

PAKISTAN



Pakistan Automobile

Auto sales remain upbeat

Event

Automobile sales for the month of Aug'21 remained upbeat due to (1) tax reductions in FY22 budget, (2) revival of economic activity and (3) higher auto financing. PCs&LCVs registered an uptick of 85% YoY in Aug'21. Main contributor of this growth was PSMC which registered an increase of 2.01x YoY in Aug'21 followed by INDU/HCAR increasing by 85/43% YoY. On sequential basis sales of PC&LCVs declined by 13% MoM with INDU/PSMC declining by 16/21%, however HCAR sales increased by 40% MoM in Aug'21. This cumulated sales for PCs&LCVs at 46,669 units in 2MFY21 (↑83% YoY).

Automobile Sales Aug'21

	Aug-21	Jul-21	MoM	2MFY21	YoY
PC	16,660	19,556	-15%	36,216	111%
Jeeps and LCV	3,681	3,999	-8%	27,105	-15%
Tractors	3,316	4,332	-23%	50,685	-15%
INDU	5,639	6,715	-16%	12,354	68%
PSMC	12,062	15,181	-21%	27,243	148%
HCAR	3,230	2,307	40%	5,537	17%
Hyundai	712	627	14%	1,339	661%
Al-Ghazi	1,302	1,406	-7%	2,708	33%
Millat	2,014	2,926	-31%	4,940	12%

Source: PAMA, Foundation Research, Sept 2021

Impact

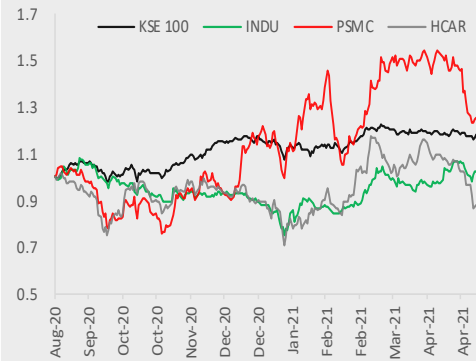
- **Recovery in segments:** 800cc/1000cc/1300cc remained able to grow at 111/112/53% YoY in Aug'21. The main driver for this growth was the 2.5% FED and 5% sales tax reduction for up to 1000cc in budget FY22. On sequential basis 800cc/1000cc sales decreased by 18/29% MoM, meanwhile 1300cc remained stagnant. Market share for 1300cc declined to 37% (↓16 ppt YoY) which was attained by 1000cc/800cc increasing by 9ppt/5ppt YoY. Meanwhile SUV segment increased its market share to 6%, increasing by 2ppt.

- **Tractor sale for Aug'21 increased by 17% YoY to 3,316 units.** Player wise Millat decreased by 9% YoY to 2,014 units, however sales for Al-Ghazi increased by 106% YoY (1,302 units in Aug'21). This cumulated sales for tractor at 2,708 units sold in 2MFY21 (↑33% YoY).

- **PSMC beneficiary of Budget reforms:** PSMC volumetric sales clocked in at 12,062 units, which depicted an increase of 2.01x YoY in Aug'21. However, on sequential basis PSMC declined by 21%, this is mainly because of abnormal sales recorded in July'21 (15,181 units). This growth was attributed to Alto/Cultus/WagonR which increased by 2.11x/2.03x/2.29x YoY to clock at 5,031/2,845/1,679 units in Aug'21. The growth was further supported by Bolan/Ravi which increased by 78/87% YoY. This cumulated sales for 2MFY21 of PSMC to 27,243 units (↑2.48x YoY). Going forward, the incentives provided to PSMC would keep its utilization level on higher side.

- **INDU remains upbeat:** INDU was able to depict an increase of 71% YoY (↓16% MoM) by selling 5,639 units in Aug'21. This growth was attributed to Corolla/Yaris which sold 1,942/2,025 units (↑124%/19% YoY), Moreover, sales for Fortuner/Hilux also increased by 373/79% YoY in Aug'21. This cumulated sales of 2MFY21 at 12,354 units (↑68% YoY). Furthermore, we expect INDU to remain the market leader in sedan segment because of (1) consumer perception, (2) dealership network, and (3) shorter delivery time.

