

Pakistan Automobile Assemblers Car sales declined by 45% in FY23

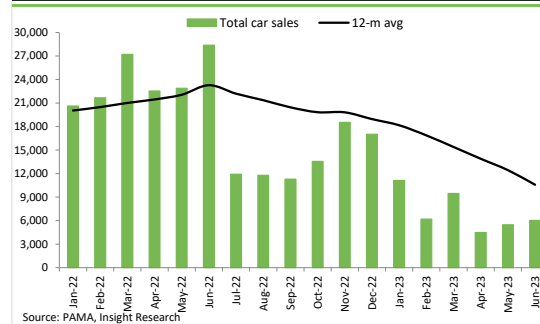
Pakistan Automotive Manufacturing Association (PAMA) has released the sales and production data for the month of Jun'23, where passenger car sales increased by 8% MoM to clocked in at 4,258 units. However, despite increase in last two MoM readings, FY23 concluded on a declining note, with total passenger car sales reaching 97k units in comparison of 234k units in FY22, down by 59% YoY. The decline in sales is mainly due to supply side constraints and muted demand which compelled automobile players to close their plants or operate at minimal capacity in 2HFY23. Moreover, increase in auto financing rate which catered 30-35% of auto demand and change in regulatory requirement further impacted the auto demand.

- Jeeps/SUVs & pickups sales witnessed a increase of 16% MoM to reach at 1.8k units in Jun'23. Similarly, in FY23, Jeeps/SUVs & pickups sales fell by 33% due to aforementioned reasons. Trucks & buses sales decreased by 3% MoM to clock in at ~0.1k units in Jun'23. Cumulatively in FY23, trucks & buses sales fell by 41% YoY. Whereas, tractors sales plunged by 15% MoM due to seasonal factor while in FY23, sales are down by 48% YoY.
- Company wise, HCAR sales increased by 3.5x MoM in Jun'23 due to low base. Wherein, Civic & City sales increased by 4x MoM. Cumulatively, company's sales witnessed a decline of 57% YoY in FY23 to clocked in at 16.9k units where major contributor was from Civic & City.
- INDU sales increased by 7% MoM to clock in at ~1.8k units in Jun'23. Wherein, Corolla & Yaris recorded an increase of 15% MoM. Cumulatively, company's sales plunged by 58% YoY in FY23 to clocked in at 31.1k units.
- Similarly, PSMC sales increased by 2% MoM to clock in at ~3.0k units. Cumulatively, company sales recorded a decline of 57% YoY in FY23.
- Hyundai volumetric sales increased by 11% MoM to clock in at ~0.6k units.
- MTL sales went up by 42% MoM to clock in at ~2.1k units whereas AGTL volumes witnessed a decrease of 57% MoM to stand at ~0.8k units.

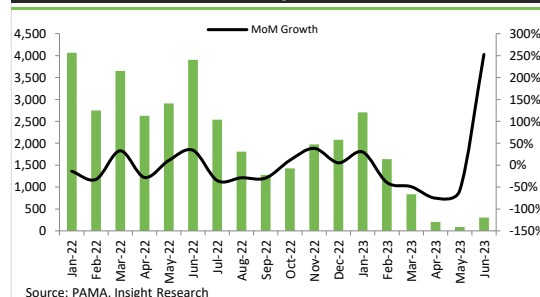
Downhill journey of auto industry

FY23 remains a tough year for car manufactures where total car sales (Passenger cars, Jeeps & Pickup) decreased by 45% YoY to clocked in at 127k units due to supply constraints, PKR devaluation, and economic slowdown. This led auto manufacturers to observe higher non-production days in FY23. The situation was further compounded by multiple price revisions and significant hike in interest rates. These factors have had an adverse impact on demand, making it increasingly challenging to afford vehicles due to higher prices and financing rates

