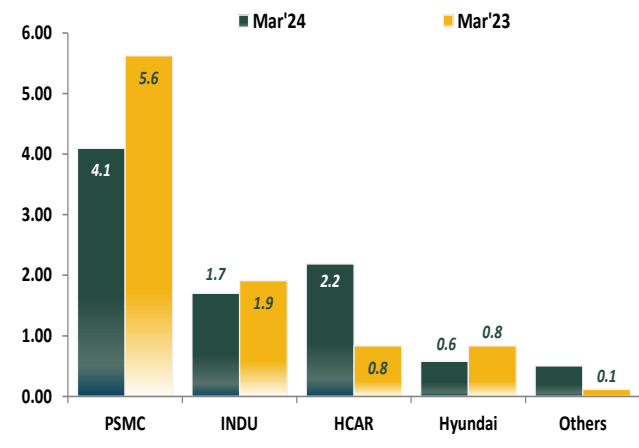


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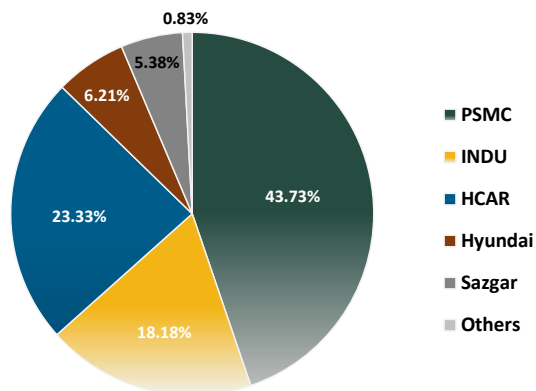
In the Driver's Seat: The Auto Sector's Road to Growth

Monthly Sales - YoY (in '000)



Source: PAMA, HMFS Research

Four Wheeler's Market Share - 9MFY24



Source: PAMA, HMFS Research

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In March 2024, the Pakistan Automotive Manufacturers Association (PAMA) reported a modest 3% reduction in car sales, tallying up to 9,379 units sold. This decline is ascribed to escalated auto prices, mounting inflation, unprecedented high interest rates, and expensive auto financing options.

As per PAMA's sales figures for March 2024:

- Passenger car sales surged by 7%, reaching a total of 7,672 units sold, driven by multiple factors including the low base effect. However, there was a slight dip of 4% on a month-to-month basis.
- Sales figures of both CVs and SUVs saw a 21% year-on-year decrease, amounting to 1,707 units sold. Furthermore, there was a 3% month-on-month decline.
- Tractor sales surged with a year-on-year growth of 54%, reaching a total of 4,608 units sold. This substantial increase was further bolstered by a notable month-on-month uptick of 37%, primarily attributed to farmers strategically procuring machinery in anticipation of the Rabi harvesting season.
- Buses and Trucks witnessed significant m/m declines, with Buses experiencing a 38% decrease and Trucks falling by 6%. However, in a year over year analysis, Trucks saw a modest 3% decline, whereas Buses surged impressively by 34%.
- In the motorcycle industry, sales saw a month-over-month modest decline of 1%, resulting in a total of 93,016 units sold. Introducing competitively priced electric scooters could serve as a catalyst for stimulating demand within this segment.

INDU: In March 2024, INDU, a key market leader, experienced a temporary setback with an 18.18% market share. This was accompanied by a 16% month-over-month decline and an 11% year-over-year drop in sales. Notably, INDU proactively closed its plant production from March 6th to 11th, 2024. Moreover, Toyota Corolla sales decreased by a modest 12% month-over-month, while Toyota Hilux saw a sharper decline of 43%.

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HCAR: In March 2024, HCAR held the second largest market share of 23.33%. HCAR experienced a remarkable 44% month-on-month increase in sales, reaching a total of 2,188 units sold. This impressive monthly growth translated into a staggering 162% surge in year-on-year sales, largely attributed to the low base effect resulting from the plant shutdown during the SPLY. Particularly noteworthy, the Honda City witnessed a significant 45% m/m rise in sales, while the Honda BR-V also reflected a commendable surge of 37%.

