

PAKISTAN AUTOS

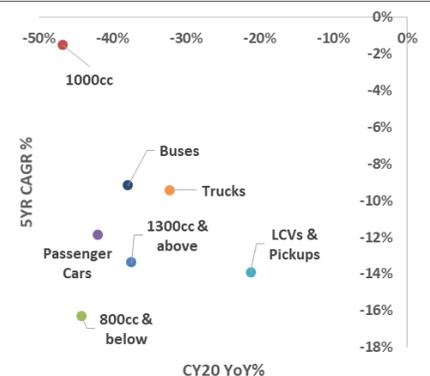
REP-019  
**MARKET VISTA**

**CY20 sales mark an inflection point for demand**

- Dec'20 total industry sales of 12,837 vehicles (+3%MoM/+3%YoY), consisting of 9,807 passenger cars (+2%MoM/-2%YoY), 2,709 LCVs (+3%MoM/+28%YoY), and 270 trucks (+11%MoM/+8%YoY) wrapped up another wild year of drastic operational shifts (brought on by COVID-19) and hastening competitive pressures (where non-reporting of periodic sales figures handicaps reported growth)
- CY20 total industry sales of 116,509 units (-39%YoY) consist of 93,425 passenger vehicles (-42%YoY), 19,701 LCVs (-21%YoY) and 2,910 trucks (-32%YoY), accelerating the down-trend witnessed during the preceding year and marking the single largest decline since CY09, taking annual unit sales back twelve years to CY08-09 levels
- During CY20 PC sales were increasingly reliant on slightly modest slippages in premium segment vehicle market (1,300CC+ segment sales slipped -37%YoY) as opposed to drastic declines in the mid-market 800CC/1,000CC segment (-44/-47%YoY) taking segment-wise sales composition to 46/23/32% for 1300CC+/1000CC/800CC segments vs. 5YR average of 48/20/33%
- Amongst major OEMs, PSMC/INDU/HCAR sold 59,053/40,342/21,910 vehicles during the period, receding -46/-14/-22%YoY, implying annual plant utilization (on stated double shift capacity) of 39/61/44% vs. 73/71/56% for CY19 as the industry dealt with a hampered demand outlook amidst pandemic inflicted production hurdles
- Lessons for CY21 emanate from conducive macros (low borrowing rates, resilient macros keeping PkR depreciation in check) while competitive pressures come to the fore (propelled by sunset on AIDP tariff incentives) already showcased by crumbling 'new model effect' sales bump for the recently launched Yaris

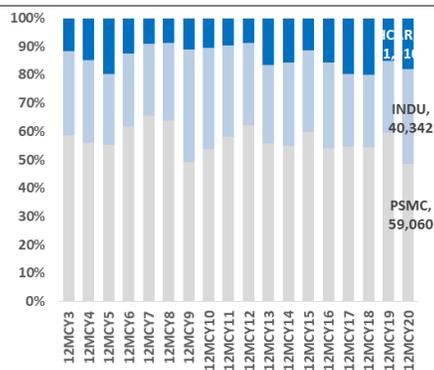
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All vehicle segments showing systemic declines

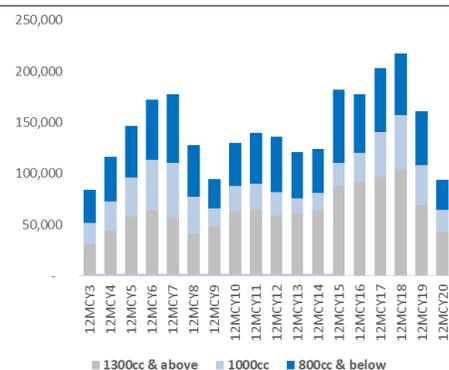


Source: PAMA & AKD Research

Top 3 OEM sales share mix over CY03-20....

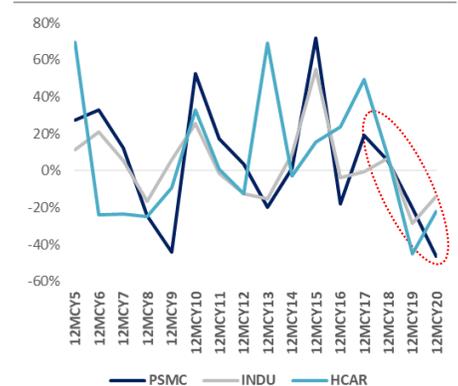


...segment-wise PC sales split over the same period



Source: PAMA & AKD Research

Sales decline reversing for INDU & HCAR



Source: PAMA & AKD Research

**PSMC:** Selling 7,594 units (+12%MoM/-13%YoY) for the outgoing month, PSMC's cumulative CY20 sales showcased significant slippages amongst the top three OEMs (-46%YoY vs. PC sales slip of 42%YoY), particularly from low-mid segment variants and LCV sales lagging. The much needed December sales uptick was mainly due to concessionary financing facilities and associated discounts offered in collaboration with PSMC lifting sales for all variants covered by the schemes (Cultus/Wagon R/Bolan/Ravi sales up 27%/7%/8%/9%MoM). Total cumulative CY20 sales cratered to 59,060 units (-46% YoY) continuing the decline witnessed during CY19.

