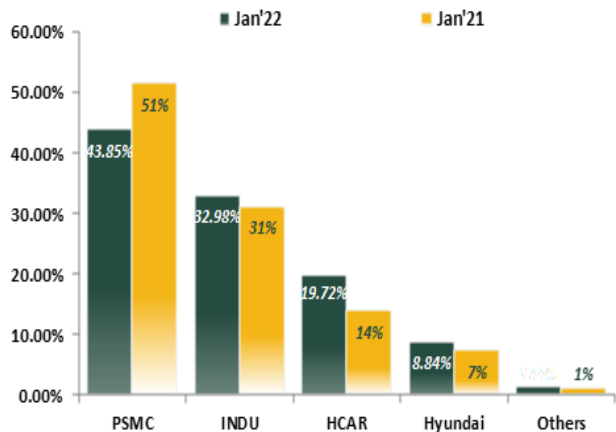


Auto Sector Update

Monday, February 14, 2022

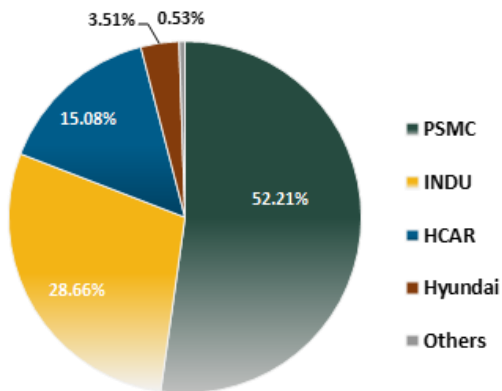
Car Sales Normalize

Monthly Market Share - YoY



Source: PAMA

Market Share - 7MFY22



Source: PAMA

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The official automobile production and sales data has been released by PAMA (Pakistan Automotive Manufacturers Association) for the month of Jan'22. The 7MFY22 remained encouraging for 4-wheelers with a Y/Y increase of 61% (156,546 units sold during 7MFY22) for combined sales of Cars, LCVs and SUVs. On a M/M basis sales declined by 25%, as fear of tax hike in the mini-budget had led to an unusual spike in vehicles orders in Dec'21.

Passenger cars recorded sales of 131,750 units during 7MFY22 against 81,569 during SPLY (↑62% Y/Y); on a M/M basis sales fell by 31%. LCVs and SUVs sales registered an increase of 26% M/M with 3,625 units sold in Jan'22 against 2,869 units in the previous month. Tractors sales improved by 11% M/M with 4,966(↓5% Y/Y) units sold in Jan'22 against 4,476 units in Dec'21. Sales of buses surged by 144% M/M with 88 units sold. Trucks posted a 131% M/M spike (690 units sold in Jan'22 against 299 units in Dec'21). Motorcycle sales increased by 8% M/M with 153,440 units sold in Jan'22 against 141,833 units in Dec'21.

HCAR sales normalized after surging significantly in Dec'21, declining by 14% on a M/M basis with 4,064 units sold in Jan'22 against 4,708 units sold in Dec'21.

INDU sales improved slightly, after suffering a huge blow in Dec'21. INDU volumes increased by 9% M/M with 6,797 units sold against 6,214 units in the preceding month.

PSMC took a huge blow to its sales, as increase in prices of its products and financing costs decreased consumer demand in its price sensitive segment. Suzuki lost 42% of its sales from Dec'21 with only 9,037 units sold in Jan'22 against 15,503 units in Dec'21.

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Sales	7MFY22	7MFY21	YoY	Jan-22	Jan-21	YoY	Dec-21	MoM
Cars & LCV's								
PSMC	81,740	46,949	74%	9,037	9,013	0%	15,503	-42%
INDU	44,869	31,591	42%	6,797	5,452	25%	6,214	9%
HCAR	23,612	16,116	47%	4,064	2,450	66%	4,708	-14%
Cars	131,750	81,569	62%	16,985	14,543	17%	24,462	-31%
LCV's + SUVs	24,796	15,900	56%	3,625	2,972	22%	2,869	26%
Total	156,546	97,469	61%	20,610	17,515	18%	27,331	-25%
Tractors								
AGTL	11,175	7,545	48%	1,950	1,347	45%	1,176	66%
MTL	20,270	19,400	4%	3,016	3,862	-22%	3,300	-9%
Total	31,445	26,974	17%	4,966	5,209	-5%	4,476	11%
Trucks								
Isuzu	1,741	912	91%	387	123	215%	160	142%
Hino	509	413	23%	92	70	31%	55	67%
Master	1,068	488	119%	149	63	137%	63	137%
JAC	174	127	37%	62	34	82%	21	195%
Total	3,492	1,940	80%	690	290	138%	299	131%
Buses								
Hino	98	113	-13%	14	13	8%	18	-22%
Master	197	172	15%	56	58	-3%	14	300%
Isuzu	53	85	-38%	18	2	800%	4	350%
Total	348	370	-6%	88	73	21%	36	144%
Motorcycles								
Atlas Honda	798,657	732,041	9%	120,002	114,001	5%	115,080	4%
Pak Suzuki	21,240	12,682	67%	3,210	2,108	52%	3,115	3%
Yamaha	14,038	12,654	11%	1,845	2,130	-13%	2,231	-17%
Others	255,836	356,058	-28%	28,383	44,325	-36%	21,407	33%
Total	1,089,771	1,113,435	-2%	153,440	162,564	-6%	141,833	8%

Source: PAMA

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Car Sales Normalize

Outlook

The overall outlook for the sector has soured in recent days, as SBP increased interest rate to 9.75%, weakening the demand outlook for the industry going-forward. We expect the interest rates to increase further in the near-term which is likely to worsen the situation across the board.

HCAR is going to continue to ride the “new-model hype” wave for 4-5 more months, which will protect it from the adverse impact of the government’s fiscal and monetary tightening for the short-term.

INDU monetary and fiscal tightening will have adverse impact on the company’s demand outlook going-forward. However, a growing agriculture sector is expected to cushion the blow significantly.

PSMC as it was the most to benefit from the government’s incentives, it will be the hardest hit by the roll-back of government’s supportive measures. Fiscal and monetary tightening will be immensely detrimental to the purchasing power of the company’s target market and thus will lead to a deterioration of demand for its products.

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Note: All fair value estimates are for a twelve month time horizon unless specified otherwise in the report
Upside/Downside represents the difference between the stated "Fair Value" & the prevailing "Market Price"
Total Return is based on both the Capital Gains return & the Dividend Yield & is exclusive of all applicable taxes