

Foundation Alert

Automobile assemblers increased prices to pass on incremental costs

Event

- Automobile players (PSMC/HCAR/INDU) increased their prices to pass the incremental costs arising from higher freight charges and depreciating rupee against greenback.

Impact

- Automobile assemblers have annual/semiannual contracts with freight forwarders that allows them to lock in freight charges and secures space on boards for better supply chain management.
- Contracts for automobile players have expired that has led to pass on the incremental cost of freight charges to the consumers. PSMC/HCAR/INDU has increased its price by 10/15/12% since last price increase in January.
- Furthermore, PKR/USD has crossed 183 mark, as compared to 176.5 at Jan'22 (↑4% YTD). Further concerns prevail as import bill piles up and SBP reserves deplete.
- To highlight, margins for all players declined in 2QFY22 due to high rupee-dollar, despite price hike in latter half of the quarter.
- Suzuki Alto (top variant) is now priced at Rs1.75mn. Similarly after the recent price hike WagonR/Cultus are priced at Rs2.32mn and Rs2.69mn respectively.
- Despite being on higher side, HCAR has further increased its prices that has now priced Civic/City at Rs6.5mn and Rs3.75mn respectively.
- Prices for Toyota Yaris/Corolla are now priced at Rs3.5mn and Rs4.69mn respectively. Similarly Hilux/Fortuner are priced at Rs9.32mn and 12.01mn.
- Similarly other players such as KIA/Hyundai also increased their prices by Rs250/300k to cover up the incremental cost factor.
- Despite such high prices, delivery time for most of the vehicles is over 6-7 months, which in essence triggers the 'own-money' in the informal marketplace eroding the demand for the overall sector.
- Monitoring committee by MoIP, established in AIDEP 2021-26, has sought explanation over increase in price from the OEM manufactures.

Outlook

- The increase in prices to pass on the cost would suppress growth for automobile demand. However margins are expected to remain under pressure as economic and political situation would drag rupee-dollar parity downwards. We expect further price hikes by Dec'22.

Table 1: Price revision by PSMC

	old prices	new prices	difference	% change
Alto VX	1,306,000	1,425,000	119,000	9%
Alto VXR	1,546,000	1,675,000	129,000	8%
Alto VXL	1,747,000	1,886,000	139,000	8%
Bolan van	1,178,000	1,283,000	105,000	9%
Bolan Cargo	1,165,000	1,270,000	105,000	9%
Wagon R VXR	1,877,000	2,019,000	142,000	8%
Wagon R VXL	1,975,000	2,129,000	154,000	8%
Wagon R AGS	2,158,000	2,319,000	161,000	7%
Cultus VXR	2,030,000	2,250,000	220,000	11%
Cultus VXL	2,244,000	2,474,000	230,000	10%
Cultus AGS	2,422,000	2,662,000	240,000	10%
Swift GL	2,499,000	2,694,000	195,000	8%
Swift GL CVT	2,699,000	2,908,000	209,000	8%
Swift CLX (CVT)	2,899,000	3,169,000	270,000	9%
Ravi	1,117,000	1,216,000	99,000	9%

Source: Company website, Foundation securities, Apr'22

Table 2: Price revision by HCAR

	old prices	new prices	difference	% change
1.2 City MT	2,729,000	3,129,000	400,000	15%
1.2 City CVT	2,949,000	3,249,000	300,000	10%
1.5 City CVT	3,146,000	3,446,000	300,000	10%
1.5 City Asp MT	3,279,000	3,579,000	300,000	9%
1.5 City Asp CVT	3,454,000	3,749,000	295,000	9%
Civic 1.5 Turbo CVT	5,099,000	5,399,000	300,000	6%
Civic Oriel 1.5 Turbo CVT	5,399,000	5,649,000	250,000	5%
Civic RS 1.5 Turbo CVT	6,149,000	6,499,000	350,000	6%
BR-V CVT S	3,689,000	4,079,000	390,000	11%

Source: Company website, Foundation securities, Apr'22

Table 3: Price revision by INDU

	old prices	new prices	difference	% change
Yaris GLI MT 1.3	2,612,000	2,899,000	287,000	11%
Yaris ATIV CVT 1.3	2,919,000	3,229,000	310,000	11%
Yaris ATIV CVT MT 1.5	2,970,000	3,289,000	319,000	11%
Yaris ATIV CVT CVT 1.5	3,175,000	3,499,000	324,000	10%
Corolla X 1.6 MT	3,380,000	3,749,000	369,000	11%
Corolla X 1.6 AT	3,534,000	3,929,000	395,000	11%
Corolla X 1.8 CVT	3,872,000	4,299,000	427,000	11%
Corolla X 1.8 CVT (black interior)	4,199,000	4,689,000	490,000	12%
Hilux 4x4	5,469,000	6,109,000	640,000	12%
Hilux Revo G MT	6,947,000	7,659,000	712,000	10%
Hilux Revo V AT	8,032,000	8,839,000	807,000	10%
Hilux Revo V AT Rocco	8,472,000	9,319,000	847,000	10%
Fortuner 2.7 G	8,569,000	9,499,000	930,000	11%
Fortuner 2.7 Sigma 4	10,392,000	11,489,000	1,097,000	11%
Fortuner legender diesel	10,842,000	12,099,000	1,257,000	12%

Source: Company website, Foundation securities, Apr'22

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