- **HCAR new variants:** HCAR was able to sell 3,230 units in Aug'21 (↑43/40% YoY/MoM). HCAR was able to revive its sales in Civic/City which increased by 38% YoY (↑60% MoM). While sales of BR-V increased by 81% YoY to 504 units in Aug'21. The main reason for the increase in sales was the launch of city's new variant and low base effect from last month. This cumulated sales for 2MFY21 to 5,537units (↑17% YoY). Going forward, HCAR is expected to face competition for its Honda City since the delivery for Proton and Changan has resumed.



Source: Bloomberg, Foundation Research, September 2021

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Outlook

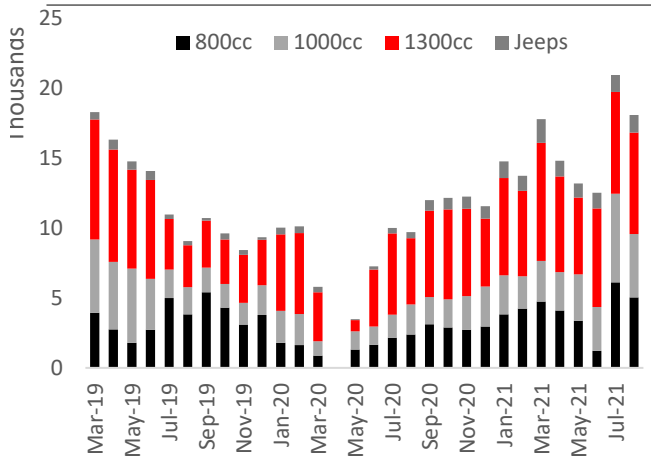
- We are neutral on the sector as the increasing demand from (1) low interest rate, and (2) gov't FED reduction would keep the volume upbeat but increasing competition would temper the growth. INDU remains our top pick for the sector.

Table 1: Automobile Sales for the month of Aug'21

	Aug-21	Aug-20	YoY	Jul-21	MoM	2MFY21	2MFY20	YoY
Total	25,670	14,696	75%	29,851	-14%	55,521	30,397	83%
TotalPCs+LCVs	21,751	11,742	85%	24,918	-13%	46,669	23,401	99%
INDU	5,639	3,307	71%	6,715	-16%	12,354	7,350	68%
Corolla	1,942	867	124%	2,320	-16%	4,262	2,395	78%
Yaris	2,025	1,705	19%	2,700	-25%	4,725	3,588	32%
Fortuner	572	121	373%	418	37%	990	267	271%
Hilux	1,100	614	79%	1,277	-14%	2,377	1,100	116%
PSMC	12,062	6,003	101%	15,181	-21%	27,243	10,994	148%
Swift	154	196	-21%	225	-32%	379	378	0%
Cultus	2,845	1,400	103%	4,213	-32%	7,058	2,477	185%
WagonR	1,679	733	129%	2,131	-21%	3,810	1,299	193%
Alto	5,031	2,389	111%	6,110	-18%	11,141	4,547	145%
Bolan	1,097	615	78%	950	15%	2,047	1,134	81%
Ravi	1,256	670	87%	1,552	-19%	2,808	1,159	142%
HCAR	3,230	2,258	43%	2,307	40%	5,537	4,725	17%
City&Civic	2,726	1,980	38%	1,700	60%	4,426	4,190	6%
BR-V	504	278	81%	607	-17%	1,111	535	108%
Hyundai	712	110	547%	627	14%	1,339	176	661%
Elentra	258	-	n/a	157	64%	415	-	n/a
Tuscon	192	22	773%	175	10%	367	22	1568%
Sonata	142	-	n/a	163	-13%	305	-	n/a
Porter	120	88	36%	132	-9%	252	154	64%
Pickups	108	64	69%	88	23%	196	156	26%
JAC	63	42	50%	52	21%	115	94	22%
DMAX	45	22	105%	36	25%	81	62	31%
Tractors	3,316	2,844	17%	4,332	-23%	7,648	6,457	18%
Al-Ghazi	1,302	633	106%	1,406	-7%	2,708	2,034	33%
Millat	2,014	2,205	-9%	2,926	-31%	4,940	4,410	12%
Orient	-	6	-100%	-	n/a	-	13	-100%
Trucks	553	223	148%	551	0%	1,104	441	150%
Hino	77	34	126%	75	3%	152	63	141%
JAC	22	15	47%	18	22%	40	27	48%
Isuzu	289	113	156%	227	27%	516	222	132%
Master	165	61	170%	231	-29%	396	129	207%
Buses	50	61	-18%	50	0%	100	98	2%
Hino	9	26	-65%	10	-10%	19	42	-55%
Isuzu	11	7	57%	13	-15%	24	13	85%
Master	30	28	7%	27	11%	57	43	33%