SAZEW: In the cars and SUVs segment, SAZEW exhibited strong growth by selling 505 units, marking a remarkable 22% increase month-over-month and an impressive 328% year-over-year growth in the car segment. Continuously channeling investments into captivating consumer-centric initiatives, SAZEW is primed for sustained success. The anticipation mounts with the pre-booking launch of Haval and securing the first electric rickshaw license in Punjab, further enhancing their allure to consumers. However, in the three-wheeler segment, SAZEW experienced a slight dip with 1,341 units sold, reflecting a 12% m/m decline. Despite this, their resilience is evident in the stock price movements on the PSX, boasting a substantial 52-week range of PKR 45.15 to PKR 521.95. This underscores their potential to emerge as formidable competitor against industry giants like INDU and HCAR.

Outlook

In light of Pakistan's economic landscape, there's an optimistic outlook for the auto sector's future. The implementation of the IMF's program, alongside efforts to stabilize the currency and decrease interest rates, are anticipated to stimulate economic activity, thus potentially boosting car sales. However, there remains a risk factor associated with potential increases in international oil prices. Nonetheless, there is an expectation of a recovery within the auto sector. To capitalize on this momentum, auto companies are focusing on introducing zero financing plans or hybrid cars, aligning with the evolving preferences of consumers. As sustainability gains traction, these strategies could further propel growth in the Pakistani auto market.

** Y/Y: year on year basis, M/M: month on month basis, SPLY: Same Period Last Year ; PAMA: Pakistan Automotive Manufacturers Association*

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Sales	9MFY24	9MFY23	YoY	Mar-24	Mar-23	YoY	Feb-24	MoM
Top Listed Automobiles Companies' Sales								
PSMC	35,533	57,930	-39%	4,101	5,628	-27%	4,885	-16%
INDU	13,701	25,592	-46%	1,705	1,912	-11%	2,036	-16%
HCAR	9,929	16,278	-39%	2,188	835	162%	1,517	44%
SAZEW	3,172	1,241	156%	505	118	328%	414	22%
Cars	54,089	85,772	-37%	7,672	7,201	7%	7,953	-4%
Cars & LCV's								
LCV's + SUVs	14,989	25,001	-40%	1,707	2,150	-21%	1,756	-3%
Total	69,078	110,773	-38%	9,379	9,351	0%	9,709	-3%
Tractors								
AGTL	12,106	7,458	62%	1,581	315	402%	1,208	31%
MTL	23,093	13,775	68%	3,027	2,669	13%	2,158	40%
Total	35,199	21,233	66%	4,608	2,984	54%	3,366	37%
Trucks								
Isuzu	881	1,333	-34%	212	66	221%	197	8%
Hino	147	543	-73%	9	43	-79%	42	-79%
Master	411	803	-49%	33	148	-78%	20	65%
JAC	109	146	-25%	18	22	-18%	31	-42%
Total	1,548	2,825	-45%	272	279	-3%	290	-6%
Buses								
Hino	109	219	-50%	3	14	-79%	22	-86%
Master	156	209	-25%	28	11	155%	34	-18%
Isuzu	75	129	-42%	8	4	100%	7	14%
Total	340	557	-39%	39	29	34%	63	-38%
Motorcycles								
Atlas Honda	724,683	769,691	-6%	80,139	71,827	12%	82,104	-2%
Pak Suzuki	11,926	26,935	-56%	1,610	1,954	-18%	1,446	11%
Yamaha	5,503	10,320	-47%	285	1,697	-83%	304	-6%
Others	91,114	114,849	-21%	10,982	8,829	24%	9,916	11%
Total	833,226	921,795	-10%	93,016	84,307	10%	93,770	-1%
Three Wheelers								
SAZEW	10,022	4,954	102%	1,341	526	155%	1,524	-12%
Total	10,022	4,954	102%	1,341	526	155%	1,524	-12%

Source: PAMA, HMFS Research

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- Relative Valuation (P/E, P/B, P/S etc.)
- Equity & Asset return based methodologies (EVA, Residual Income etc.)

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<i>SELL</i>	<i>More than 15% Downside</i>
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	