

PAKISTAN

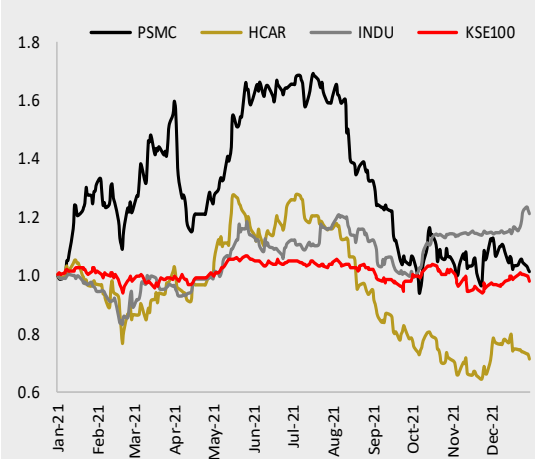


Automobile Sales Jan'22

	Jan-22	Jan-21	YoY	7MFY22	YoY
PC	16,029	13,557	18%	124,562	62%
Jeeeps and LCV	4,759	4,474	6%	28,219	114%
INDU	6,797	6,214	25%	44,869	42%
PSMC	9,037	15,503	0%	81,740	74%
HCAR	4,064	4,708	66%	23,612	47%
Hyundai	612	762	19%	5,489	141%
Tractors	4,966	5,209	-5%	31,445	17%
Al-Ghazi	1,950	1,176	45%	11,175	48%
Millat	3,016	3,300	-22%	20,270	4%
Trucks	690	290	138%	3,261	68%
Buses	88	73	21%	321	-13%

Source: PAMA, Foundation Research, February 2022

Automobile assemblers vs KSE100



source: Bloomberg, Foundation research, February 2022

Analyst

Haris Siddiqui haris@fs.com.pk
+92 213 5612290 Ext 312

Foundation Securities (Pvt) Ltd
Monday, February 14, 2022

Pakistan Automobile

Downshift from the top as prices elevate

Event

Automobile sales for the month of Jan'22 remained upbeat due to (1) improving economic activity inducing high demand and (2) improving supply chain, with PC&LCVs increasing by 14% YoY. However, PC&LCVs experienced a sequential decline of 18% MoM. To highlight automobile registered highest ever sales last month in anticipation of tax withdrawn and price increase in Jan'22. This cumulated into 156,764 units sold in 7MFY22, ↑61% YoY. Player-wise, HCAR/INDU increased by 66/25% YoY (↓/↑ 14/9% MoM), whereas sales growth for PSMC remained muted on YoY basis (↓42% MoM). This translates into cumulative growth of 47/42/74% YoY for HCAR/INDU/PSMC for 7MFY22.

Impact

▪ **Shift in segment mix:** The automobile sales, segment-wise was supported by 1300cc increasing by 36% YoY in Jan'22, meanwhile sales growth was restricted by 800/1000cc increasing/decreasing by 1/3% YoY. The main driver for growth for 1300cc was dissipating supply chain issues and better corporate earnings. However market share for 1300cc remained depressed by declining 5ppt on cumulative basis, whereas 1000/800cc improved by 3/3ppt YoY. On sequential basis sales declined across the board, with 1300/1000/800cc declining by 5/37/58% MoM.

▪ **PSMC's periodic downshift:** PSMC volumetric sales clocked in at 9,037 units, depicting a muted growth on YoY basis, meanwhile sequentially sales declined by 42% MoM. To highlight PSMC sold highest ever units last month. Sales for Alto increased by mere 1% YoY (↓58% MoM). Whereas sales for Cultus/Bolan decreased by 20/3% YoY. To note zero units of swift were sold in Jan'22 as compared to 364 units SPLY. However increase of sales of WagonR/Ravi provided buffer increasing sales by 17/44% YoY. The price increase due to rupee depreciation and tax-cut withdrawals would keep sales growth depressed. However PSMC is expected to introduce new variants of Swift and Bolan in near term that would provide excitement in demand.

▪ **INDU only player to post sequential growth:** INDU sales increased by 25% to 6,797 units in Jan'22, also depicting sequential growth of 9%. This cumulated sales for INDU in 7MFY22 at 44,869 units (increasing by 42% YoY). The sales increase was attributed to Corolla+Yaris increasing by 22% YoY (↑7% MoM) to 5,528 units in Jan'22. Similarly Fortuner+Hilux sales increased by 36% YoY (↑19% MoM) to 1,269 units. INDU keeps on consolidating on brand equity and well-positioning of its portfolio keeps its immune to the macro-cycle. We expect INDU to keep posting robust growth and operate at full utilization this year.

