which cumulated into 57,236 units (↑102% YoY) in FY21. This growth was attributed to Corolla/Yaris increasing by 118/62% YoY, accumulating into 18,355/28,378 units for Corolla/Yaris in FY21, making Yaris most selling sedan for FY21 in its debut. Meanwhile sales for Fortuner/Hilux were ↑428/↓12% YoY to 412/385 units in Jun'21. INDU is expected to keep its market share intact, despite increasing competition, because of their (1) brand image, (2) dealership network, and (3) shorter delivery time.

HCAR new variants: HCAR sold 3,305 units in Jun'21 (↑65% YoY), which cumulated sales growth of 29,291 units (↑79% YoY) in FY21. Sales for Civic&City/BRV were 2,826/479 units (↑54/192% YoY), which cumulated sales of 25,276/4,015 units (↑79/75% YoY) in FY21. We expect HCAR sales to keep steady growth ahead given the high demand for new model of City that is yet to be disclosed. However, Honda Civic would be head on with Hyundai's Elentra/Sonata and other newly introduced low priced SUVs by other players.

Outlook

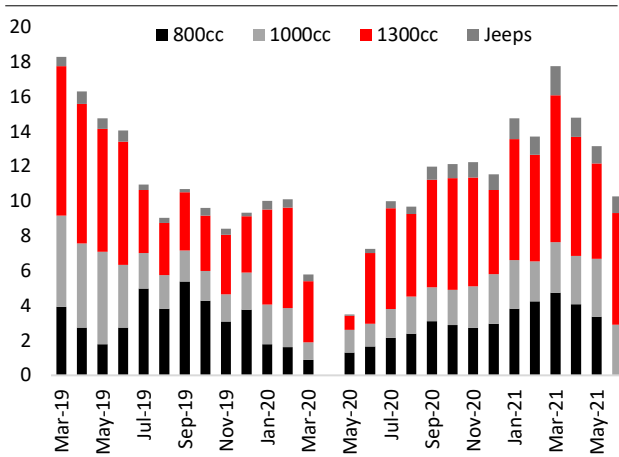
We are neutral on the sector as the increasing demand from (1) low interest rate, and (2) gov't FED reduction would be diluted given competition from new entrants such as KIA, HAVEL, MG and Proton. INDU remains our top pick for the sector.

Table 01: Pakistan Automobile sales for Jun'21

	Jun-21	Jun-20	YoY	May-21	MoM	FY21	FY20	YoY
Total	18,369	14,026	31%	19,590	-6%	229,591	145,251	58%
TotalPCs+LCVs	13,690	8,752	56%	15,696	-13%	181,397	110,259	65%
INDU	4,535	2,531	79%	4,676	-3%	57,236	28,378	102%
Corolla	1,862	855	118%	1,514	n/a	18,355	22,140	-17%
Yaris	1,876	1,160	62%	2,099	-11%	28,295	1,327	n/a
Fortuner	412	78	428%	318	30%	3,543	1,163	205%
Hilux	385	438	-12%	745	-48%	7,043	3,748	88%
PSMC	5,106	3,911	31%	8,307	-39%	88,032	64,112	37%
Swift	208	202	3%	31	571%	2,316	1,828	27%
Cultus	2,270	830	173%	1,820	25%	17,510	12,307	42%
WagonR	854	476	79%	1,491	-43%	12,659	6,984	81%
Alto	1,216	1,656	-27%	3,375	-64%	37,720	30,916	22%
Bolan	187	306	-39%	764	-76%	8,196	5,159	59%
Ravi	371	441	-16%	826	-55%	9,631	6,918	39%
HCAR	3,305	2,003	65%	2,001	65%	29,291	16,387	79%
City&Civic	2,826	1,839	54%	1,581	79%	25,276	14,091	79%
BR-V	479	164	192%	420	14%	4,015	2,296	75%
Hyundai	604	57	960%	637	-5%	5,790	334	1634%
Elentra	270	-	n/a	259	4%	855	-	n/a
Tuscon	231	-	n/a	255	-9%	3,748	-	n/a
Porter	103	57	81%	123	-16%	1,187	334	255%
Pickups	140	250	-44%	75	87%	1,048	1,048	0%
JAC	140	43	226%	45	n/a	732	392	87%
DMAX	60	207	-71%	30	n/a	316	656	-52%
Tractors	5,018	5,314	-6%	4,211	19%	50,685	32,727	55%
Al-Ghazi	1,542	1,925	-20%	1,301	19%	15,129	11,825	28%
Millat	3,476	3,378	3%	2,910	19%	35,527	20,706	72%
Trucks	352	243	45%	361	-2%	3,695	3,088	20%
Hino	37	33	12%	52	-29%	668	1,038	-36%
JAC	21	3	600%	16	31%	223	44	407%
Isuzu	191	159	20%	221	-14%	1,907	1,582	21%
Master	103	48	115%	72	43%	897	424	112%
Buses	53	24	121%	34	56%	652	559	17%
Hino	12	12	0%	6	100%	184	262	-30%
Isuzu	14	-	n/a	4	250%	113	120	-6%
Master	27	12	125%	24	13%	355	177	101%

