

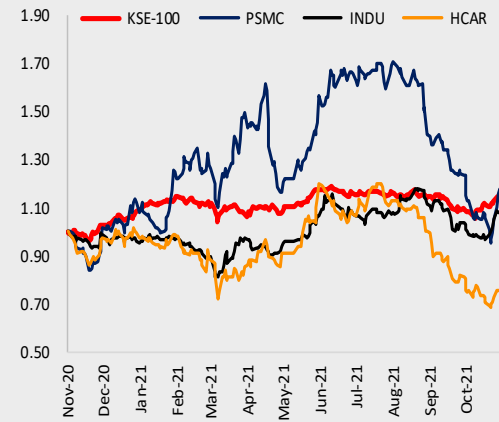
PAKISTAN



Automobile Sales Sept'21

	Oct-21	Sep-21	MoM	4MFY22	YoY
PC	16,342	18,077	-10%	70,934	76%
Jeeps and LCV	3,431	2,954	16%	14,050	-10%
Tractors	5,361	4,377	22%	17,386	14%
INDU	6,897	6,292	10%	25,543	49%
PSMC	10,247	11,188	-8%	48,678	107%
HCAR	2,658	3,635	-27%	11,830	22%
Hyundai	1,064	964	10%	3,361	330%
Al-Ghazi	1,858	2,120	-12%	6,686	35%
Millat	3,503	2,257	55%	10,700	5%

Source: PAMA, Foundation Research, October 2021



Source: Bloomberg, Foundation Research, November 2021

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Foundation Securities (Pvt) Ltd
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Pakistan Automobile

Growth for automobile decipating

Event

Automobile sales for the month of Oct'21 was upbeat due to (1) improving economic activity (2) tax reductions in budget FY22 that stimulated volumetric growth, with PC&LCVs increasing by 49% YoY. However, PC&LCVs experienced a sequential decline of 6% MoM, this was mainly because of new entrants capturing market share and production issues for volumetric leader PSMC. Player-wise, PSMC sales were up/down by 69/8% YoY/MoM, similarly sales for HCAR were up/down by 19/27% YoY/MoM. However, INDU sales remained upbeat, increasing by 26/10% YoY/MoM.

Impact

- **Shift in segment mix:** 800/1000/1300cc was able to grow by 76/31/34% YoY in Oct'21. The main driver for this growth was stimulus provided in budget FY22 for vehicles up to 1000cc. Market share for 1300/1000cc declined to 49/15% (↓3.8/1.6 ppt YoY) which was attained by 800cc increasing by 5.1ppt YoY to 29%. Meanwhile market share for jeeps remained stagnant at 7%. On sequential basis 1300/1000cc decreased their sales by 2/44% MoM, meanwhile 800cc/Jeeps showed increase of 10/2% MoM.

- Meanwhile sales for tractors increased by 20/22% YoY/MoM, with player-wise contribution from AlGhazi/Millat increasing their sales by 26/16% YoY (↓/↑ 12/55% MoM). The increase in tractor sales is accredited to better agro-economics, farmer's better wealth liquidity, and Agri financing.

- **PSMC driving on high roads:** PSMC volumetric sales clocked in at 10,247 units for the month of Oct'21, which depicted an increase/decrease of 69/8% YoY/MoM in Oct'21. This growth is accredited to strengthening of economic cycle and sales tax reduction in Budget FY22. This growth was attributed to Alto/Cultus/Wagon-R/Bolan/Ravi which increased by 76/64/8/76/58/398% YoY at 5,092/1,340/1,291/1,071/1,430 units sales for Oct'21. However, on sequential basis, Sales for Alto/Cultus/Wagon-R ↑/↓/↓ by 12/56/23% MoM, this was mainly because of production issues prevailing for PSMC. Going forward, we expect the catalytic effect from budget FY22 to dilute and supply chain issues to tamper the growth for PSMC.

- **INDU king of the hill:** INDU has clocked in its sales at 6,897 units (↑26/10% YoY/MoM) in Oct'21, which is highest ever sales in a month for INDU. This translates into 25,543 units sold (↑49% YoY) in 4MFY21. This growth was attributed to Corolla/Fortuner which sold 3,341/872 units increasing by 2.54/3.65x YoY (↑43/43% MoM), additionally sales were supported by Yaris/Hilux sales clocking in at 2,037/647 units (↓33/26% YoY). INDU has improved 8ppt market share of PC&LCVs. INDU is expected to remain the market leader because of (1) brand image, (2) dealership network, and (3) better inventory management however the novelty factor for Yaris seems to be dissipating.

