

PAKISTAN

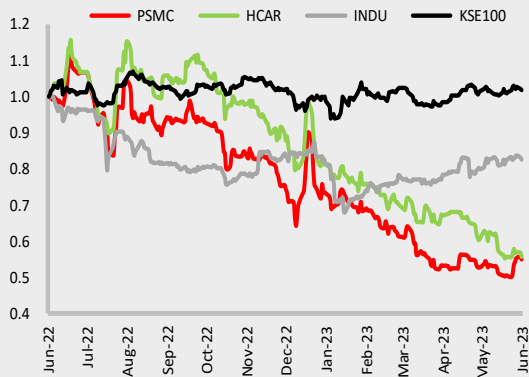


Automobile Sales May'23

	May-23	May-22	YoY	11MFY23	YoY
PC	3,777	18,672	-80%	88,369	-56%
Jeeps and LCV	1,513	4,221	-64%	29,784	-42%
INDU	1,718	5,882	-71%	29,258	-57%
PSMC	2,958	12,212	-76%	62,354	-54%
HCAR	87	2,910	-97%	16,572	-53%
Hyundai	503	1,710	-71%	9,130	-19%
Tractors	3,508	4,906	-28%	27,952	-46%
Al-Ghazi	2,003	2,401	-17%	11,466	-45%
Millat	1,505	2,505	-40%	16,486	-46%
Trucks	114	426	-73%	3,075	-42%
Buses	39	60	-35%	615	8%

Source: PAMA, Foundation Research, Jun 2023

Historical performance of Auto companies vs KSE-100 Index



Source: Bloomberg, Foundation Research, Jun 2023

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Pakistan Automobile

Import restrictions and high car prices cause sales to continue downtrend

Event

Automobile (PC&LCVs) sales shrunk by 77% YoY (↑20% MoM) in May'23 due to restrictions imposed by Gov't on opening of LCs for CKD kits amid continuously increasing car prices and record high interest rates. Total automobile sales clocked in at 8,927 units (↓68% YoY) in May'23. Player-wise, PSMC/HCAR/INDU sales decreased by 76/97/71% YoY.

Impact

- **1000cc segment dominated by sales slump:** The automobile sector witnessed drop in sales during the month of May'23. The 1000cc category witnessed the greatest down fall of 88% YoY while 1300cc segment decreased by 85% YoY and sales for 800cc dropped by 65% YoY.
- The continuous decrease in overall automobile sales was due to (1) Gov't'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 amid economic slowdown.

Restriction on opening of LCs for import of CKD and resultant shortage of raw materials caused INDU/PMSC/HCAR to shut their plants for varying periods during 4QCY23. INDU shut its plant in May/June for 2/6 days. Whereas, PSMC closed its automobile plant for 8/8 days in Apr/May. Furthermore, HCAR has had an extended plant shutdown since Mar 9'2023 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 fell:** PSMC volumetric sales stood in at 2,958 units during May'23, depicting a decline of 76% on YoY basis. On sequential basis, sales increased by 2.0x MoM. Sales of Alto decreased by 65% YoY (↑2.3x MoM). Sales of Cutus/WagonR/Bolan/Ravi decreased by 78/93/78/82% YoY. Sales of Swift clocked in at 332 units down by 81% YoY.

▪ **INDU sales declined:** INDU sales during the month of May'23 clocked in at 1,718 units (down 71/12% YoY/MoM). The sales decrease was attributed to Corolla+Yaris decreasing by 80% YoY (↓15% MoM) to 853 units. Whereas Fortuner+Hilux sales declined by 47% YoY (↓8% MoM) to 865 units.

▪ **HCAR sales tumbled:** HCAR sold 87 units in May'23 (↓ 97/58% YoY/MoM) mainly due to sales of Civic+City decreasing by 98% YoY (↓65% MoM) to 56 units. Whereas, BR-V/HR-V sales fell by 86/35% YoY/MoM, clocking in at 31 units in May'23.

▪ **Tractor sales were also subdued:** Tractor sales declined by 28% YoY to 3,508 units in May'23. However, on sequential basis sales were up by 9% MoM. The drop in sales is mainly attributed to decline in sales of Millat by 40% YoY (↑25% MoM) to 1,505 units. Al-Ghazi sales were down by 17% YoY to 2,003 units.