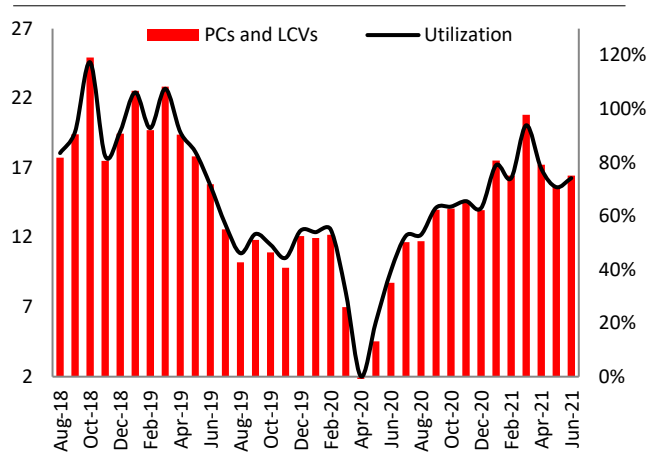
Source: PAMA, Foundation Research, July 2021

Fig 01: Automobile sales rebounded strongly (000)



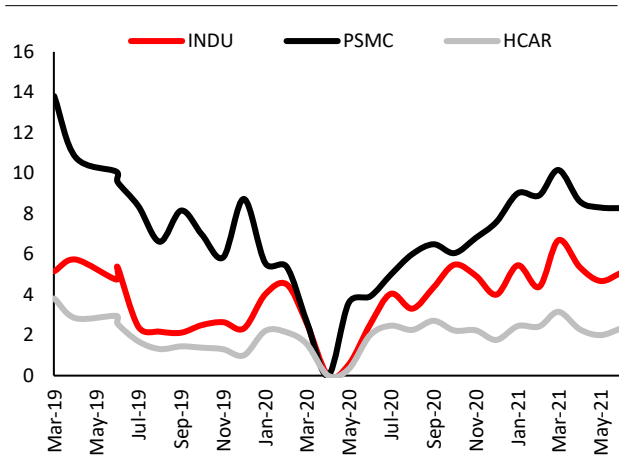
Source: PAMA, Foundation Research, July 2021

Fig 02: Market share of consumer cars (000)



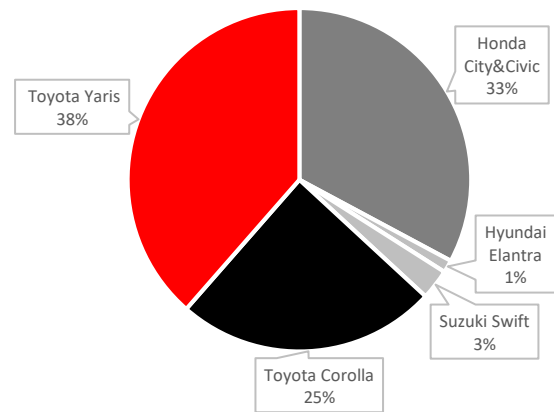
Source: PAMA, Foundation Research, July 2021

Fig 03: Company wise Volumetric sales ('000)



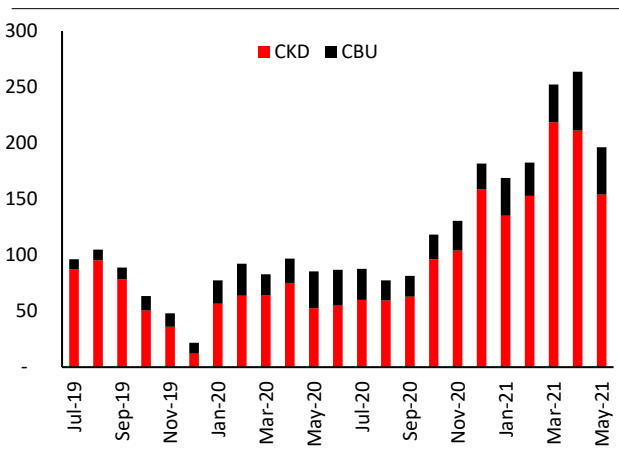
Source: PAMA, Foundation Research, July 2021

Fig 04: Yaris most selling sedan in FY21



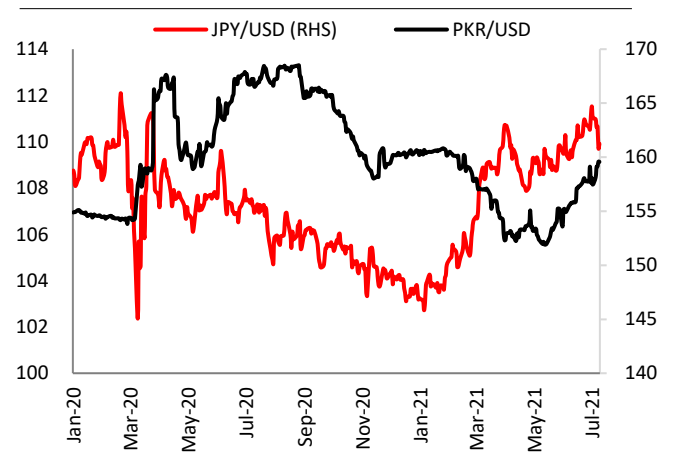
Source: PAMA, Foundation Research, July 2021

Fig 05: Automobile imports... ('000)



Source: PBS, Foundation Research, July 2021

Fig 06: Exchange rate unfavorable for autos



Source: Bloomberg, Foundation Research, July 2021

Abbreviations

PAMA	Pakistan Automotive Manufacturers Association
YoY	Year on Year
MoM	Month on Month
PC	Passenger Cars
LCV	Light Commercial Vehicles
PSMC	Pakistan Suzuki Motor Company
INDU	Indus Motors
HCAR	Honda Atlas Car
AGTL	AlGhazi Tractors Limited
MTL	Millat Tractors Limited
HINO	Hinopak Motors
GIL	Ghandahra Industries Limited

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