**INDU:** For Dec'20, sales clocked at 4,001 units (-19%MoM/+72%YoY), where the launch of Yaris variant has pulled sales higher on cumulative basis. CY20 sales of 40,342 units (down 14%YoY)



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was cushioned from wider industry slowdown by the launch of the Yaris (14,172 units sold) while the flagship Corolla sales slipped 54%YoY. Hilux sales during the year showcased strength, rising 21%YoY while Fortuner sales remained relatively stable (-3%YoY.

**Investment Perspective:** Growth picked pace during the second half of the year, evident in 1HFY21 total industry sales of 70,836 units (+2%YoY) hastened by 54%YoY spike in LCV sales despite moderate decline in PC sales (-5%YoY), while the inclusion of monthly sales figures from Hyundai Nishat have supported and absence of Kia Lucky sales keeps reported growth muffled. Lessons for CY21 emanate from conducive macros (low borrowing rates, resilient macros keeping PKR depreciation in check) while competitive pressures come to the fore (propelled by sunset on AIDP tariff incentives) already.

#### Pakistan Automotive Industry Sales Snapshot

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(Units)	Dec-20	Nov-20	MoM	YoY	12MCY20	12MCY19	YoY
<b>Ind. Perform.</b>							
<b>Total Industry Sales</b>	12,837	12,498	3%	3%	116,509	191,072	-39.0%
Cars	9,807	9,576	2%	-2%	93,425	161,004	-42.0%
LCVs & Pickups	2,709	2,619	3%	28%	19,701	25,012	-21.2%
Trucks	270	243	11%	8%	2,910	4,294	-32.2%
Buses	51	60	-15%	-16%	473	762	-37.9%
Tractors	3,320	3,234	3%	188%	39,195	41,156	-4.8%
<b>Company Wise</b>							
PSMC	7,594	6,803	12%	-13%	59,060	109,858	-46.2%
INDU	4,001	4,942	-19%	72%	40,342	46,943	-14.1%
HCAR	1,764	2,237	-21%	76%	21,910	28,102	-22.0%
MTL	2,975	2,331	28%	196%	27,016	25,136	7.5%
AGTL	345	903	-62%	146%	12,142	15,719	-22.8%
<b>Segment-Wise Sales</b>							
1300cc & above	3,398	3,906	-13%	5%	42,865	68,513	-37.4%
1000cc	2,860	2,398	19%	35%	21,131	39,694	-46.8%
800cc & below	3,549	3,272	8%	-23%	29,436	52,797	-44.2%
Passenger Cars	9,807	9,576	2%	-2%	93,432	161,004	-42.0%
<b>PSMC</b>							
Swift	74	114	-35%	-73%	1,690	3,677	-54.0%
Cultus	1,921	1,517	27%	109%	13,215	18,615	-29.0%
Wagon R	939	881	7%	-22%	7,916	21,079	-62.4%
Mehran	-	-	N/A	-100%	6	16,852	-100.0%
Alto	2,954	2,723	8%	-20%	23,479	23,658	-0.8%
Bolan	595	549	8%	-29%	5,951	12,287	-51.6%
Ravi	1,111	1,019	9%	-35%	6,796	13,690	-50.4%
<b>INDU</b>							
Corolla	1,795	1,704	5%	-14%	18,825	40,512	-53.5%
Yaris	1,440	2,338	-38%	N/A	14,172	-	NA
Fortuner	123	123	0%	62%	1,858	1,908	-2.6%
Hilux	602	602	0%	252%	5,487	4,523	21.3%
<b>HCAR</b>							
Civic & City	2,293	2,293	0%	159%	19,133	24,324	-21.3%
B-RV	417	417	0%	245%	2,777	3,778	-26.5%

Source: PAMA & AKD Research

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Buy	> 14.5% expected total return (Rf: 8.5% + Rp: 6%)
Neutral	> 8.5% to < 14.5% expected total return
Sell	< 8.5% expected total return (Rf: 8.5%)



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