Outlook

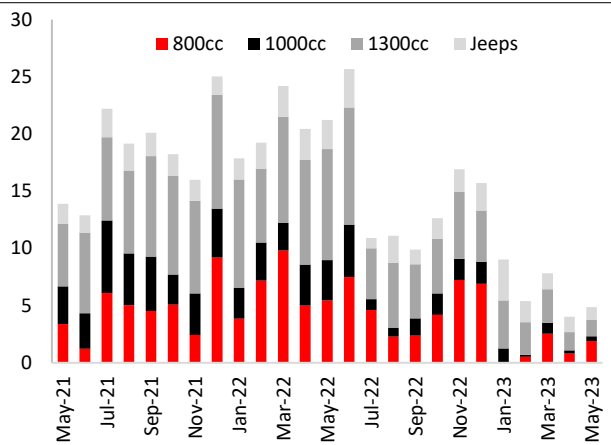
▪ High interest rates and significant increase in auto prices due to Rs-US\$ depreciation would continue to negatively impact auto sales in FY24. In the short term, restrictions on opening of LCs for import of CKD by auto assemblers would result in lower utilization across the board and, in the extreme case, plant shutdowns.

Auto Sales - May'2023

	May-23	May-22	YoY	Apr-23	MoM	11MFY23	11MFY22	YoY
Total	8,927	28,149	-68%	7,748	15%	149,107	306,749	-51%
Total PCs+LCVs	5,290	22,861	-77%	4,402	20%	118,153	250,635	-53%
INDU	1,718	5,882	-71%	1,948	-12%	29,258	68,224	-57%
Corolla+Yaris	853	4,263	-80%	1,007	-15%	17,854	52,075	-66%
Fortuner+Hilux	865	1,619	-47%	941	-8%	11,404	16,149	-29%
HCAR	87	2,910	-97%	207	-58%	16,572	35,549	-53%
City&Civic	56	2,681	-98%	159	-65%	12,596	31,776	-60%
BR-V	31	229	-86%	48	-35%	3,976	3,773	5%
PSMC	2,958	12,212	-76%	1,474	101%	62,354	134,270	-54%
Swift	332	1,744	-81%	145	129%	9,061	4,514	101%
Cultus	282	1,270	-78%	177	59%	6,692	20,701	-68%
Wagon R	148	2,258	-93%	99	49%	5,269	20,997	-75%
Alto	1,902	5,461	-65%	820	132%	33,466	63,711	-47%
Bolan	157	723	-78%	163	-4%	4,185	11,145	-62%
Ravi	137	756	-82%	70	96%	3,681	13,202	-72%
Hyundai	503	1,710	-71%	725	-31%	9,130	11,261	-19%
Elantra	69	594	-88%	119	-42%	2,074	3,120	-34%
Tuscon	194	639	-70%	315	-38%	4,461	3,998	12%
Sonata	135	400	-66%	155	-13%	1,356	2,581	-47%
Porter	105	77	36%	136	-23%	1,239	1,562	-21%
Pick ups	24	104	-77%	20	20%	688	1,232	-44%
JAC	2	66	-97%	2	0%	494	844	-41%
DMAX	22	38	-42%	18	22%	194	388	-50%
Tractors	3,508	4,906	-28%	3,211	9%	27,952	51,437	-46%
Al-Ghazi	2,003	2,401	-17%	2,005	0%	11,466	20,792	-45%
Millat	1,505	2,505	-40%	1,206	25%	16,486	30,616	-46%
Trucks	114	426	-73%	136	-16%	3,075	5,337	-42%
Hino	5	66	-92%	21	-76%	569	837	-32%
JAC	7	27	-74%	4	75%	157	264	-41%
Isuzu	64	204	-69%	29	121%	1,426	2,654	-46%
Master	38	129	-71%	82	-54%	923	1,582	-42%
Buses	39	60	-35%	19	105%	615	572	8%
Hino	17	14	21%	7	143%	243	142	71%
Isuzu	3	16	-81%	1	200%	133	88	51%
Master	19	30	-37%	8	138%	236	342	-31%

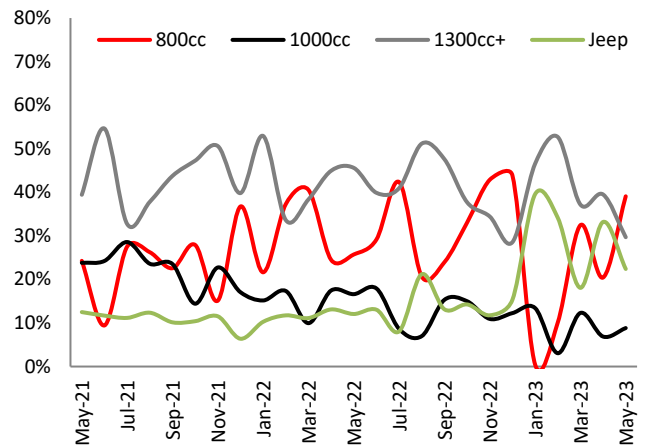
Source: PAMA, Foundation Research, June 2023