- **HCAR consolidating on consumer perception:** HCAR was able to sell 2,658 units in Oct'21 (↑19% YoY) with sales for Civic/City increasing by 43% YoY. However, on sequential basis HCAR experienced a decline of 27% with sales for Civic/City declining by 21%. To highlight HCAR was able to sell 7 units of BRV in the month. HCAR has been facing pressure from BRV front from KIA's stonic and the underwhelming response for new variant of City

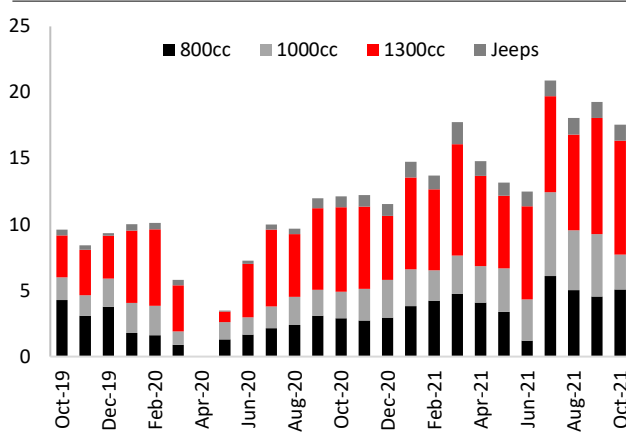
Outlook

- We have an outperform stance on the sector given improving economic outlook, and lower demand of imported vehicles due to change in auto financing regulations by SBP.

	Oct-21	Oct-20	YoY	Sep-21	MoM	4MFY22	4MFY21	YoY
Total	25,647	18,613	38%	25,999	-1%	105,374	66,901	58%
Total PCs+LCVs	21,002	14,082	49%	22,235	-6%	89,885	51,465	75%
INDU	6,897	5,481	26%	6,292	10%	25,543	17,196	49%
Corolla	3,341	1,314	154%	2,334	43%	9,937	4,928	102%
Yaris	2,037	3,058	-33%	2,515	-19%	9,277	9,067	2%
Fortuner	872	239	265%	611	43%	2,473	629	293%
Hilux	647	870	-26%	832	-22%	3,856	2,572	50%
PSMC	10,247	6,054	69%	11,188	-8%	48,678	23,539	107%
Swift	23	180	-87%	87	-74%	489	810	-40%
Cultus	1,340	816	64%	3,056	-56%	11,454	4,079	181%
Wagon R	1,291	1,198	8%	1,678	-23%	6,779	3,658	85%
Alto	5,092	2,893	76%	4,540	12%	20,773	10,544	97%
Bolan	1,071	680	58%	894	20%	4,012	2,438	65%
Ravi	1,430	287	398%	933	53%	5,171	2,010	157%
HCAR	2,658	2,230	19%	3,635	-27%	11,830	9,665	22%
City&Civic	2,651	1,858	43%	3,367	-21%	10,444	8,341	25%
BR-V	7	372	-98%	268	-97%	1,386	1,324	5%
Hyundai	1,064	289	268%	964	10%	3,361	781	330%
Elantra	312	-	n/a	309	1%	1,036	-	n/a
Tuscon	350	211	66%	325	8%	1,042	448	133%
Sonata	255	-	n/a	191	34%	745	-	n/a
Porter	147	78	88%	139	6%	538	333	62%
Pick ups	136	28	386%	156	-13%	473	284	67%
JAC	112	6	1767%	91	23%	318	166	92%
DMAX	24	22	9%	65	-63%	155	118	31%
Tractors	5,361	4,482	20%	4,377	22%	17,386	15,211	14%
Al-Ghazi	1,858	1,475	26%	2,120	-12%	6,686	4,950	35%
Millat	3,503	3,007	16%	2,257	55%	10,700	10,232	5%
Trucks	441	321	37%	466	-5%	1,780	1,104	61%
Hino	72	66	9%	81	-11%	305	181	69%
JAC	13	6	117%	22	-41%	75	60	25%
Isuzu	222	177	25%	202	10%	940	568	65%
Master	134	72	86%	161	-17%	460	295	56%
Buses	43	45	-4%	41	5%	157	186	-16%
Hino	13	14	-7%	19	-32%	51	72	-29%
Isuzu	3	13	-77%	3	0%	30	27	11%
Master	27	18	50%	19	42%	76	87	-13%

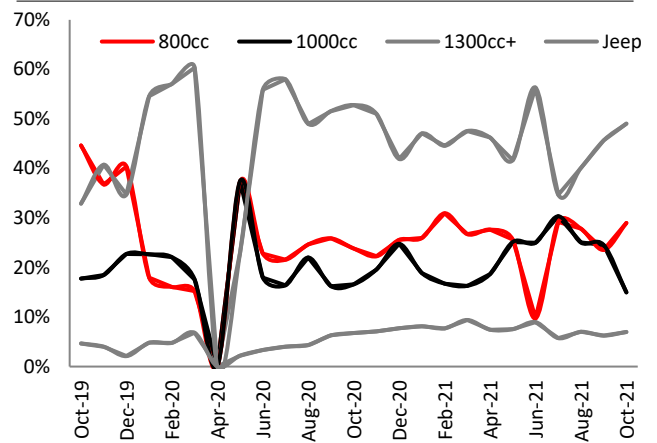
Source: PAMA, Foundation Research, November 2021

