

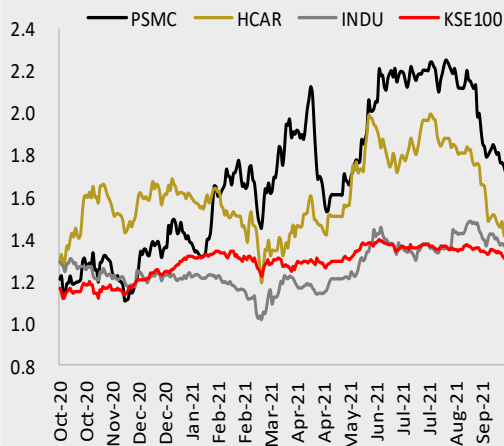
PAKISTAN



Automobile Sales Sept'21

	Sep-21	Aug-21	MoM	1QFY22	YoY
PC	18,077	16,802	8%	54,592	46%
Jeeps and LCV	2,954	3,666	-19%	10,619	8%
Tractors	4,377	3,316	32%	12,025	8%
INDU	6,292	5,639	12%	18,646	59%
PSMC	11,188	12,062	-7%	38,431	120%
HCAR	3,635	3,230	13%	9,172	23%
Hyundai	964	570	69%	2,297	367%
Al-Ghazi	2,120	1,302	63%	4,828	39%
Millat	2,257	2,014	12%	7,197	0%

Source: PAMA, Foundation Research, October 2021



Source: Bloomberg, Foundation Research, October 2021

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Pakistan Automobile

Growth for automobile decelerating

Event

▪ Automobile sales for the month of Sept'21 was upbeat due to (1) improving economic activity (2) tax reductions in budget FY22, and (3) high auto financing. However, growth for FSL universe was restricted because of new entrants capturing market share and higher number of CBUs imported. PCs&LCVs registered 22,235 units of sales, an uptick of 59% YoY (↑5% MoM) for month of Sept'21. Main contributor of this growth was PSMC which registered an increase of 72% YoY (↓7% MoM) followed by INDU/HCAR as their sales by 44/34% YoY (↑12/13% MoM).

Impact

▪ **Shift in segment mix:** 800/1000/1300cc was able to grow by 46/143/42% YoY in Sept'21. The main driver for this growth was stimulus provided in budget FY22 for vehicles up to 1000cc. Market share for 1300cc declined to 40% (↓13 ppt YoY) which was attained by 1000cc/800cc increasing by 9ppt/3ppt YoY to 27/27%. Meanwhile market share for jeeps increased by 1ppt to 6%. On sequential basis 1300cc/1000cc increased their sales by 21/5% MoM, meanwhile 800cc/Jeeps showed declined of 10/5% MoM. Market share for 1300cc declined to 34% (↓24 ppt YoY). Meanwhile SUV segment increased its market share to 6%, increasing by 2ppt.

▪ However, we expect the sales tax incentives provided in Budget'22 to rationalize given standardized sales tax regime as per IMF requirement, which would dissipate the catalytic growth for up to 1000cc and 1300cc to regain its market share.

▪ **PSMC driving on economic growth:** PSMC volumetric sales clocked in at 11,188 units, which depicted an increase/decrease of 72/7% YoY/MoM in Sept'21. This growth is accredited to strengthening of economic cycle and sales tax reduction in Budget FY22. This growth was attributed to Alto/Cultus/WagonR/Bolan/Ravi which increased by 46/289/45/43/65% YoY at 4,540/3,056/1,678/894/933 units sales for Sept'21. However, on sequential basis, Sales for Alto/Bolan/Ravi declined by 10/29/26% MoM. Going forward, we expect the catalytic effect from budget FY22 to dilute and supply chain issues to tamper the growth.

▪ **INDU remains upbeat:** INDU was able to depict an increase of 44% YoY (↑12% MoM) by selling 6,292 units in Sept'21. This growth was attributed to Corolla/Yaris which sold 2,334/2,515 units increasing by 91/4% YoY (↑20/24% MoM), additionally sales growth was supported by Fortuner/Hilux increasing by 397/38% YoY units (↑38/163% YoY). Yaris remained the most selling sedan however the novelty factor seems to be dissipating considering new entrants which has started to acquire the market share. INDU is expected to remain the market leader because of (1) brand image, (2) dealership network, and (3) shorter delivery time.