▪ **HCAR consolidating on consumer perception:** HCAR was able to sell 4,064 units in Jan'22 (↑/↓ 66/14% YoY/MoM) with sales for Civic+City increasing/decreasing by 77/17% YoY/MoM. BR-V was able to revive its sales to 418 units (↑8/38% YoY/MoM). This cumulates 34,358 units in 10MMY22 showing growth of 72% YoY. The new variant of city uplifted the demand for the brand. Now the new variant of civic is expected to be delivered in Jul'22 that may replicate the demand of City's new variant.

Outlook

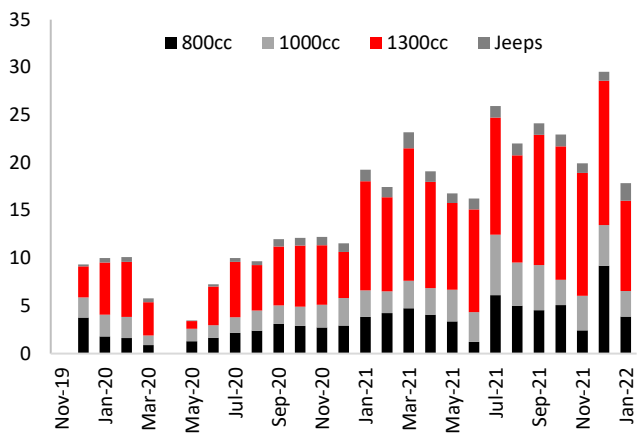
▪ We have an outperform stance on the sector as the increasing demand from (1) growing economic outlook, and (2) curbing CBUs would keep the volume upbeat. However price hike and increase in FED would hamper this growth. We expect total volumetric sales (PC&LCVs) to hover around 250k units by end of FY22.

Table 01: Automobile Sales for the month of Jan'22

	Jan-22	Jan-21	YoY	Dec-21	MoM	7MFY22	7MFY21	YoY
Total	26,266	23,002	14%	32,008	-18%	185,248	123,940	49%
Total PCs+LCVs	20,788	17,515	19%	27,341	-24%	156,764	97,470	61%
INDU	6,797	5,452	25%	6,214	9%	44,869	31,591	42%
Corolla+Yaris	5,528	4,517	22%	5,151	7%	34,654	25,789	34%
Fortuner+Hilux	1,269	935	36%	1,063	19%	10,215	5,802	76%
HCAR	4,064	2,450	66%	4,708	-14%	23,612	16,116	47%
City&Civic	3,646	2,063	77%	4,405	-17%	21,266	14,021	52%
BR-V	418	387	8%	303	38%	2,346	2,095	12%
PSMC	9,037	9,013	0%	15,503	-42%	81,740	46,949	74%
Swift	-	364	-100%	2	-100%	497	1,362	-64%
Cultus	1,172	1,470	-20%	1,411	-17%	15,688	8,987	75%
Wagon R	1,537	1,316	17%	2,861	-46%	13,166	6,794	94%
Alto	3,864	3,827	1%	9,195	-58%	36,252	20,048	81%
Bolan	956	986	-3%	1,040	-8%	7,197	4,568	58%
Ravi	1,508	1,050	44%	994	52%	8,940	5,190	72%
Hyundai	612	515	19%	762	-20%	5,489	2,279	141%
Elantra	109	-	n/a	228	-52%	1,617	-	n/a
Tuscon	135	393	-66%	230	-41%	1,456	1,600	-9%
Sonata	172	-	n/a	169	2%	1,412	-	n/a
Porter	196	122	61%	135	45%	1,004	679	48%
Sazgar-BIAC	12	-	n/a	10	20%	56	1	n/a
BAIC D20	1	-	n/a	9	-89%	10	-	n/a
BIAC X25	-	-	n/a	1	-100%	7	1	600%
BIAC BJ40L	11	-	n/a	-	n/a	39	-	n/a
Pick ups	266	85	213%	144	85%	998	534	87%
JAC	70	55	27%	86	-19%	549	363	51%
DMAX	196	30	553%	58	238%	449	171	163%
Tractors	4,966	5,209	-5%	4,476	11%	31,445	26,974	17%
Al-Ghazi	1,950	1,347	45%	1,176	66%	11,175	7,545	48%
Millat	3,016	3,862	-22%	3,300	-9%	20,270	19,400	4%
Trucks	690	290	138%	299	131%	3,261	1,940	68%
Hino	92	70	31%	55	67%	509	413	23%
JAC	62	34	82%	21	195%	174	127	37%
Isuzu	387	123	215%	160	142%	1,741	912	91%
Master	149	63	137%	63	137%	837	488	72%
Buses	88	73	21%	36	144%	321	370	-13%
Hino	14	13	8%	18	-22%	98	113	-13%
Isuzu	18	2	800%	4	350%	53	85	-38%
Master	56	58	-3%	14	300%	170	172	-1%

