

MASTER CHANGAN MOTORS LIMITED

Analyst:

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RATING DETAILS

RATINGS CATEGORY	Latest Rating		Previous Rating	
	Long-term	Short-term	Long-term	Short-term
ENTITY	A	A1	A-	A2
RATING WATCH/OUTLOOK	Stable		Positive	
RATING ACTION	Upgrade		Maintained	
RATING DATE	April 09, 2026		January 31, 2026	

Shareholding (5% or More)

Master Motor Corporation (Pvt.) Ltd. - 69.9%
Changan Automobile Investment (Shenzhen) Corporation Limited - 30.0%

Other Information

Incorporated in 2017
Public Unlisted Company
Chief Executive: Mr. Nadeem Malik
External Auditor: A. F. Ferguson & Co. Chartered Accountants

Applicable Rating Methodology

VIS Entity Rating Criteria Methodology - Corporates Ratings
<https://docs.vis.com.pk/docs/CorporateMethodology.pdf>

Rating Scale

<https://docs.vis.com.pk/docs/VISRatingScales.pdf>

Rating Rationale

The assigned ratings of the Company draw strength from its strong and sponsors profile, comprising Master Motor Corporation (Pvt.) Ltd. of the Master Group (69.9%) and Changan Automobile Investment (Shenzhen) Corporation Limited (30%). The Master Group is a well-established and diversified conglomerate with interests across multiple sectors including automobiles, textiles, chemicals, power, and consumer products, providing financial strength and strategic backing to the Company. The association with Changan Automobile, a leading Chinese state-owned automotive group with a strong global presence, further reinforces the sponsorship profile. Changan maintains a highest possible AAA credit rating from China Lianhe Credit Rating Co., Ltd. (2024-2025), reflecting its strong financial profile. The partnership provides MCML access to technical expertise, product development capabilities, and a broad product portfolio, thereby supporting its competitive positioning in the local automotive market.

MCML has demonstrated strong business growth momentum supported by improved market conditions and enhanced sales & marketing efforts. The Company's financial risk profile remains sound, underpinned by a conservative capital structure, low leverage, and absence of short-term borrowings. Liquidity and cash flow coverage indicators remain strong, supported by healthy internal cash generation. However, the ratings remain constrained by governance considerations, reflecting room for improvement in the overall governance framework. The governance structure can be further strengthened through the induction of independent and female directors, along with the formal establishment of Board committees in line with best corporate governance practices.

Company Profile

Master Changan Motors Limited ('MCML' or 'the Company') was incorporated in 2017 as a public unlisted company. MCML is a joint venture between Master Motor Corporation (Private) Limited (MMCL) and Changan Automobile Investment (Shenzhen) Corporation Limited (Changan) with shareholding of 69.9% and 30.0%, respectively. MCML is engaged in the assembly and progressive manufacturing and sale of pickups, vans, passenger cars and SUVs. The Company's head office and plant are located at Steel Mill, Karachi.

The business model encapsulates import of Completely Knocked Down Units (CKD's) and Completely Build-Up Units (CBU) from Changan International Corporation (CIC) and local assembly of units prior to sale. MCML began commercial production in January 2020, initially concentrating on the pickup/van category before eventually expanding its product line to include passenger cars. The Company launched Deepal BEV (Battery Electric Vehicle) in August 2024 and sold its units on CBU (Completely Built-Up Units) basis. In November 2025, Company introduced new technology i.e Range Extended Electric Vehicle (REEV) under the name of Deepal SO5, Initially, CBU (Completely Built-Up Units) of Deepal SO5 sold locally while local CKD production has been started in January 2026.

Product Portfolio

Changan:

Category	Vehicle Name	Engine Type	Launch
SUV	Oshan X7	ICE	March 2022
Sedan	Alsvin	ICE	January 2021
Van	Karvaan	ICE	October 2020
Pickup (LCV)	Sherpa	ICE	October 2018

Deepal:

Category	Vehicle Name	Engine Type	Launch
Crossover	SO5	REEV	November 2025
Crossover	SO7	BEV	August 2024
Sedan (non-conventional)	LO7	BEV	August 2024

Avatr:

Category	Vehicle Name	Engine Type	Launch
Crossover – BEV	Avatr (CBU)	BEV-High-end	December 2025

Management and Governance

SHAREHOLDING

The major shareholding of 69.9% is vested with Master group's company, Master Motor Corporation (Pvt.) Ltd. Master Group is a diversified business group with presence in mattresses & upholstery, home fashion, textile, chemical, power, automobile and auto part sectors. Diversified businesses of the sponsor also provide financial strength to MCML.