▪ **HCAR consolidating on consumer perception:** HCAR was able to sell 3,635 units in Sept'21 (↑34/13% YoY/MoM). HCAR sales for Civic/City increased by 47% YoY (↑24% MoM), however this was restricted by BR-V sales decreasing by 36/47% YoY/MoM to 268 units. The increase in sales were accredited to high auto financing and corporate clientele. Going forward, HCAR sales would remain upbeat given consumer perception for the brand, however it would face competition from all fronts.

Outlook

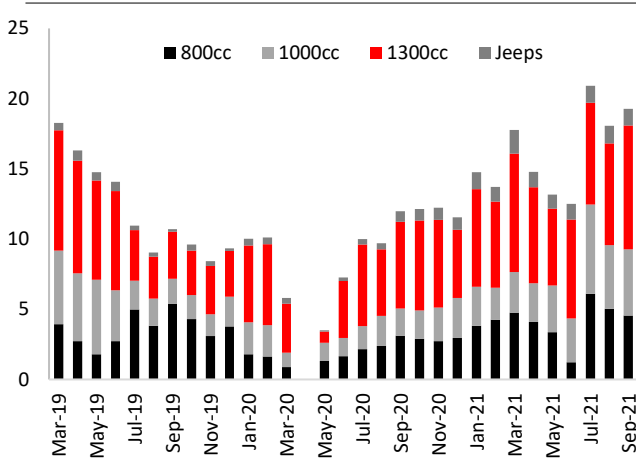
▪ We have an outperform stance on the sector as the increasing demand from (1) growing economic outlook, and (2) increasing demand would keep the volume upbeat.

Table 01: Automobile sales for the month of Sept'21

	Sep-21	Sep-20	YoY	Aug-21	MoM	1QFY22	1QFY21	YoY
Total	25,999	18,223	43%	24,850	5%	79,727	48,288	65%
Total PCs+LCVs	22,235	13,982	59%	21,594	3%	68,883	37,383	84%
INDU	6,292	4,365	44%	5,639	12%	18,646	11,715	59%
Corolla	2,334	1,219	91%	1,942	20%	6,596	3,614	83%
Yaris	2,515	2,421	4%	2,025	24%	7,240	6,009	n/a
Fortuner	611	123	397%	572	7%	1,601	390	311%
Hilux	832	602	38%	1,100	-24%	3,209	1,702	89%
PSMC	11,188	6,491	72%	12,062	-7%	38,431	17,485	120%
Swift	87	252	-65%	154	-44%	466	630	-26%
Cultus	3,056	786	289%	2,845	7%	10,114	3,263	210%
WagonR	1,678	1,161	45%	1,679	0%	5,488	2,460	123%
Alto	4,540	3,104	46%	5,031	-10%	15,681	7,651	105%
Bolan	894	624	43%	1,097	-19%	2,941	1,758	67%
Ravi	933	564	65%	1,256	-26%	3,741	1,723	117%
HCAR	3,635	2,710	34%	3,230	13%	9,172	7,435	23%
City&Civic	3,367	2,293	47%	2,726	24%	7,793	6,483	20%
BR-V	268	417	-36%	504	-47%	1,379	952	45%
Hyundai	964	316	205%	570	69%	2,297	492	367%
Elantra	309	-	n/a	258	20%	724	-	n/a
Tuscon	325	215	51%	192	69%	692	237	192%
Sonata	191	-	n/a	-	n/a	490	-	n/a
Porter	139	101	38%	120	16%	391	255	53%
Pickups	156	100	56%	93	68%	337	256	32%
JAC	91	66	38%	63	44%	206	160	29%
DMAX	65	34	91%	30	117%	131	96	36%
Tractors	4,377	4,272	2%	3,316	32%	12,025	10,729	12%
Al-Ghazi	2,120	1,441	47%	1,302	63%	4,828	3,475	39%
Millat	2,257	2,815	-20%	2,014	12%	7,197	7,225	0%
Orient	-	16	-100%	-	n/a	-	29	-100%
Trucks	466	342	36%	553	-16%	1,339	783	71%
Hino	81	52	56%	77	5%	233	115	103%
JAC	22	27	-19%	22	0%	62	54	15%
Isuzu	202	169	20%	289	-30%	718	391	84%
Master	161	94	71%	165	-2%	326	223	46%
Buses	41	43	-5%	50	-18%	114	141	-19%
Hino	19	16	19%	9	111%	38	58	-34%
Isuzu	3	1	200%	11	-73%	27	14	93%
Master	19	26	-27%	30	-37%	49	69	-29%

