

### OVERVIEW OF PAKISTANI AUTOMOBILE INDUSTRY

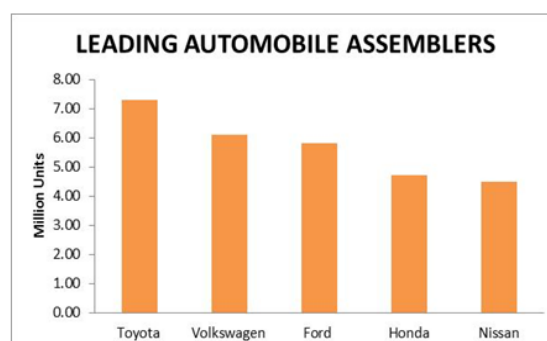
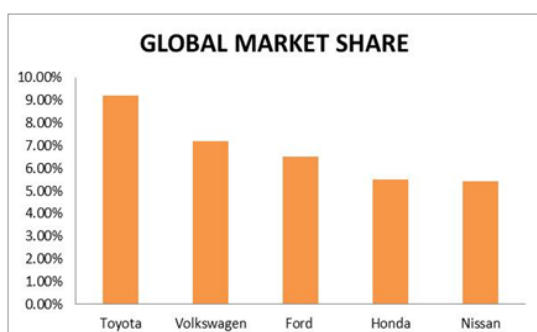
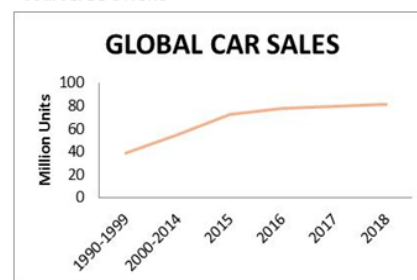
	Segment	Category	Segment Leader
1	Passenger Car	1300-1800cc 1000cc 800cc	Toyota Corolla Suzuki Wagon R Suzuki Mehran
2	LCVs And Pick Ups	LCV Pickups 4x4s	Toyota Hilux Suzuki Ravi Honda BRV
3	Trucks	No further categorization	Isuzu Hinopak Master
4	Tractors	No Further Categorization	Millat Tractors Al Ghazi Tractors Orient
5	Motorcycles	Two Wheelers Three Wheelers	Atlas Honda United Autos Road Prince

## PASSENGER CAR SEGMENT

### GLOBAL OUTLOOK

- Toyota stands out as the global leader in car sales around the world
- Volkswagen, Ford, Honda and Nissan are also in the deck of top 5 global automakers by sales
- Global sales have been recorded at a moderate CAGR of 3% over the last 4 years
- A shift in sales towards the emerging markets has been observed

Source: BBC News



## PASSENGER CAR SEGMENT

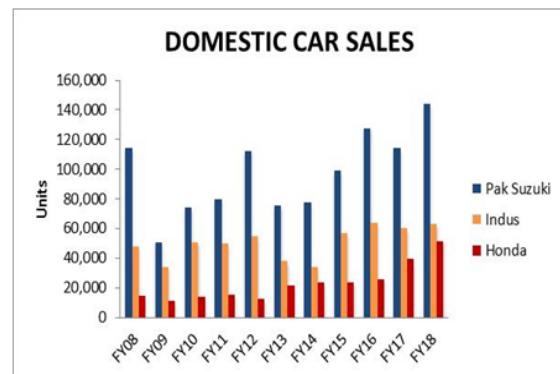
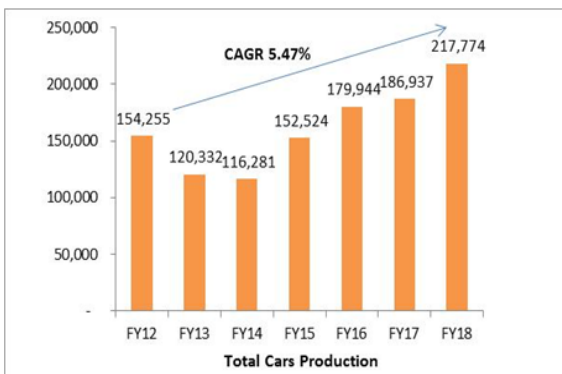
### DOMESTIC OUTLOOK