Changan Automobile Investment (Shenzhen) Corporation Limited holds the remaining 30%. The Company is a wholly-owned and controlled investment arm subsidiary of a Changan Group. Changan is a Chinese state-owned enterprise with a strong competitive position in the auto sector, being one of the leading brands in China. The group operates in more than 60 countries and has more than 150,000 professional team members globally. It operates joint ventures with Ford (Changan Ford), Groupe PSA (Changan PSA), Mazda (Changan Mazda) and Suzuki (Changan Suzuki). Changan has maintained a highest possible credit rating of AAA from from China Lianhe Credit Rating Co., Ltd. as of their most recent comprehensive assessments in 2024 and 2025. The association with Changan as JV partners provides MCML access to technical knowledge as well as broad product line.

BOD's, COMMITTEES & MANAGEMENT TEAM

The Board comprises three directors, including two representatives from the Master Group, one of whom serves as the CEO, and one nominee director from Changan Automobile, who also holds the position of Deputy CEO of the Company. There is currently no independent director

or female representation on the Board. The induction of independent and female directors, along with the establishment of Board committees, is recommended to strengthen the governance structure.

IT INFRASTRUCTURE

MCML currently operates on an Oracle ERP system, which is fully integrated across all key functions. In line with its digital transformation agenda, the Company is in the implementation phase of SAP S/4HANA Cloud (GROW with SAP) to further enhance operational efficiency and system capabilities. The new system encompasses 11 modules covering major business functions, while payroll operations are being managed through SAP SuccessFactors.

Business Risk

INDUSTRY UPDATE

The Pakistani automotive landscape is undergoing a structural transformation characterized by intensified competition and a shift in consumer preferences. Historically dominated by three Japanese manufacturers, namely Pak Suzuki Motors, Indus Motor Company Limited and Honda Atlas Cars (Pakistan) Limited; the market has expanded into a more fragmented sector with the successful establishment of Korean brands, Kia and Hyundai, alongside a growing cohort of tech-forward Chinese entrants. This competition is most pronounced in the crossover and SUV segments, where new players have challenged traditional dominance by introducing feature-rich, high-tech vehicles. Conversely, the sedan and hatchback segments continue to be a stronghold for Japanese manufacturers, who leverage deep-rooted localized supply chains and brand equity.

The competitive evolution coincides with a critical structural transition as the Automotive Industry Development and Export Policy (AIDEP 2021-26) expires in June 2026. This transition is expected to conclude the current phase of localized incentives, facilitating a shift toward a more liberalized framework under the forthcoming AIDEP 2026-31. The updated policy is expected to pivot from traditional Internal Combustion Engine (ICE) vehicles towards a diversified "New Energy Vehicle" (NEV) portfolio, encompassing pure Electric Vehicles (EVs), Plug-in Hybrids (PHEVs) with a minimum 50 km electric range and Hydrogen-based propulsion.

It is expected that sales tax for conventional ICE vehicles is expected to be maintained at the elevated rate of 25%, effectively serving as a deterrent for non-hybrid high-emission units. A significant classification is anticipated for Hybrid Electric Vehicles (HEVs), Plug-in Hybrids (PHEVs) with an upward revision in sales tax from the current concessionary rates (8.5% - 12.75%) toward the standard 18%. In contrast, the taxation regime for NEVs is projected to remain subsidized, maintaining a 1% sales tax on locally assembled units and a 1% customs duty on BEV specific components to accelerate adoption.

The import landscape has been fundamentally reshaped by SRO 61(I)/2026, issued in January 2026, which officially abolished the "Personal Baggage" scheme to mitigate speculative market activity. Vehicle imports are currently restricted to the "Gift" and "Transfer of Residence" schemes, both of which now carry a mandatory one-year non-transferability period. While commercial imports of used vehicles up to five years old have been introduced to diversify market supply, they remain subject to a 40% regulatory duty. This duty is scheduled for a graduated phase-down through 2030, contingent upon the industry's progress toward predefined localization benchmarks.

During FY25, the industry exhibited strong volumetric recovery, with total car sales reaching 148,023 units (FY24: 103,829 units), according to the Pakistan Automotive Manufacturers Association (PAMA). While, estimated PAMA plus non-PAMA sales roughly clocked in at 179,197 units (FY24: 118,560 units) in FY25. The recovery was supported by an improving macroeconomic environment and a decline in the central bank's policy rate, which facilitated growth in auto financing, with loans rising to PKR 349 billion at end-FY25 from PKR 295 billion at end-FY24.

Within this sectoral recovery, Master Changan Motors Limited (MCML) has recorded an increase in its market share to 7.6% in FY25, compared to 4.9% in FY24, primarily driven by higher sales of its SUV, Oshan X7, and its van, Karvaan. The Company's average market share for the period FY22-FY24 stood at 5.0%. During the ongoing fiscal year, the market share declined to 4.9% in 1HFY25, in line with FY24 levels, before improving to 6.6% during 8MFY26.

While recent volumetric recovery, reflects improving demand fundamentals, however, the outlook remains sensitive to macroeconomic conditions. Any resurgence in inflationary pressures amid recent geopolitical developments could lead to an upward adjustment in policy rates, potentially dampening auto financing growth and consumer demand.

