

PAKISTAN

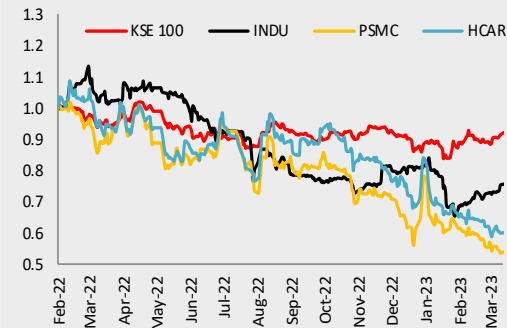


Automobile Sales Feb'23

	Feb-23	Feb-22	YoY	8MFY23	YoY
PC	10,025	19,719	-49%	221,819	55%
Jeeps and LCV	1,828	5,200	-65%	57,448	26%
INDU	1,803	4,630	-61%	23,680	-52%
PSMC	978	12,668	-92%	52,294	-45%
HCAR	1,636	2,747	-40%	15,443	-41%
Hyundai	1,271	1,469	-13%	7,066	2%
Tractors	3,330	4,558	-27%	18,249	-49%
Al-Ghazi	728	2,053	-65%	7,143	-46%
Millat	2,602	2,505	4%	11,106	-51%
Trucks	521	501	4%	2,546	-36%
Buses	136	45	202%	528	34%

Source: PAMA, Foundation Research, March 2023

Historical performance of Auto companies vs KSE-100 Index



Source: Bloomberg, Foundation Research, March 2023

Analyst

Foundation Research Research@fs.com.pk
+92 213 5612290 Ext 312

Foundation Securities (Pvt) Ltd
Tuesday, March 14, 2023

Pakistan Automobile

Economic slowdown weighs on Auto sales

Event

Automobile (PC&LCVs) sales shrunk by 73% YoY (↓45% MoM) in Feb'23 due to restrictions imposed by SBP on opening of LCs for CKD amid higher interest rates and constantly increasing car prices. Total Automobile sales clocked in at 9,675 units (↓64% YoY) in Feb'23. Player-wise, PSMC/HCAR/INDU sales decreased by 92/40/61% YoY.

Impact

1000cc segment dominated in declining sales: The automobile sector witnessed shrinking sales during the month of Feb'23. The 1000cc category witnessed the greatest downfall of 95% YoY while 1300cc segment decreased by 56% YoY and the sales for 800cc dropped by 92% YoY.

The decrease in the overall automobile sales was due to the central bank's restrictions on opening of LCs for import of CKDs as well as SBP's shortening of financing terms and high interest rates. The significant increase in auto prices mostly reflects the impact of a depreciating currency.

Restriction on opening of LCs for import of CKD and resultant shortage of raw materials caused PSMC/INDU/HCAR to shut their plants during 1QCY23. INDU shut its plant for first half of the month in Feb'23. Whereas, PSMC closed its automobile plant for 10 days in Jan'23 and for 7 days in Feb'23. Moreover, HCAR plant would remain shut from Mar 9'2023 till end of the month (22 days) due to lack of raw materials and halting of foreign payments. As a result, inventory level of auto assemblers fell and sales declined.

PSMC's sales were hit the hardest: PSMC volumetric sales stood in at 978 units, depicting a decline of 92% on YoY basis, similarly sequential sales decreased by 67% MoM. Sales for Alto decreased by 92% YoY (↑12.4x MoM). Similarly sales for Cultus/WagonR/Bolan/Ravi decreased by 96/94/91/90% YoY. Sales of Swift clocked in at 67 units.

INDU sales also down: INDU sales during the month of Feb'23, clocked in at 1,803 units (↓61/49% YoY/MoM). The sales decrease was attributed to Corolla+Yaris decreasing by 70% YoY (↓37% MoM) to 1,091 units in Feb'23. Whereas Fortuner+Hilux sales declined by 28% YoY (↓62% MoM) to 712 units.

HCAR was also not spared: HCAR sold 1,636 units in Feb'23 (↓ 40/39% YoY/MoM) mainly due to sale of Civic+City decreased by 46% YoY (↓23% MoM) to 1,244 units. BR-V/HR-V sales fell by 15/64% YoY/MoM, clocking in at 392 units in Feb'23.

Tractor sales dropped too: Tractor sales nosedived 27% YoY to 3,330 units in Feb'23 against sales of 4,558 units in Feb'22. The drop in sales is mainly attributed to decline in sales of Al-Ghazi tractor by 65% to 728 units. However, Millat sales were up by 4/18% YoY/MoM to 2,602 units.

