

PAKISTAN



Pakistan Automobile

Plummeting sales amid import restrictions and high car prices

Event

Automobile (PC&LCVs) sales shrunk by 80% YoY (↓38% MoM) in Apr'23 due to restrictions imposed by SBP on opening of LCs for CKD kits amid continuously increasing car prices and higher interest rates. Total automobile sales clocked in at 7,748 units (↓72% YoY) in Apr'23. Player-wise, PSMC/HCAR/INDU sales decreased by 88/92/66% YoY.

Impact

1000cc segment dominated by sales slump: The automobile sector witnessed drop off in sales during the month of Apr'23. The 1000cc category witnessed the greatest down fall of 92% YoY while 800cc segment decreased by 84% YoY and sales for 1300cc dropped by 83% YoY.

The continuous decrease in overall automobile sales was due to (1) central bank's restrictions on opening of LCs for import of CKD kits, (2) significant increase in auto prices mostly reflecting the impact of a depreciating currency, (3) SBP's shortening of financing terms and (4) high interest rates.

Restriction on opening of LCs for import of CKD and resultant shortage of raw materials caused INDU/PMSC/HCAR to shut their plants during 4MCY23. INDU shut its plant in Feb/Mar/May for 15/4/2 days. Whereas, PSMC closed its automobile plant for 10/7/19 days in Jan/Feb/Apr. Furthermore, PMSC shut its plant for 8 days in May'23. HCAR has also extended its plant shutdown from Mar 9'2023 to May 15'2023 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 tumbled: PSMC volumetric sales stood in at 1,474 units, depicting a decline of 88% on YoY basis. On sequential basis, sales decreased by 74% MoM. Sales of Alto decreased by 84% YoY (↓68% MoM). Sales of Cutus/WagonR/Bolan/Ravi decreased by 90/95/81/92% YoY. Sales of Swift clocked in at 145 units down by 94% YoY.

INDU sales also dropped: INDU sales during the month of Apr'23 clocked in at 1,948 units (down/up 66/2% YoY/MoM). The sales decrease was attributed to Corolla+Yaris decreasing by 76% YoY (↓10% MoM) to 1,007 units. Whereas Fortuner+Hilux sales declined by 43% YoY (↑19% MoM) to 941 units.

HCAR sales fell the most: HCAR sold 207 units in Apr'23 (↓ 92/75% YoY/MoM) mainly due to sales of Civic+City decreasing by 93% YoY (↓74% MoM) to 159 units. Whereas, BR-V/HR-V sales fell by 87/79% YoY/MoM, clocking in at 48 units in Apr'23.

Tractor sales remained downbeat: Tractor sales declined by 34% YoY to 3,211 units in Apr'23. However, on sequential basis sales were up by 8% MoM. The drop in sales is mainly attributed to decline in sales of Millat by 46/55% YoY/MoM to 1,206 units. Al-Ghazi sales were down by 23% YoY to 2,005 units.

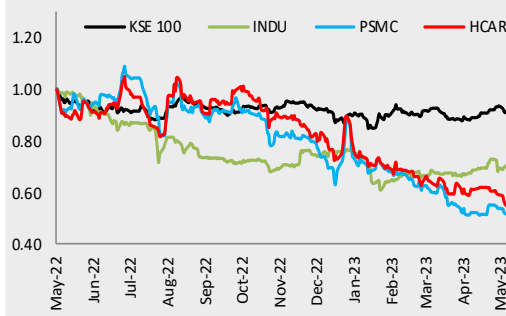
Outlook

High interest rates and significant increase in auto prices due to Rs-US\$ depreciation will 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.

	Apr-23	Apr-22	YoY	10MFY23	YoY
Automobile Sales Apr'23					
PC	2,681	17,766	-85%	84,592	-53%
Jeeps and LCV	1,721	4,777	-64%	28,271	-40%
INDU	1,948	5,775	-66%	27,540	-56%
PSMC	1,474	12,639	-88%	59,396	-51%
HCAR	207	2,629	-92%	16,485	-49%
Hyundai	725	1,287	-44%	8,627	-10%
Tractors	3,211	4,848	-34%	24,444	-47%
Al-Ghazi	2,005	2,603	-23%	9,463	-49%
Millat	1,206	2,245	-46%	14,981	-47%
Trucks	136	418	-67%	2,961	-40%
Buses	19	54	-65%	576	13%