Source: IMC Annual Reports

- Pak Suzuki is leading the charts in domestic car sales over the last 10 years
- Domestic car production has been recorded at a CAGR of 5.47% over the last 6 years
- However car imports have picked up pace over the last 3 years
- The imports have had a market share of 25-28% over the last 3 years

Fiscal Year	Imports (Units)
FY12	56,000
FY13	55,000
FY14	30,000
FY15	33,000
FY16	54,000
FY17	59,000

Source: PAMA



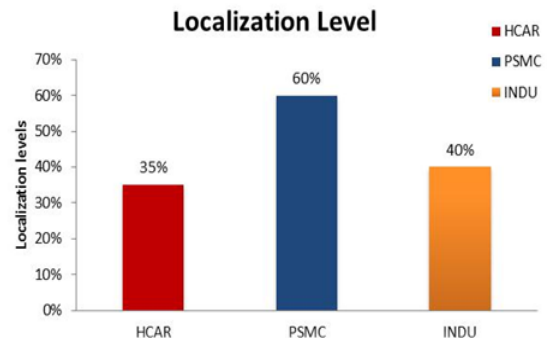
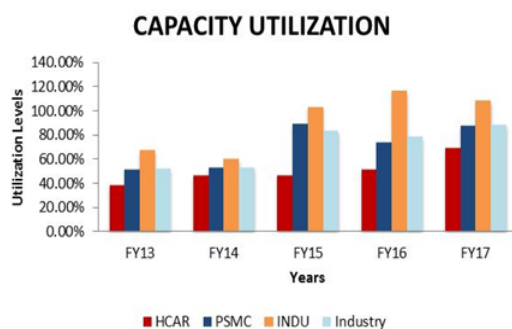
## PASSENGER CAR SEGMENT

### DOMESTIC OUTLOOK

Source: PAMA, Annual Reports

- Pak Suzuki has consistently maintained the top position in the market share of the passenger car segment
- Pak Suzuki is also leading in the localization level of its products
- However Indus Motors has maintained an edge over its competitors in its capacity utilization
- Whereas Pak Suzuki has the largest capacity in the local OEMs segment

Market Shares					
Company	FY13	FY14	FY15	FY16	FY17
HCAR	15.70%	17.50%	13.16%	11.83%	18.38%
PSMC	56.18%	57.37%	55.10%	58.75%	53.51%
INDU	28.05%	25.13%	31.73%	29.42%	28.11%



# PASSENGER CAR SEGMENT

## TOP SELLING DOMESTIC CARS

Toyota Corolla



Honda City/Civic



Suzuki Mehran



Suzuki Wagon R



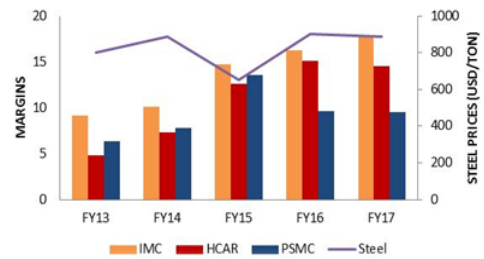
# PASSENGER CAR SEGMENT

## COST STRUCTURE

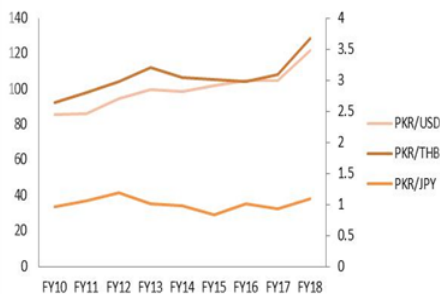
- The major input costs for automobile assemblers are 1) Steel Prices 2) Import Costs
- The local OEMs import major portion of the auto components in order to meet their quality standards
- Honda has the biggest proportion of import purchases of their total cost of sales and is exposed to foreign exchange risk
- OEMs are exposed to the following currencies 1) Yen 2) Thai Baht 3) US Dollar

