

PAKISTAN

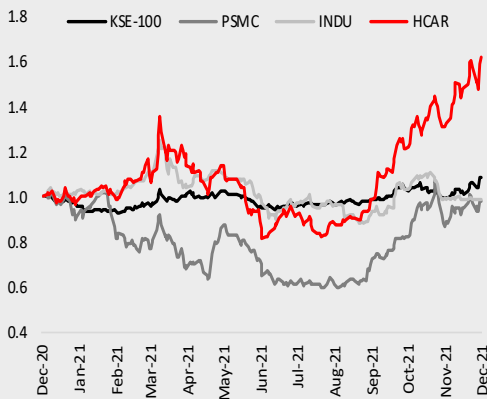


Automobile Sales Nov'21

	Nov-21	Oct-21	YoY	5MFY22	YoY
PC	14,162	16,342	25%	85,096	61%
Jeeps and LCV	4,548	4,660	44%	23,499	78%
Tractors	4,617	5,361	43%	22,003	19%
INDU	6,315	6,897	28%	31,858	44%
PSMC	8,522	10,247	25%	57,200	89%
HCAR	3,010	2,658	35%	14,840	25%
Hyundai	748	1,064	58%	4,109	228%
Al-Ghazi	1,363	1,858	51%	8,049	38%
Millat	3,254	3,503	40%	13,954	11%

Source: PAMA, Foundation Research, December 2021

FSL auto universe vs KSE-100



Source: Bloomberg, Foundation Research, December 2021

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Foundation Securities (Pvt) Ltd
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Pakistan Automobile

Growth for automobile dissipating

Event

- Automobile sales for the month of Nov'21 remained upbeat due to (1) improving economic activity (2) dissipating supply chain issues, with PC&LCVs increasing by 29% YoY. However, PC&LCVs experienced a sequential decline of 11% MoM, this was mainly because of new entrants capturing market share and production issues for volumetric leader PSMC. Player-wise, PSMC/HCAR/INDU sales increased by 25/35/28% YoY, however on sequential basis, only HCAR sales increased by 13% compared to INDU/PSMC sales declining by 8/17%.

Impact

- Shift in segment mix:** 1000/1300cc segment sales grew by 52/30% YoY in Nov'21, meanwhile sales for 800cc segment dropped by 11% YoY. The main driver of growth for 1000cc was dissipating supply chain issues as problem shifts towards the 800cc segment. Market share (on 5MFY22 basis) for 1300cc declined to 44% (↓8ppt YoY) which was attained by 800/1000cc increasing by 2/6ppt YoY to 25/24%. Meanwhile market share for jeeps remained stagnant at 6%. On sequential basis 1300/800cc sales decreased by 6/52% MoM, meanwhile 1000cc showed increase of 38% MoM.

- Furthermore, sales for tractors increased by 43% YoY (↓14% MoM), with player-wise increase in sales of AlGhazi/Millat by 51/40% YoY (↓27/7% MoM) in Nov'21. The increase in tractor sales was accredited to better agro-economics given higher commodity prices.

- PSMC's periodic shift:** PSMC volumetric sales clocked in at 8,522 units, which depicted an increase/decrease of 25/17% YoY/MoM in Nov'21. This growth was accredited to strengthening of economic cycle and boost from sales tax reduction in Budget FY22. The growth was driven from Cultus/WagonR/Bolan/Ravi which increased by 9/126/117/24% YoY at 1,651/1,989/1,189/1,267 units sales for Nov'21. To highlight Alto sales declined by 11% YoY, as supply constrains shifted towards Alto. This accumulates sales of PSMC at 107,296 units (↑2.1x YoY) in 11MCY21. Going forward, the recent price increase by PSMC (highest amongst peers) to cover for higher freight and rupee depreciation cost, would dissipate growth.

- INDU king of the hill:** INDU sold 6,315 units (↑/↓28/8% YoY/MoM) in Nov'21. This translated into 31,858 units sold (↑44% YoY) in 5MFY21. This growth was attributed to sales of Corolla/Fortuner/Hilux which clocked in at 2,786/724/830 units, up by 63/107/51% YoY. However Yaris sales declined by 16/3% YoY/MoM. 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 3,010 units in Nov'21 (↑35/13% YoY) with sales for Civic&City increasing by 33/5% YoY/MoM. BR-V was able to revive its sales to 239 units (↑60% YoY) compared to 7 units sold last month. HCAR is heads on to face competition from KIA Stonic and Changan Alsvin, which would hurt growth for HCAR going forward.