Outlook

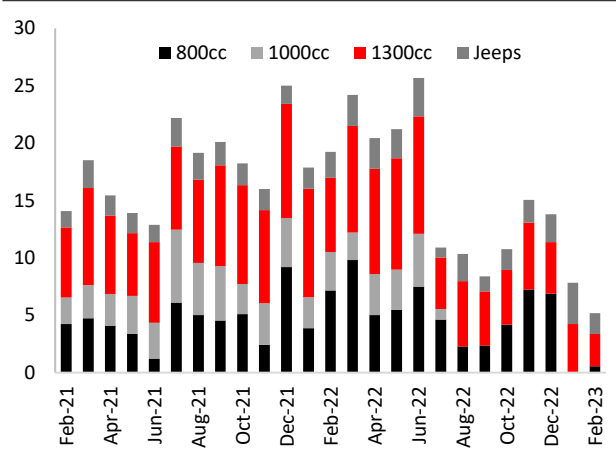
High interest rates and significant increase in auto prices amid SBP's limitations on auto financing would significantly reduce auto sales in FY23. In the short term, restrictions on opening of LCs for import of CKD by auto assemblers would result in lower utilization across the board and, in the extreme case, plant shutdowns.

Table 1: Auto Sales - Feb'23

	Feb-23	Feb-22	YoY	Jan-23	MoM	8MFY23	8MFY22	YoY
Total	9,675	26,661	-64%	14,255	-32%	119,881	217,741	-45%
Total PCs+LCVs	5,762	21,664	-73%	10,450	-45%	99,180	178,250	-44%
INDU	1,803	4,630	-61%	3,570	-49%	23,680	49,499	-52%
Corolla+Yaris	1,091	3,646	-70%	1,719	-37%	14,875	38,300	-61%
Fortuner+Hilux	712	984	-28%	1,851	-62%	8,805	11,199	-21%
HCAR	1,636	2,747	-40%	2,704	-39%	15,443	26,359	-41%
City&Civic	1,244	2,286	-46%	1,620	-23%	11,770	23,552	-50%
BR-V	392	461	-15%	1,084	-64%	3,673	2,807	31%
PSMC	978	12,668	-92%	2,945	-67%	52,294	94,408	-45%
Swift	67	-	n/a	504	-87%	7,707	497	1451%
Cultus	72	1,692	-96%	543	-87%	5,758	17,380	-67%
Wagon R	93	1,646	-94%	671	-86%	4,533	14,812	-69%
Alto	544	7,175	-92%	44	1136%	28,202	43,427	-35%
Bolan	91	1,070	-91%	556	-84%	3,083	8,267	-63%
Ravi	111	1,085	-90%	627	-82%	3,011	10,025	-70%
Hyundai	1,271	1,469	-13%	1,140	11%	7,066	6,958	2%
Elantra	243	312	-22%	173	40%	1,698	1,929	-12%
Tuscon	708	774	-9%	620	14%	3,572	2,230	60%
Sonata	197	226	-13%	191	3%	948	1,638	-42%
Porter	123	157	-22%	156	-21%	848	1,161	-27%
Pick ups	74	107	-31%	71	4%	622	927	-33%
JAC	66	84	-21%	58	14%	469	633	-26%
DMAX	8	23	-65%	13	-38%	153	294	-48%
Tractors	3,330	4,558	-27%	3,406	-2%	18,249	36,032	-49%
Al-Ghazi	728	2,053	-65%	1,203	-39%	7,143	13,228	-46%
Millat	2,602	2,505	4%	2,203	18%	11,106	22,775	-51%
Trucks	521	501	4%	398	31%	2,546	3,993	-36%
Hino	54	84	-36%	71	-24%	500	593	-16%
JAC	18	17	6%	15	20%	124	191	-35%
Isuzu	270	276	-2%	208	30%	1,267	2,017	-37%
Master	179	124	44%	104	72%	655	1,192	-45%
Buses	136	45	202%	72	89%	528	393	34%
Hino	22	10	120%	16	38%	205	108	90%
Isuzu	74	-	n/a	1	7300%	125	53	136%
Master	40	35	14%	55	-27%	198	232	-15%

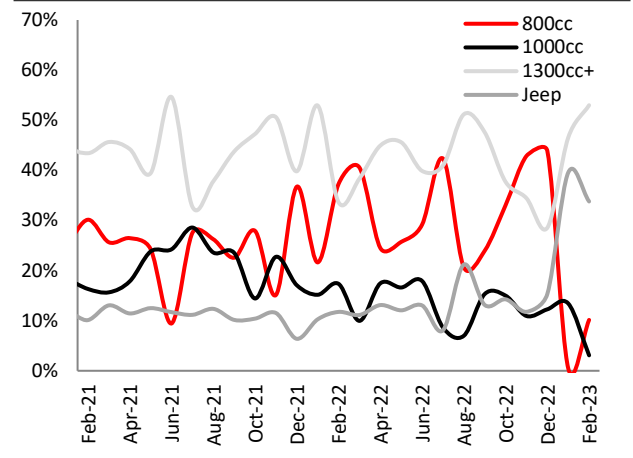
Source: PAMA, Foundation Research, March 2023