Source: PAMA, Foundation Research, May 2023

Historical performance of Automobile sector vs KSE-100 Index



Source: Bloomberg, Foundation Research, May 2023

Analyst

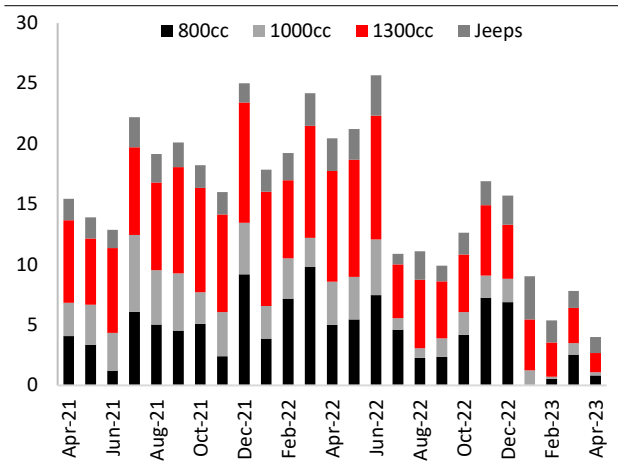
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Friday, May 12, 2023

Auto Sales - April'2023								
	Apr-23	Apr-22	YoY	Mar-23	MoM	10MFY23	10MFY22	YoY
Total	7,748	27,693	-72%	12,521	-38%	140,180	278,643	-50%
Total PCs+LCVs	4,402	22,479	-80%	9,251	-52%	112,863	227,817	-50%
INDU	1,948	5,775	-66%	1,912	2%	27,540	62,342	-56%
Corolla+Yaris	1,007	4,117	-76%	1,119	-10%	17,001	47,812	-64%
Fortuner+Hilux	941	1,658	-43%	793	19%	10,539	14,530	-27%
HCAR	207	2,629	-92%	835	-75%	16,485	32,639	-49%
City&Civic	159	2,265	-93%	611	-74%	12,540	29,095	-57%
BR-V	48	364	-87%	224	-79%	3,945	3,544	11%
PSMC	1,474	12,639	-88%	5,628	-74%	59,396	122,058	-51%
Swift	145	2,273	-94%	877	-83%	8,729	2,770	215%
Cultus	177	1,745	-90%	475	-63%	6,410	19,431	-67%
Wagon R	99	1,823	-95%	489	-80%	5,121	18,739	-73%
Alto	820	5,009	-84%	2,542	-68%	31,564	58,250	-46%
Bolan	163	860	-81%	782	-79%	4,028	10,422	-61%
Ravi	70	929	-92%	463	-85%	3,544	12,446	-72%
Hyundai	725	1,287	-44%	836	-13%	8,627	9,551	-10%
Elantra	119	240	-50%	188	-37%	2,005	2,526	-21%
Tuscon	315	553	-43%	380	-17%	4,267	3,359	27%
Sonata	155	293	-47%	118	31%	1,221	2,181	-44%
Porter	136	201	-32%	150	-9%	1,134	1,485	-24%
Pick ups	20	106	-81%	22	-9%	664	1,128	-41%
JAC	2	66	-97%	21	-90%	492	778	-37%
DMAX	18	40	-55%	1	1700%	172	350	-51%
Tractors	3,211	4,848	-34%	2,984	8%	24,444	46,531	-47%
Al-Ghazi	2,005	2,603	-23%	315	537%	9,463	18,391	-49%
Millat	1,206	2,245	-46%	2,669	-55%	14,981	28,111	-47%
Trucks	136	418	-67%	279	-51%	2,961	4,911	-40%
Hino	21	82	-74%	43	-51%	564	771	-27%
JAC	4	21	-81%	22	-82%	150	237	-37%
Isuzu	29	210	-86%	66	-56%	1,362	2,450	-44%
Master	82	105	-22%	148	-45%	885	1,453	-39%
Buses	19	54	-65%	29	-34%	576	512	13%
Hino	7	6	17%	14	-50%	226	128	77%
Isuzu	1	7	-86%	4	-75%	130	72	81%
Master	11	41	-73%	11	0%	220	312	-29%

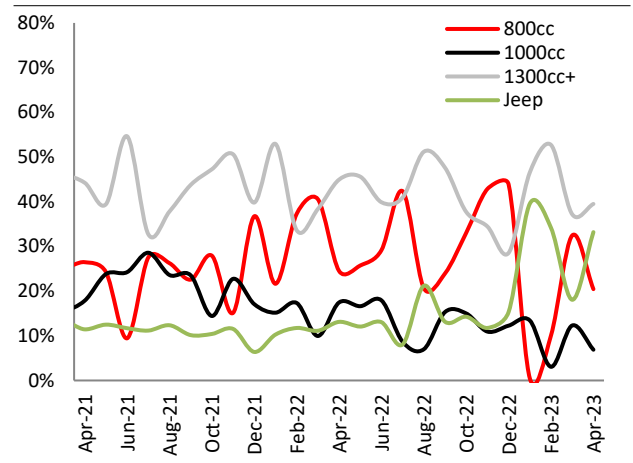
Source: PAMA, Foundation Research, May 2023

