Foundation Research |

Equities

Foundation Securities
A Fauji Foundation Group Company

REP-095

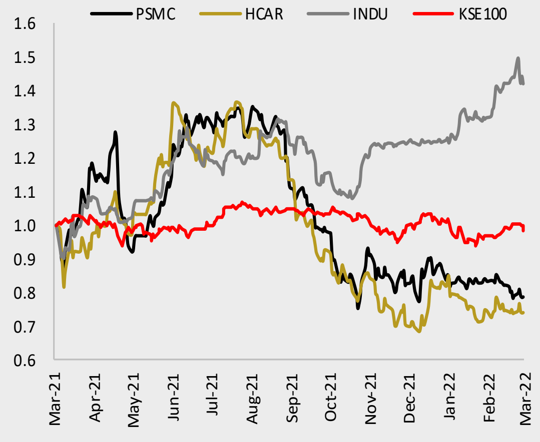
PAKISTAN

Automobile Sales Mar'22

	Mar-22	Mar-21	YoY	9MFY22	YoY
PC	**21,504**	**16,088**	**34%**	**163,050**	**54%**
Jeeps and LCV	**5,627**	**5,469**	**3%**	**47,658**	**39%**
INDU	7,068	6,695	6%	56,567	33%
PSMC	15,011	10,161	48%	109,419	66%
HCAR	3,651	3,153	16%	30,010	38%
Hyundai	1,306	723	81%	8,264	126%
Tractors	**5,651**	**5,531**	**2%**	**39,149**	**6%**
Al-Ghazi	2,560	2,012	27%	15,788	44%
Millat	3,091	3,519	-12%	23,361	-10%
Trucks	500	508	-2%	4,493	66%
Buses	65	67	-3%	458	-11%

Source: PAMA, Foundation Research, April 2022

FSL auto companies vs KSE-100



Source: Bloomberg, Foundation Research, March 2022

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Pakistan Automobile

Automobile sales rose as prices to rise

Event

- Automobile (PC&LCVs) sales registered growth of 30% YoY (↑25% MoM) as supply chain facilitation and anticipation of price increase maneuvers in the month of March’22. Automobile sales clocked in at 205,381 units (↑52% YoY) in 9MFY22. Player-wise, PSMC/HCAR/INDU sales increased by 48/16/6% YoY. Similarly on sequential basis, PSMC/HCAR/INDU was able to increase their sales by 18/33/53%. This translated into cumulative growth of 66/38/33% YoY for PSMC/HCAR/INDU in 9MFY22.

Impact

- **800cc segment to dominate:** The automobile segment-wise sales growth was mainly due to increase in 800cc which increased by 2.07x YoY in Mar’22, which was further supported by 1300cc increasing by 10% YoY. However sales for 1000cc dropped by 17% YoY. Mainly the increase in 800cc was due to better inventory management and high influx demand given high prices during the month. The increasing disparity between income level and increase in prices which caused market share for 1000/800cc to improve by 1/5ppt YoY (on cumulative basis) to 19/29%, whereas 1300cc/jeeps market share dropped by 5/1ppt YoY.

- **PSMC on periodic high gear:** PSMC volumetric sales clocked in at 15,011 units, depicting a 48% growth on YoY basis, similarly sequentially sales increased by 18% MoM. Sales for Alto increased by 107% YoY (↑37% MoM). Similarly sales for WagonR/Bolan/Ravi increased by 67/27/30% YoY. To no swift were sold in Jan’22 as compared to 355 units SPLY, as new variant of swift is expected to be delivered in Apr/May’22. This cumulated sales to 36,706 units for PSMC in 3MCY22, increasing by 31% YoY. The increasing parity between income level and increasing car prices has caused a shift in favor of PSMC, however increasing parity of rupee against dollar would cause growth to dissipate given high elasticity of the segment.

- **INDU highest ever sales:** INDU reported highest ever volumetric sales in the month of Mar’22, clocking its sales at 7,068 units (↑6/53% YoY/MoM). The increase in sales was mainly due to better inventory management and in anticipation of increasing car prices. This cumulated sales for INDU in 9MFY22 at 56,567 units (increasing by 33% YoY). The sales increase was attributed to Fortuner+Hilux increasing by 34% YoY (↑70% MoM) to 1,673 units in Mar’22. Whereas Corolla+Yaris sales marginally declined by 1% YoY (↑48% MoM) to 5,395 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 novelty factor for new variants:** HCAR was able to sell 3,651 units in Mar’22 (↑ 16/33% YoY/MoM) mainly due to sales of Civic+City increasing by 26/43% YoY/MoM. BR-V sales fell by 32/19% YoY/MoM, clocking in 373 units in Mar’22. This cumulated sales for HCAR at 37,603 units in MY22 showing growth of 57%. The new variant of civic has started its deliveries and is expected to exhibit novelty factor for a brief period.