OPERATIONAL PERFORMANCE

Capacity Utilization	FY24	FY25	1HFY26
Capacity (Units)	7,843	14,290	9,444
Actual Production (Units)	5,148	13,660	8,892
Capacity Utilization	66%	96%	94%

Amid increased demand, supported by improving macroeconomic conditions and a declining interest rate environment along with increased sales & marketing efforts during the review period (FY25 & 1HFY26), the Company enhanced its operational efficiency to achieve higher volumetric sales and cater to growing customer orders. In this regard, MCML reduced its TAKT (*the required production pace to meet customer demand*) time through various process improvements, enabling faster production and increased output. With the launch of Deepal vehicles, the Company has further increased its operating efficiency in 1HFY26.

PROFITABILITY

MCML recorded a notable increase in revenue, growing by 1.2x year-on-year in FY25, primarily supported by higher volumetric sales, which increased by 1.3x over the same period. The SUV segment (Oshan X7), remained the largest contributor, accounting for 44% of total sales (FY24: 51%), followed by the Van (Karvaan), contributing 32% (FY24: 26%). With the introduction of Deepal (REEV & EV) vehicles, product concentration has moderated during the ongoing fiscal year. In 1HFY26, the Company's net sales increased by 58% year-on-year compared to the corresponding period last year.

On the profitability side, the Company witnessed an improvement at the gross level, driven by higher net sales and a favorable shift in product mix during the review period. This upward trend continued into the ongoing fiscal year. However, the overall bottom-line performance remained moderated due to a relatively higher tax burden, which partially diluted the impact of stronger gross profitability.

Going forward, the Company anticipates maintaining its growth trajectory in FY26, supported by improved macroeconomic conditions, including a lower interest rate environment, enhanced sales & marketing initiatives, and additional volumetric contribution from the launch of Deepal vehicles.

Financial Risk

CAPITAL STRUCTURE

By end-FY25, the Company's equity base recorded a significant increase compared to the preceding year, primarily supported by strong profitability. This positive trajectory continued into 1HFY26, with equity further strengthening on the back of sustained earnings generation.

The Company maintains a conservative debt profile, with legacy long-term borrowings continuing to decline in line with scheduled repayments, while no short-term borrowings were recorded on the balance sheet at end-1HFY26. Resultantly, the gearing ratio (debt-to-equity) declined to 0.15x at end-1HFY26 (end-FY25: 0.22x), while on a net debt basis, it further improved to 0.09x (end-FY25: -0.40x). The leverage ratio stood at 1.32x at end-1HFY26, primarily due to higher advances from customers; adjusting for these advances, the leverage ratio stood at 0.81x. Overall, the capitalization structure is considered sound from a ratings perspective. Going forward, in line with the expected launch of new models, MCML plans to undertake an estimated CAPEX of Rs. 6 billion in FY26, which is expected to be funded through internally generated cash.

DEBT COVERAGE & LIQUIDITY

MCML's liquidity profile strengthened in FY25, supported by healthy internal cash generation. Cash and short-term investments increased to Rs. 9.1 billion at end-FY25 (end-FY24: Rs. 4.3 billion), while the current ratio remained at satisfactory levels. The Company's cash conversion cycle stood at 33 days in FY25, unchanged from FY24; however, it increased at end-1HFY26 due to higher inventory levels amid elevated customer advances. Furthermore, the Company's cash flow and debt coverage metrics remained robust.

REGULATORY DISCLOSURES

Appendix II

Name of Rated Entity	Master Changan Motors Limited				
Sector	Automotive Assembler				
Type of Relationship	Solicited				
Purpose of Rating	Entity Ratings				
Rating History	Rating Date	Medium to Long Term	Short Term	Outlook/Rating Watch	Rating Action
	RATING TYPE: ENTITY				
	04/09/2026	A	A1	Upgrade	Stable
	01/31/2025	A-	A2	Positive	Maintained
	01/23/2024	A-	A2	Stable	Reaffirmed
	12/30/2022	A-	A2	Stable	Reaffirmed
	10/29/2021	A-	A2	Stable	Initial
Instrument Structure	N/A				
Statement by the Rating Team	VIS, the analysts involved in the rating process and members of its rating committee do not have any conflict of interest relating to the credit rating(s) mentioned herein. This rating is an opinion on credit quality only and is not a recommendation to buy or sell any securities.				
Probability of Default	VIS' ratings opinions express ordinal ranking of risk, from strongest to weakest, within a universe of credit risk. Ratings are not intended as guarantees of credit quality or as exact measures of the probability that a particular issuer or particular debt issue will default.				
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Due Diligence Meetings Conducted	Name		Designation		Date
	Mr. Muhammad Imran		CFO		March 31, 2026
	Mr. Muhammad Asif		AGM Finance		