Outlook

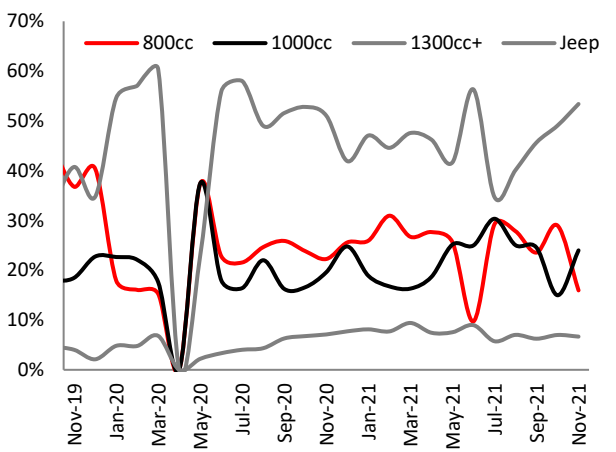
- The sector is expected to come under pressure as interest rise hikes and the recent price increase would dissipate growth for the players, however we believe the market has overplayed the following factor, and we maintain an outperform stance on the sector.

Table 01: Automobile Sales for the month of Nov'21

	Nov-21	Nov-20	YoY	Oct-21	MoM	5MFY22	5MFY21	YoY
Total	22,996	17,531	31%	25,647	-10%	128,370	84,432	52%
Total PCs+LCVs	18,710	14,533	29%	21,002	-11%	108,595	65,998	65%
INDU	6,315	4,942	28%	6,897	-8%	31,858	22,138	44%
Corolla	2,786	1,704	63%	3,341	-17%	12,723	6,632	92%
Yaris	1,975	2,338	-16%	2,037	-3%	11,252	11,405	-1%
Fortuner	724	349	107%	872	-17%	3,197	978	227%
Hilux	830	551	51%	647	28%	4,686	3,123	50%
PSMC	8,522	6,803	25%	10,247	-17%	57,200	30,342	89%
Swift	6	114	-95%	23	-74%	495	924	-46%
Cultus	1,651	1,517	9%	1,340	23%	13,105	5,596	134%
Wagon R	1,989	881	126%	1,291	54%	8,768	4,539	93%
Alto	2,420	2,723	-11%	5,092	-52%	23,193	13,267	75%
Bolan	1,189	549	117%	1,071	11%	5,201	2,987	74%
Ravi	1,267	1,019	24%	1,430	-11%	6,438	3,029	113%
HCAR	3,010	2,237	35%	2,658	13%	14,840	11,902	25%
City&Civic	2,771	2,088	33%	2,651	5%	13,215	10,429	27%
BR-V	239	149	60%	7	3314%	1,625	1,473	10%
Hyundai	748	472	58%	1,064	-30%	4,109	1,253	228%
Elantra	244	-	n/a	312	-22%	1,280	-	n/a
Tuscon	49	371	-87%	350	-86%	1,091	819	33%
Sonata	320	-	n/a	255	25%	1,065	-	n/a
Porter	135	101	34%	147	-8%	673	434	55%
Pick ups	115	79	46%	136	-15%	588	363	62%
JAC	75	76	-1%	112	-33%	393	242	62%
DMAX	40	3	1233%	24	67%	195	121	61%
Tractors	4,617	3,234	43%	5,361	-14%	22,003	18,445	19%
Al-Ghazi	1,363	903	51%	1,858	-27%	8,049	5,853	38%
Millat	3,254	2,331	40%	3,503	-7%	13,954	12,563	11%
Trucks	492	255	93%	441	12%	2,272	1,359	67%
Hino	57	75	-24%	72	-21%	362	256	41%
JAC	16	12	33%	13	23%	91	72	26%
Isuzu	254	110	131%	222	14%	1,194	678	76%
Master	165	58	184%	134	23%	625	353	77%
Buses	40	60	-33%	43	-7%	197	246	-20%
Hino	15	15	0%	13	15%	66	87	-24%
Isuzu	1	28	-96%	3	-67%	31	55	-44%
Master	24	17	41%	27	-11%	100	104	-4%

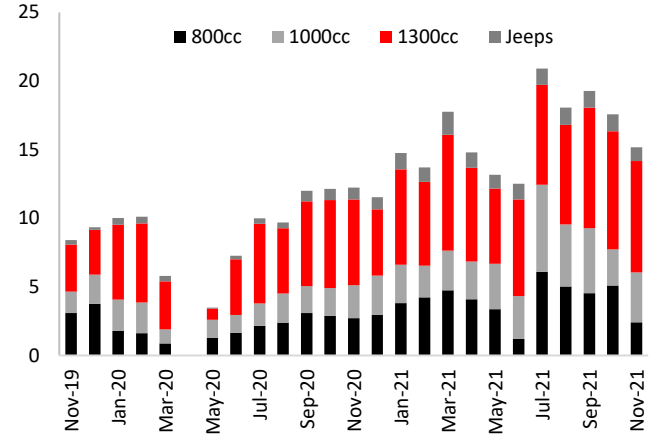
Source: PAMA, Foundation Research, December 2021