Fig 1: Auto sales declined on import restrictions



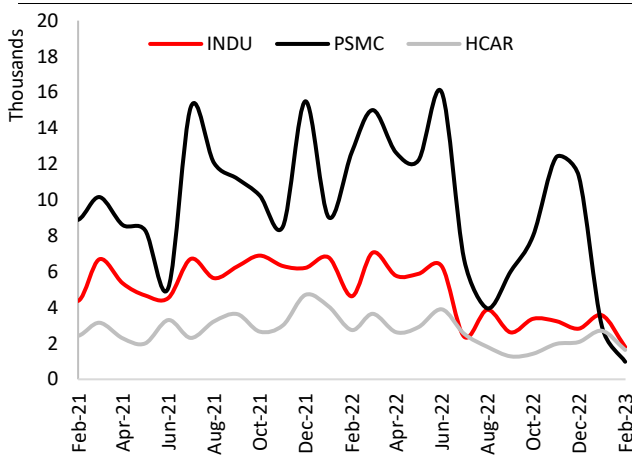
Source: PAMA, Foundation Research, March 2023

Fig 2: Market share of 1300cc increased by 19% YoY



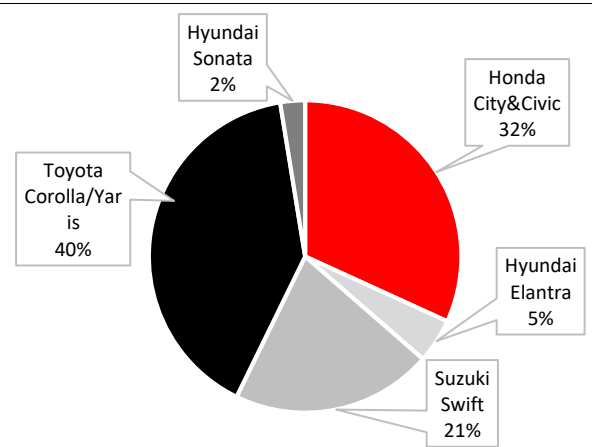
Source: PAMA, Foundation Research, March 2023

Fig 3: Sequential declines observed across the board



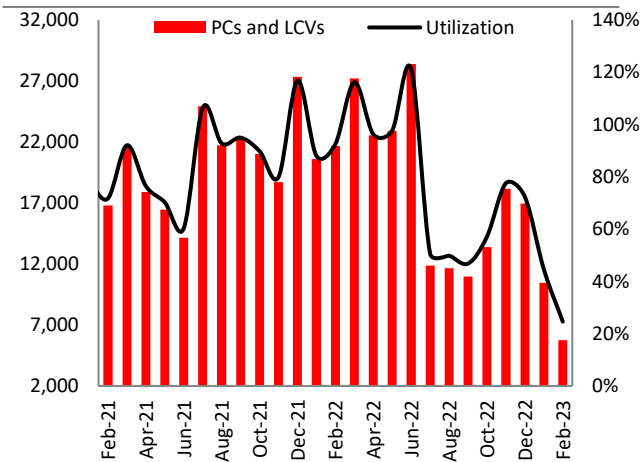
Source: PAMA, Foundation Research, March 2023

Fig 4: INDU leading market share mix for 1300cc



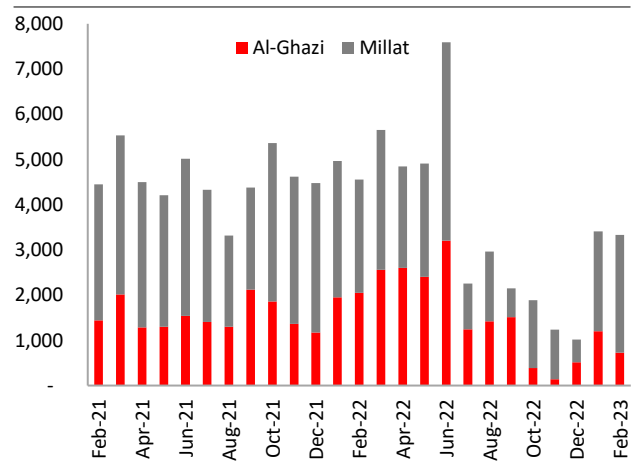
Source: PAMA, Foundation Research, March 2023

Fig 5: Utilization dropped drastically in Feb'23



Source: PAMA, Foundation Research, March 2023

Fig 6: Tractor sales declined by 27% YoY



Source: PAMA, Foundation Research, March 2023

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.