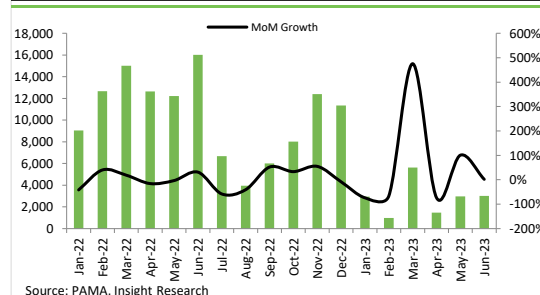
Monthly car sales trend



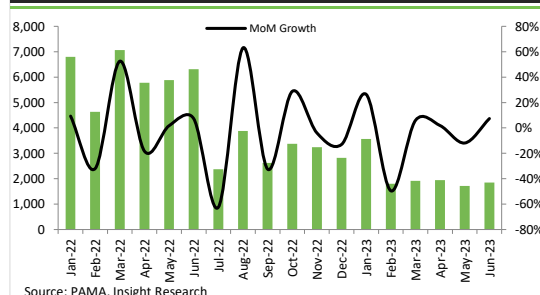
HCAR Sales Volume vs. MoM Change



PSMC Sales Volume vs. MoM Change



INDU Sales Volume vs. MoM Change



The squeeze on auto financing

Auto financing in Pakistan has been experiencing a declining trend in recent times. Factors such as a higher interest rate environment and changes in regulatory requirements have contributed to this downward trajectory. The increased cost of borrowing and stricter lending criteria have made it more challenging for consumers to access financing options for purchasing vehicles. As a result, the demand for auto financing has been adversely affected, impacting the overall sales and growth of the automobile industry. To highlight, auto financing used to cater 30-35% of the market demand.

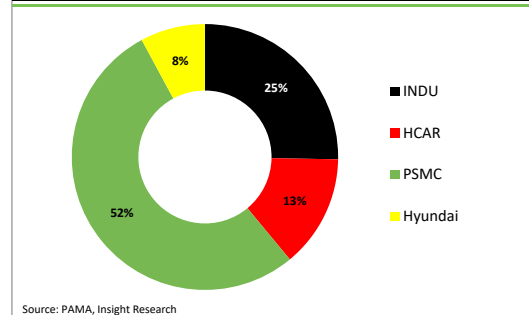
SBP's amendments to lift import restrictions

The recent amendment by the State Bank of Pakistan (SBP) to lift import restrictions are expected to provide much-needed relief to the automotive industry. As per SBP, motor car CKD imports declined by 77% YoY in May'23 whereas no CBU unit was imported in the same month (as depicted in chart). To highlight, auto industry is currently constraint to meet only 20-25% of their LCs requirements.

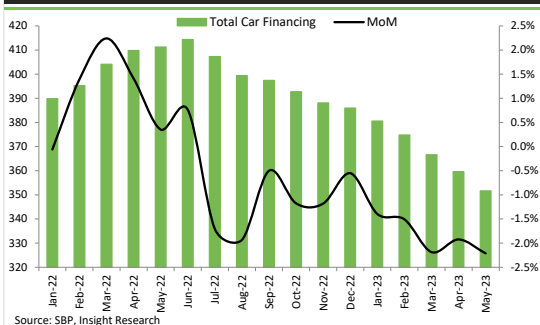
Outlook

Based on SBP decision, we expect some improvement on supply side constraints. However, this will largely depend on dollar availability and demand dynamics. We believe that auto sales will remain sluggish in the near run due to higher prices and interest rates. However, in medium to long run, we expect auto sales to grow as economy recovers.