Fig 1: Total Automobile sales remain upbeat



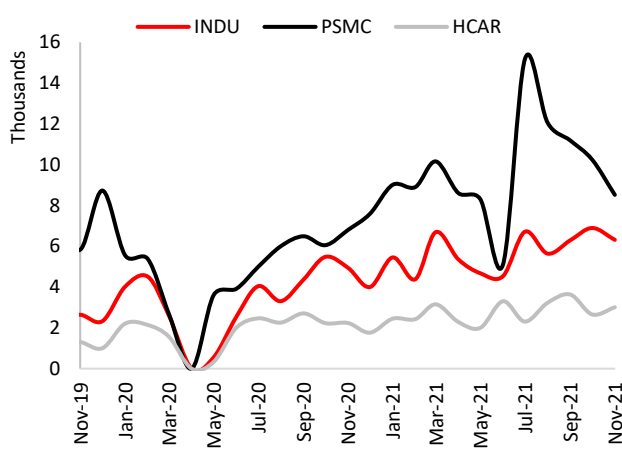
Source: PAMA, Foundation Research, Dec 2021

Fig 2: Market share of 1000cc increased



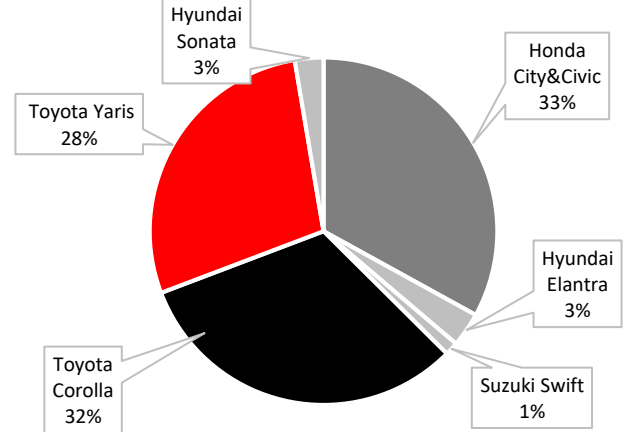
Source: PAMA, Foundation Research, Dec 2021

Fig 3: HCAR posts sequential uptick



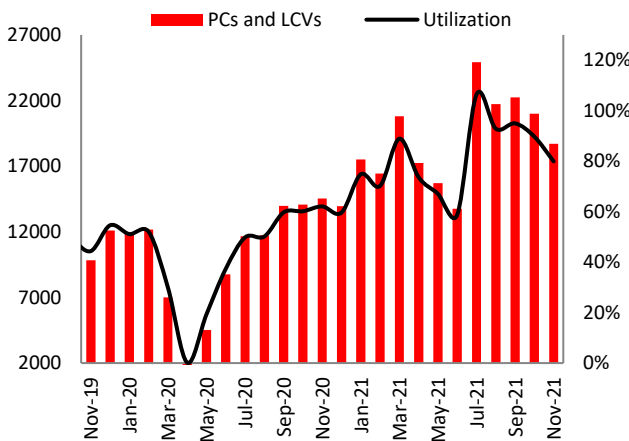
Source: PAMA, Foundation Research, Dec 2021

Fig 4: HCAR acquiring share mix for 1300cc



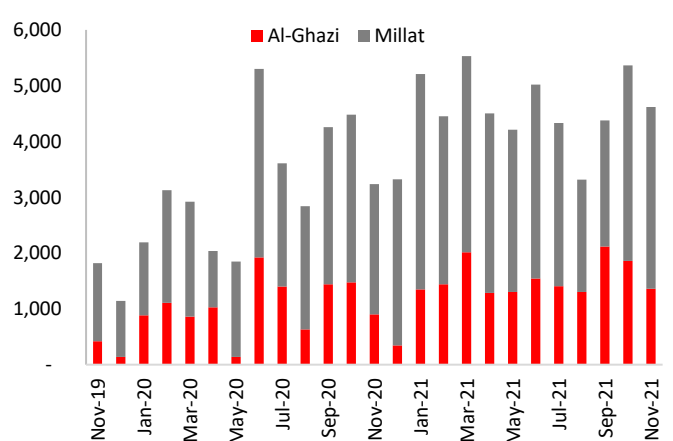
Source: PAMA, Foundation Research, Dec 2021

Fig 5: Utilization trends downward



Source: PAMA, Foundation Research, Dec 2021

Fig 6: Tractor sales increased by 43/14% YoY/MoM



Source: PAMA, Foundation Research, Dec 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.