Fig 1: Total Automobile sales remain upbeat



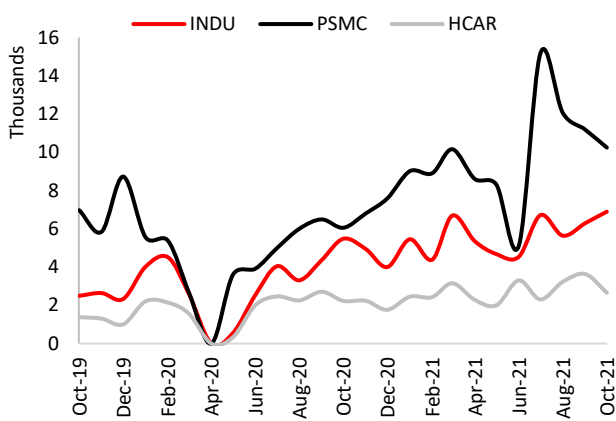
Source: PAMA, Foundation Research, Nov 2021

Fig 2: Market share of 1300cc increased



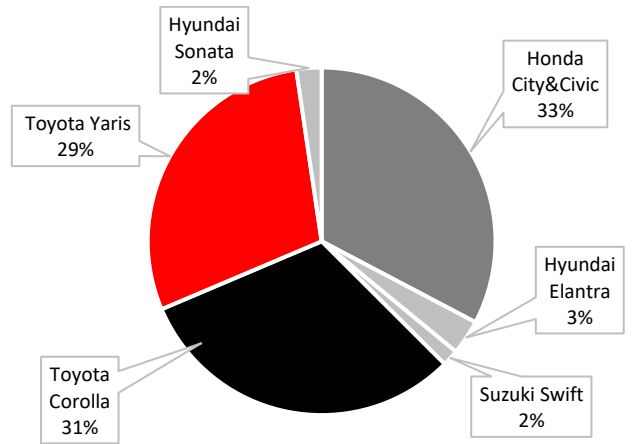
Source: PAMA, Foundation Research, Nov 2021

Fig 3: INDU sales up despite PC decline sequentially



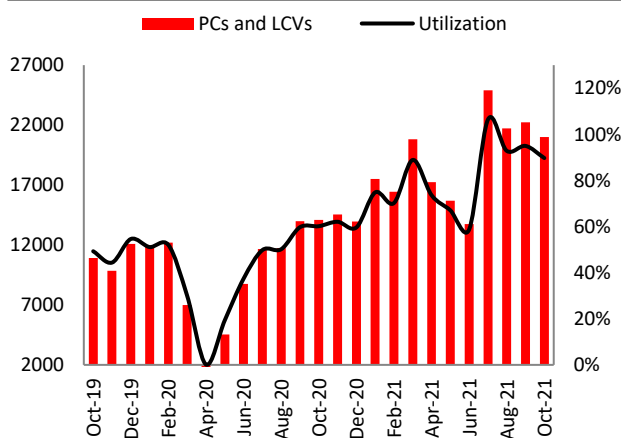
Source: PAMA, Foundation Research, Nov 2021

Fig 4: HCAR share mix in 1300cc diluting



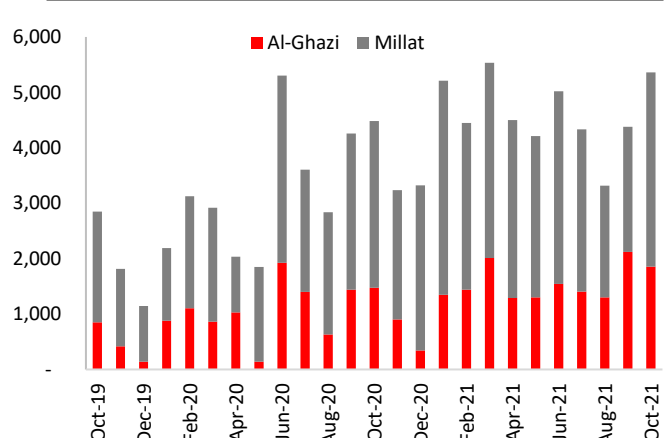
Source: PAMA, Foundation Research, Nov 2021

Fig 5: Utilization remains on higher side



Source: PAMA, Foundation Research, Nov 2021

Fig 6: Tractor sales increased by 20/22% YoY/MoM



Source: PAMA, Foundation Research, Nov 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.