Fig 1: Auto sales declined amid import restrictions



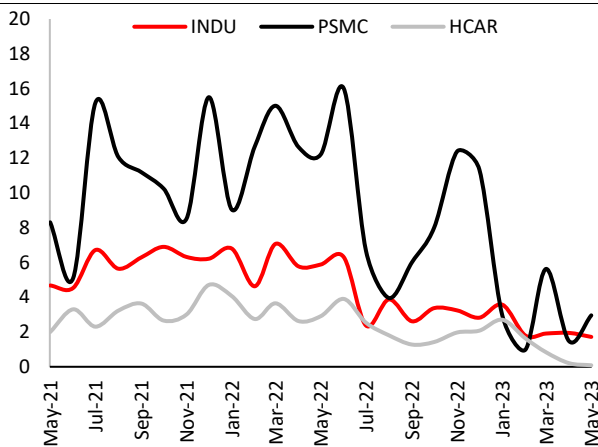
Source: PAMA, Foundation Research, Jun 2023

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



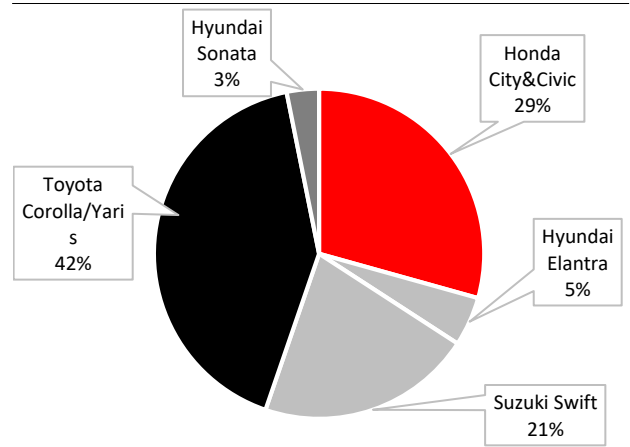
Source: PAMA, Foundation Research, Jun 2023

Fig 3: Sales of INDU/HCAR decreased sequentially



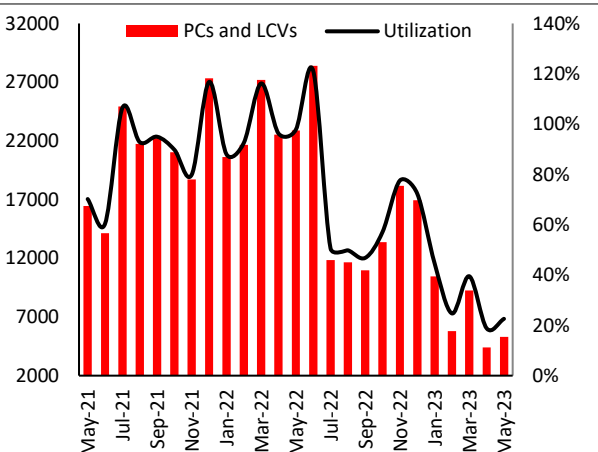
Source: PAMA, Foundation Research, Jun 2023

Fig 4: INDU leading market share mix for 1300cc



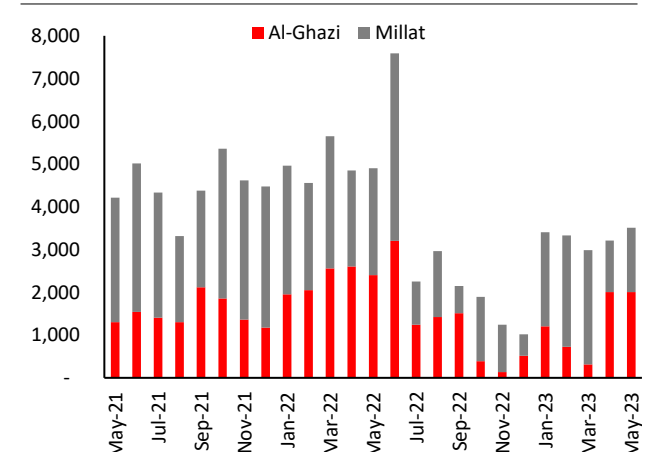
Source: PAMA, Foundation Research, Jun 2023

Fig 5: Utilization increased MoM in May'23



Source: PAMA, Foundation Research, Jun 2023

Fig 6: Millat sales increased by 25% MoM



Source: PAMA, Foundation Research, Jun 2023

Abbreviations

AGTL	AlGhazi Tractors Limited
GIL	Ghandahra Industries Limited
HCAR	Honda Atlas Car
HINO	Hinopak Motors
INDU	Indus Motors
LCV	Light Commercial Vehicles
MoM	Month on Month
MTL	Millat Tractors Limited
PAMA	Pakistan Automotive Manufacturers Association
PC	Passenger Cars
PSMC	Pakistan Suzuki Motor Company
YoY	Year on Year

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