Fig 1: Auto sales declined on import restrictions



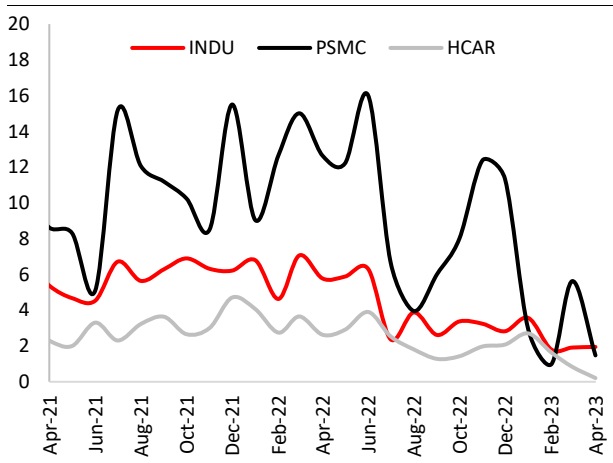
Source: PAMA, Foundation Research, May 2023

Fig 2: Market share of 1300cc/Jeeps ↑ & 800/1000 ↓



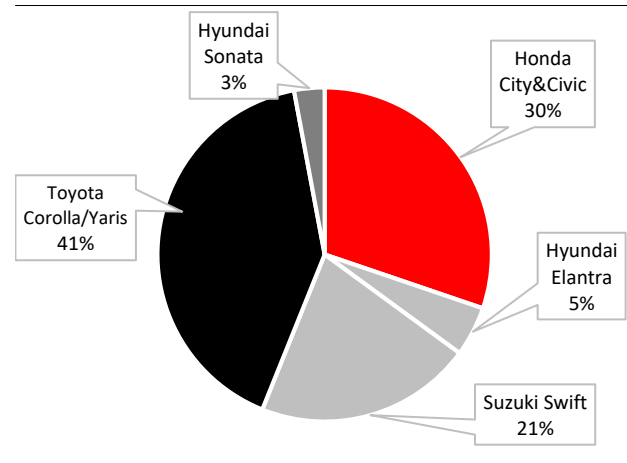
Source: PAMA, Foundation Research, May 2023

Fig 3: Sales of PSMC/HCAR decreased sequentially



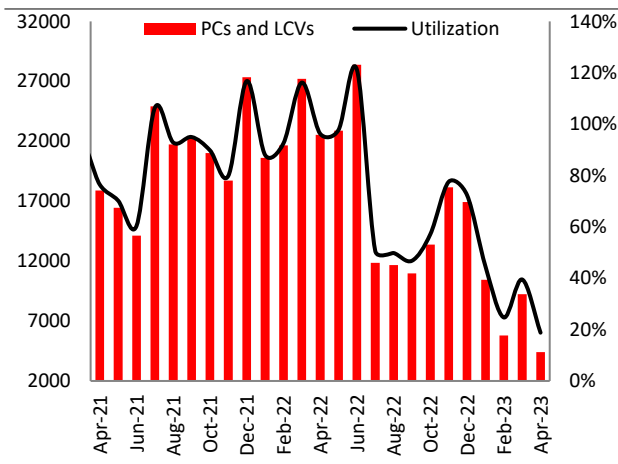
Source: PAMA, Foundation Research, May 2023

Fig 4: INDU leading market share mix for 1300cc



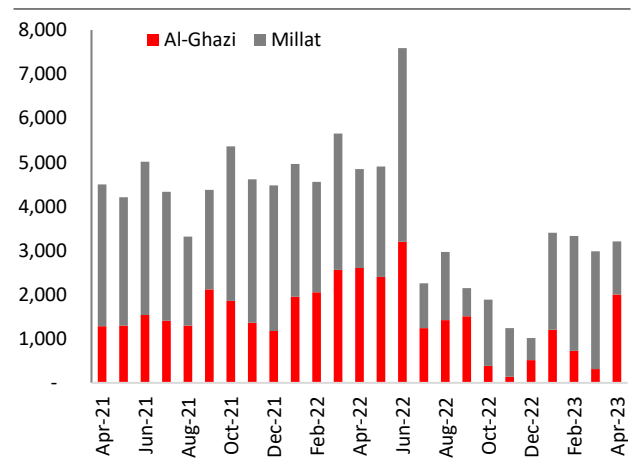
Source: PAMA, Foundation Research, May 2023

Fig 5: Utilization decreased MoM in Apr'23



Source: PAMA, Foundation Research, May 2023

Fig 6: Al-Ghazi sales increased by 6.4x MoM



Source: PAMA, Foundation Research, May 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

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