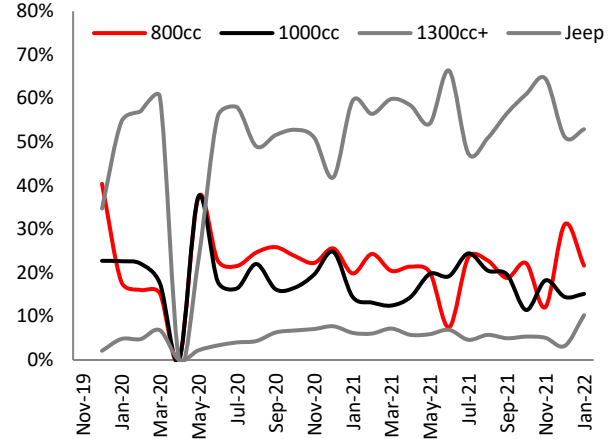
Source: PAMA, Foundation Research, February 2022

Fig 1: robust demand of automobile sales (↓14%YoY)



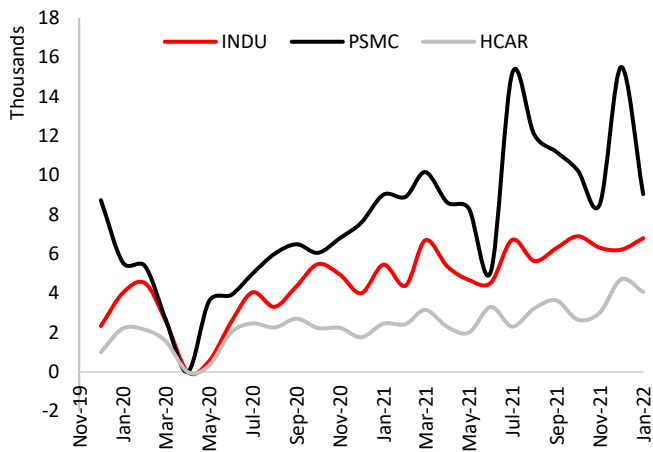
Source: PAMA, Foundation Research, Feb 2022

Fig 2: Market share of 1300cc decreased (↓5ppt YoY)



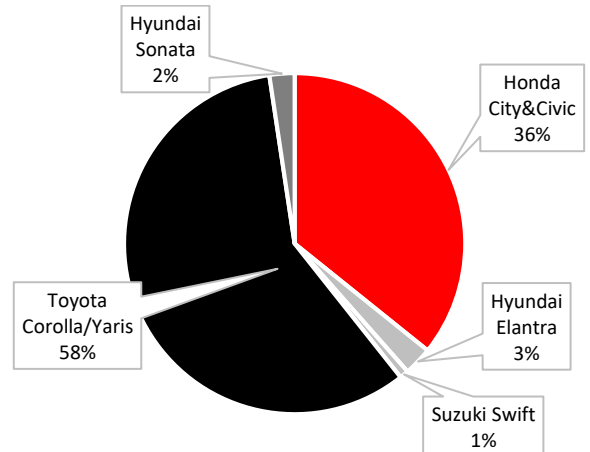
Source: PAMA, Foundation Research, Feb 2022