Outlook

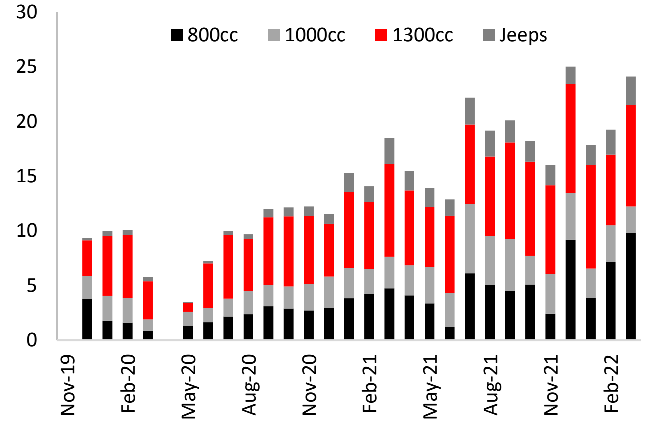
- We have an outperform stance on the sector as the increasing demand from (1) growing economic outlook, and (2) curbing CBUs would keep the volume upbeat. However price hike and increase in FED would hamper this growth. We expect total volumetric sales (PC&LCVs) to hover around 250k units by end of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

Table 1: Auto Sales - Mar'22

	Mar-22	Mar-21	YoY	Feb-22	MoM	9MFY22	9MFY21	YoY
Total	**33,252**	**26,838**	**24%**	**24,156**	**38%**	**240,096**	**170,550**	**41%**
Total PCs+LCVs	**27,131**	**20,813**	**30%**	**21,664**	**25%**	**205,381**	**134,718**	**52%**
INDU	**7,068**	**6,695**	**6%**	**4,630**	**53%**	**56,567**	**42,670**	**33%**
Corolla+Yaris	5,395	5,443	-1%	3,646	48%	43,695	34,975	25%
Fortuner+Hilux	1,673	1,252	34%	984	70%	12,872	7,695	67%
HCAR	**3,651**	**3,153**	**16%**	**2,747**	**33%**	**30,010**	**21,698**	**38%**
City&Civic	3,278	2,603	26%	2,286	43%	26,830	18,816	43%
BR-V	373	550	-32%	461	-19%	3,180	2,882	10%
PSMC	**15,011**	**10,161**	**48%**	**12,668**	**18%**	**109,419**	**66,013**	**66%**
Swift	-	355	-100%	-	n/a	497	1,896	-74%
Cultus	306	1,637	-81%	1,692	-82%	17,686	12,108	46%
Wagon R	2,104	1,259	67%	1,646	28%	16,916	8,867	91%
Alto	9,814	4,745	107%	7,175	37%	53,241	29,038	83%
Bolan	1,295	1,017	27%	1,070	21%	9,562	6,498	47%
Ravi	1,492	1,148	30%	1,085	38%	11,517	7,606	51%
Hyundai	**1,306**	**723**	**81%**	**1,469**	**-11%**	**8,264**	**3,653**	**126%**
Elantra	357	46	676%	312	14%	2,286	46	4870%
Tuscon	576	613	-6%	774	-26%	2,806	2,759	2%
Sonata	250	-	n/a	226	11%	1,888	-	n/a
Porter	123	64	92%	157	-22%	1,284	848	51%
Pick ups	**95**	**81**	**17%**	**107**	**-11%**	**1,022**	**684**	**49%**
JAC	79	61	30%	84	-6%	712	488	46%
DMAX	16	20	-20%	23	-30%	310	196	58%
Tractors	**5,651**	**5,531**	**2%**	**2,053**	**175%**	**39,149**	**36,955**	**6%**
Al-Ghazi	2,560	2,012	27%	2,053	25%	15,788	10,999	44%
Millat	3,091	3,519	-12%	-	n/a	23,361	25,927	-10%
Trucks	**500**	**508**	**-2%**	**501**	**0%**	**4,493**	**2,700**	**66%**
Hino	96	60	60%	84	14%	689	533	29%
JAC	25	19	32%	17	47%	216	182	19%
Isuzu	223	325	-31%	276	-19%	2,240	1,334	68%
Master	156	104	50%	124	26%	1,348	651	107%
Buses	**65**	**67**	**-3%**	**45**	**44%**	**458**	**514**	**-11%**
Hino	14	20	-30%	10	40%	122	157	-22%
Isuzu	12	-	n/a	-	n/a	65	92	-29%
Master	39	47	-17%	35	11%	271	265	2%

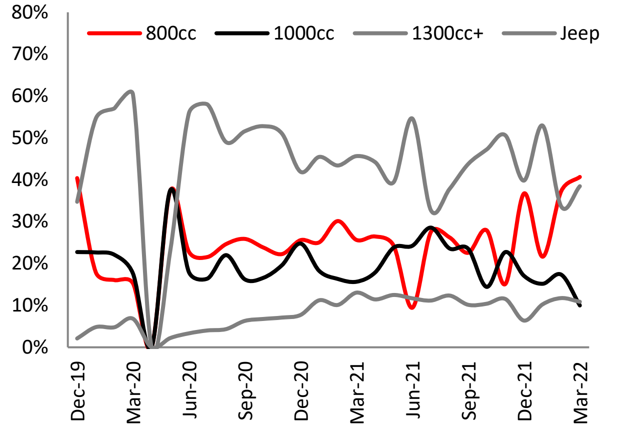
Source: PAMA, Foundation Research, April 2022