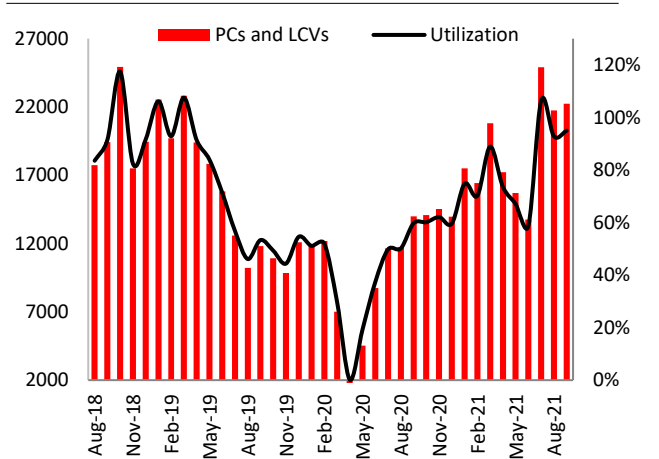
Source: PAMA, Foundation Research, October 2021

Fig 01: Volumes upbeat given gov't incentives ('000)



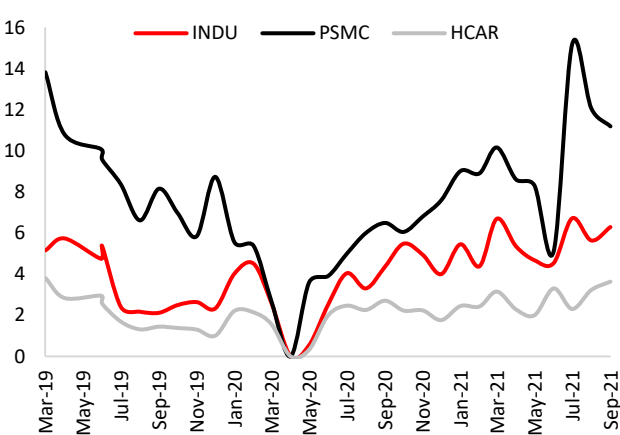
Source: PAMA, FSL Research, October 2021

Fig 02: Utilization level elevated



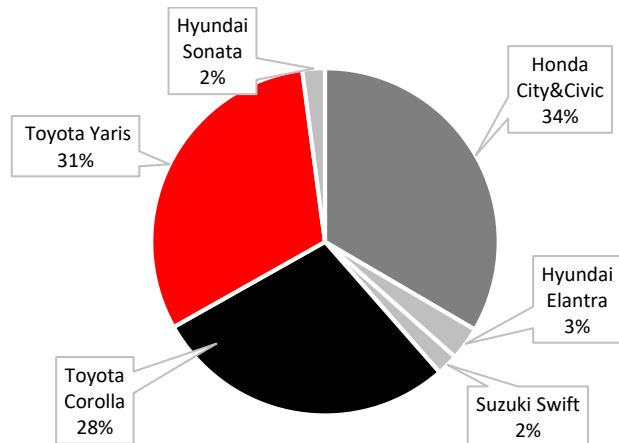
Source: PAMA, FSL Research, October 2021

Fig 03: Company wise Volumetric sales ('000)



Source: PAMA, FSL Research, October 2021

Fig 04: Intensifying competition in 1300cc+ (3MFY22)



Source: PAMA, FSL Research, October 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.