Fig 3: INDU posting sequential growth



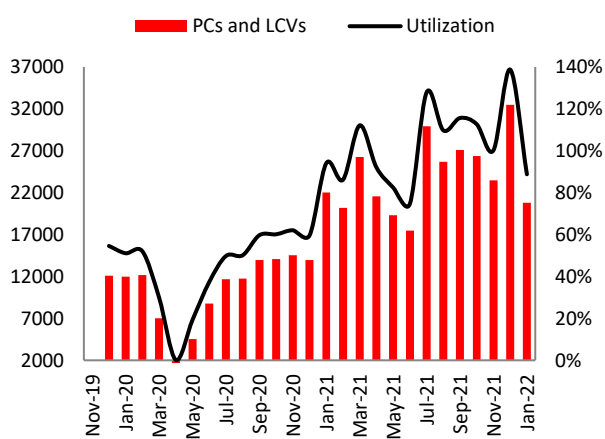
Source: PAMA, Foundation Research, Feb 2022

Fig 4: INDU taking lead in share mix for 1300cc



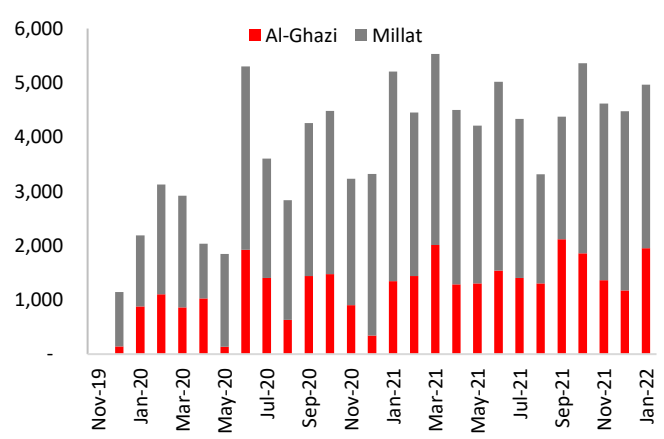
Source: PAMA, Foundation Research, Feb 2022

Fig 5: Utilization remains on higher side



Source: PAMA, Foundation Research, Feb 2022

Fig 6: Tractor sales ↓/↑ by 5/11% YoY/MoM



Source: PAMA, Foundation Research, Feb 2022

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

Important disclosures:

Disclaimer: This report has been prepared by FSL. The information and opinions contained herein have been compiled or arrived at based upon information obtained from sources believed to be reliable and in good faith. Such information has not been independently verified and no guaranty, representation or warranty, express or implied is made as to its accuracy, completeness or correctness. All such information and opinions are subject to change without notice. This document is for information purposes only. Descriptions of any company or companies or their securities mentioned herein are not intended to be complete and this document is not, and should not be construed as, an offer, or solicitation of an offer, to buy or sell any securities or other financial instruments. FSL may, to the extent permissible by applicable law or regulation, use the above material, conclusions, research or analysis before such material is disseminated to its customers. Not all customers will receive the material at the same time. FSL, their respective directors, officers, representatives, employees, related persons may have a long or short position in any of the securities or other financial instruments mentioned or issuers described herein at any time and may make a purchase and/or sale, or offer to make a purchase and/or sale of any such securities or other financial instruments from time to time in the open market or otherwise, either as principal or agent. FSL may make markets in securities or other financial instruments described in this publication, in securities of issuers described herein or in securities underlying or related to such securities. FSL may have recently underwritten the securities of an issuer mentioned herein. This document may not be reproduced, distributed or published for any purposes.

Research Dissemination Policy: Foundation Securities (Pvt.) Ltd. endeavors to make all reasonable efforts to disseminate research to all eligible clients in a timely manner through either physical or electronic distribution such as mail, fax and/or email. Nevertheless, not all clients may receive the material at the same time.

Target price risk disclosures: Any inability to compete successfully in their markets may harm the business. This could be a result of many factors which may include geographic mix and introduction of improved products or service offerings by competitors. The results of operations may be materially affected by global economic conditions generally, including conditions in financial markets. The company is exposed to market risks, such as changes in interest rates, foreign exchange rates and input prices. From time to time, the company will enter into transactions, including transactions in derivative instruments, to manage certain of these exposures.

Analyst certification: The views expressed in this research accurately reflect the personal views of the analyst(s) about the subject securities or issuers and no part of the compensation of the analyst(s) was, is, or will be directly or indirectly related to the inclusion of specific recommendations or views in this research. The analyst principally responsible for the preparation of this research receives compensation based on overall revenues of Foundation Securities and has taken reasonable care to achieve and maintain independence and objectivity in making any recommendations.

Recommendations definitions

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