Fig 1: robust demand of automobile sales (↑30%YoY)



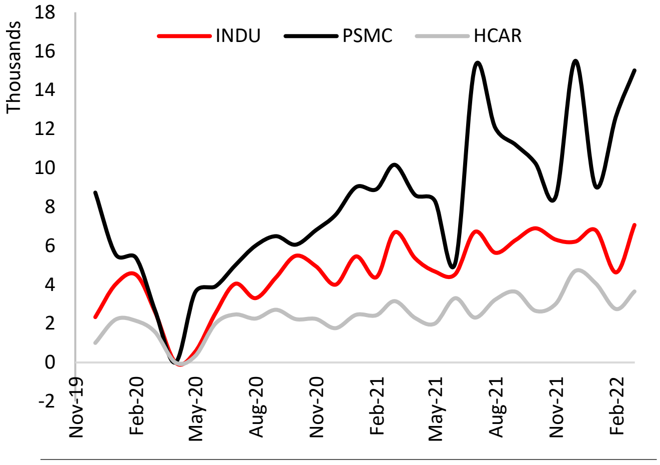
Source: PAMA, Foundation Research, April 2022

Fig 2: Market share of 800cc increased by 5ppt YoY)



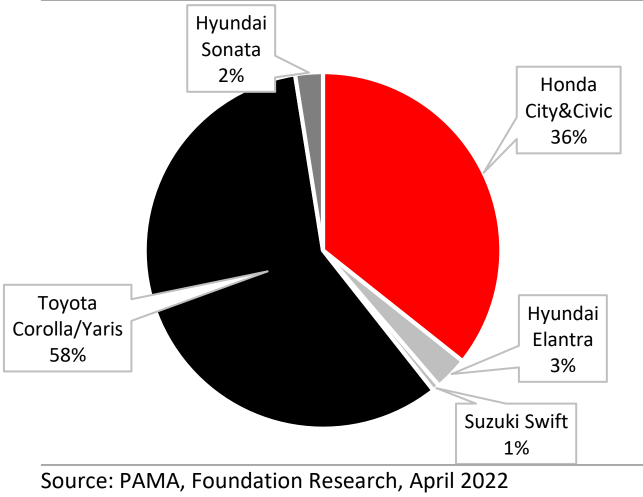
Source: PAMA, Foundation Research, April 2022

Fig 3: Sequential growth observed overall



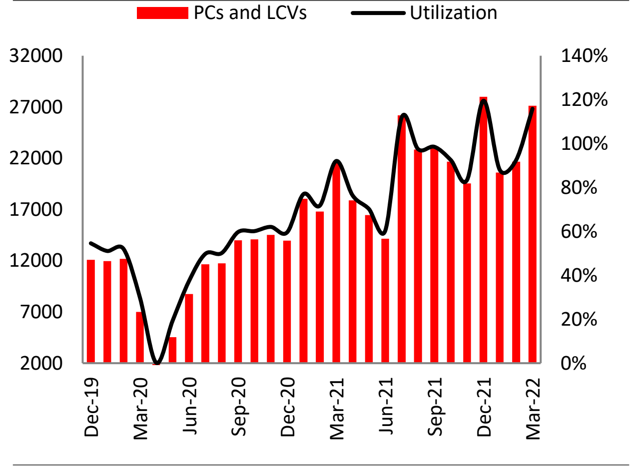
Source: PAMA, Foundation Research, April 2022

Fig 4: INDU leading market share mix for 1300cc



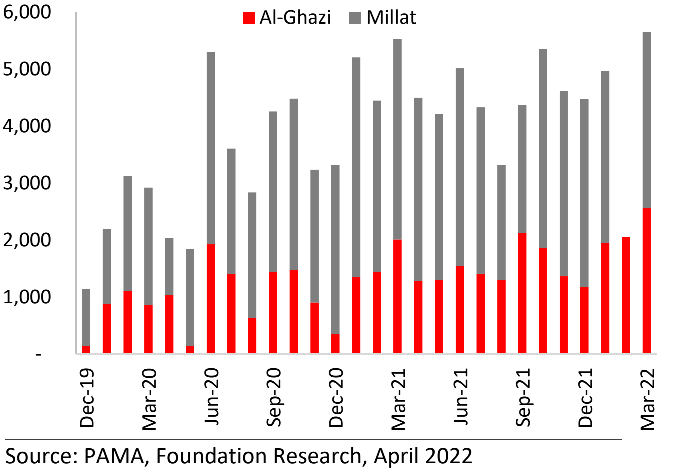
Source: PAMA, Foundation Research, April 2022

Fig 5: Utilization remains on higher side



Source: PAMA, Foundation Research, April 2022

Fig 6: Tractor sales increased by 17% YoY



Source: PAMA, Foundation Research, April 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

Recommendations definitions

If

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