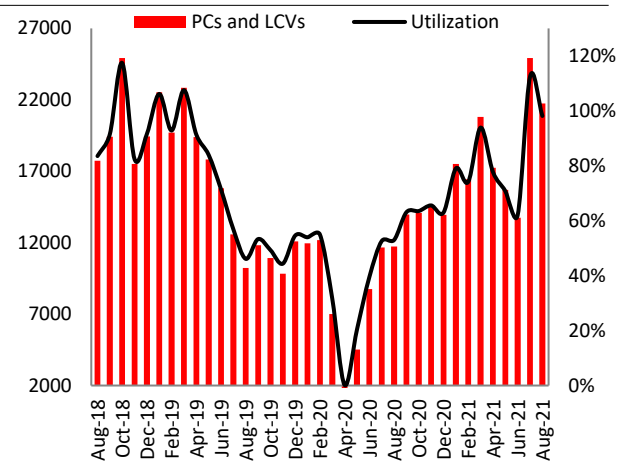
Source: PAMA, Foundation Research, September2021

Fig 01: Sequential drop in sales is observed



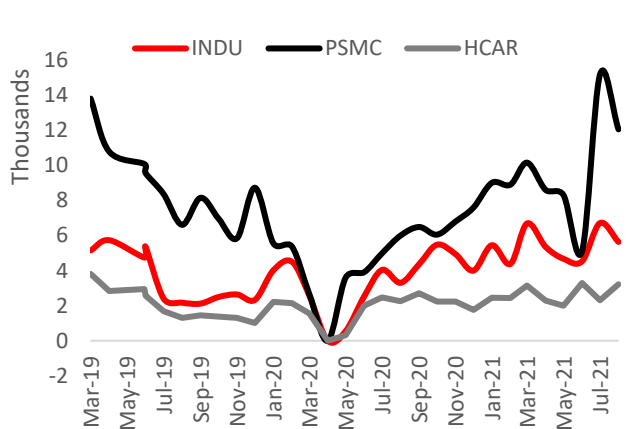
Source: PAMA, FSL Research, Sept 2021

Fig 02: Utilization normalizes



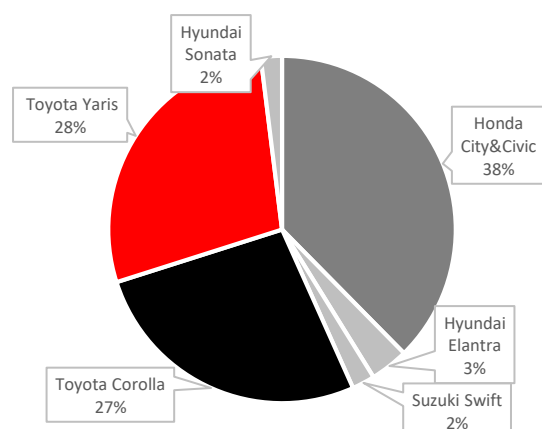
Source: PAMA, FSL Research, Sept 2021

Fig 03: Company wise Volumetric sales



Source: PAMA, FSL Research, Sept 2021

Fig 04: Civic/City becomes the segment leader



Source: PAMA, FSL Research, Sept 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.