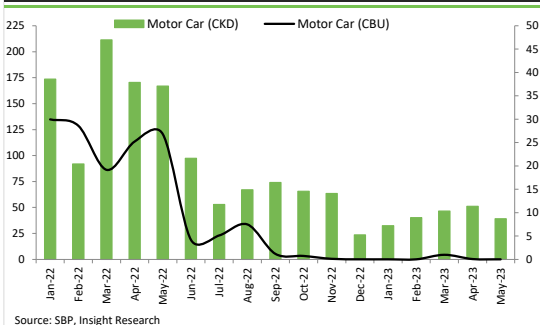
FY23: Car Sales Volume Breakup



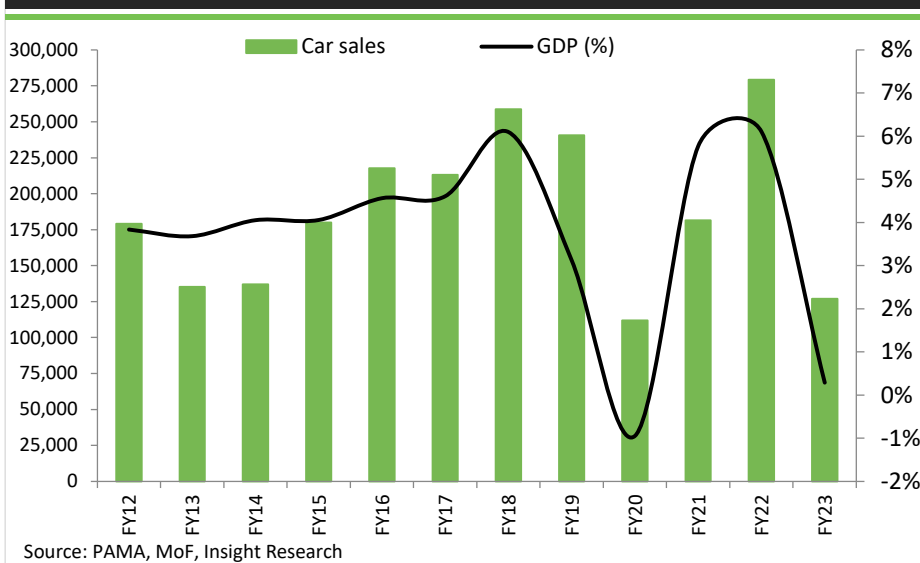
Monthly car financing data (PKRbn)



Monthly Car import trend (US\$m)







Car sales vs GDP (RHS)



Automobile Sales

Jun-23	Jun-23	May-23	MoM	Jun-22	YoY	FY23	FY22	YoY
Passenger Cars	4,258	3,934	8%	23,547	-82%	96,812	234,180	-59%
Trucks & Buses	149	153	-3%	589	-75%	3,836	6,498	-41%
Jeeps & Pick-Ups	1,776	1,530	16%	4,832	-63%	30,067	45,087	-33%
Tractors	2,990	3,508	-15%	7,590	-61%	30,942	58,947	-48%
Three/Two wheelers	82,660	97,189	-15%	142,629	-42%	1,186,688	1,821,887	-35%

Passenger Cars

INDU 	1,846	1,718	7%	6,309	-71%	31,104	74,533	-58%
Corolla & Yaris	984	853	15%	4,453	-78%	18,838	56,528	-67%
Fortuner & Hilux	862	865	0%	1,856	-54%	12,266	18,005	-32%
HCAR 	307	87	253%	3,903	-92%	16,879	39,452	-57%
Civic & City	227	56	305%	3,421	-93%	12,823	35,197	-64%
BR-V & HR-V	80	31	158%	482	-83%	4,056	4,255	-5%
PSMC 	3,009	2,958	2%	16,009	-81%	65,363	150,279	-57%
Cultus	264	282	-6%	2,468	-89%	6,956	23,169	-70%
Alto	1,913	1,902	1%	7,487	-74%	35,379	71,198	-50%
Wagon R	165	148	11%	2,134	-92%	5,434	23,131	-77%
Bolan	262	157	67%	1,216	-78%	4,447	12,361	-64%
Ravi	127	137	-7%	1,028	-88%	3,808	14,230	-73%
Swift	278	332	-16%	1,676	-83%	9,339	6,190	51%
Hyundai 	558	503	11%	1,871	-70%	9,688	13,132	-26%
Elantra	88	69	28%	490	-82%	2,162	3,610	-40%
Sonata	77	135	-43%	201	-62%	1,433	2,782	-48%
Porter	80	105	-24%	283	-72%	1,319	1,845	-29%
Tucson	313	194	61%	897	-65%	4,774	4,895	-2%
Tractors	2,990	3,508	-15%	7,590	-61%	30,942	58,947	-48%
Fiat	854	2,003	-57%	3,201	-73%	12,320	23,942	-49%
Massey Ferguson	2,136	1,505	42%	4,389	-51%	18,622	35,005	-47%

Source: PAMA, Insight Research

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TP	Target Price	DCF	Discounted Cash Flows	FCF	Free Cash Flows
FCFE	Free Cash Flows to Equity	FCFF	Free Cash Flows to Firm	DDM	Dividend Discount Model
SOTP	Sum of the Parts	P/E	Price to Earnings ratio	P/Bv	Price to Book ratio
P/S	Price to Sales	EVA	Economic Valued Added	BVPS	Book Value per Share
EPS	Earnings per Share	DPS	Dividend per Share	DY	Dividend Yield
ROE	Return on Equity	ROA	Return on Assets	CAGR	Compounded Annual Growth Rate

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