Source: Bloomberg, Annual Reports

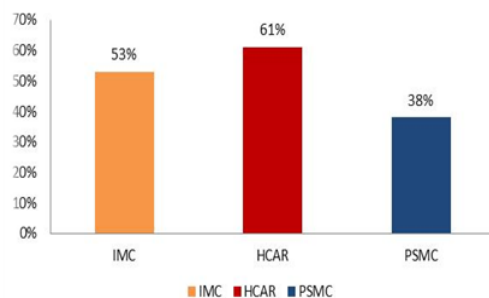
STEEL PRICES VS MARGINS



CURRENCY



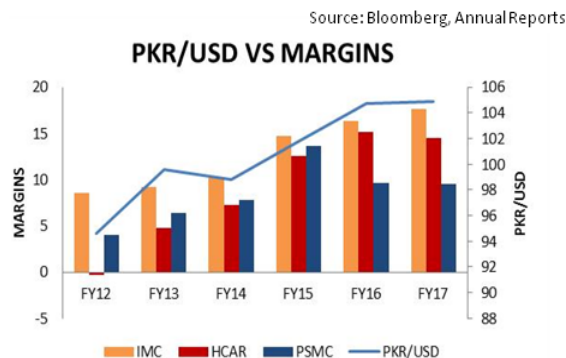
IMPORT PROPORTION OF COST



## PASSENGER CAR SEGMENT

### PRICING POWER

- The industry so far has strong pricing power as any increment in the costs have been passed onto the customer
- There have been 4 price hikes this year only.
- Honda and Indus Motors have tentative prices which are subject to change at the time of the delivery whereas Pak Suzuki has fixed price at the time of booking
- Lower dependence on import purchases tied with higher brand loyalty leads to higher pricing power for the player



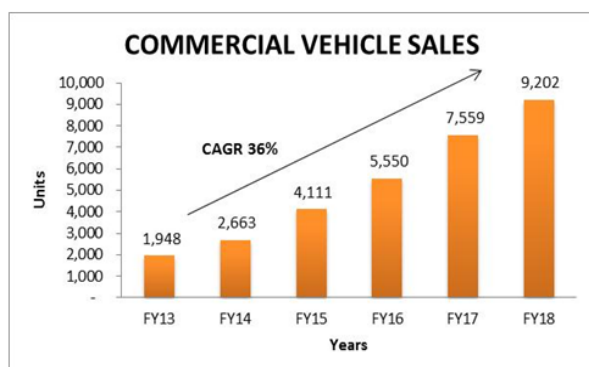
Price Hikes [CY18]	January-February	March-April	June-July	Total Increase	Total% Increase
Suzuki Mehran	742,000	762,000	795,000	53,000	7%
Honda City	1,599,000	1,699,000	1,729,000	130,000	8%
Corolla	1,949,000	2,049,000	2,149,000	200,000	10%

Source: CCP

## COMMERCIAL VEHICLE SEGMENT

### DOMESTIC OUTLOOK

- Hinopak is the market leader in this segment
- Domestic commercial vehicle sales have been recorded at a CAGR of 36% over the last 5 years on the back of better infrastructure development and increased trade activities
- Ghandhara Industries is operating at the highest utilization levels followed by Master and Hinopak
- Hinopak has the highest production capacity in this segment



	FY18		
	Capacity	Production	Utilization
HinoPak	7,800	4,993	64%
Master	5,000	4,650	93%
Isuzu	4,800	4,884	102%

	Market Share						
	FY12	FY13	FY14	FY15	FY16	FY17	FY18
Hinopak	49%	43%	40%	37%	44%	40%	42%
Master	29%	30%	24%	20%	16%	15%	16%
Isuzu	13%	15%	22%	23%	25%	36%	42%

Source: Annual Reports, PAMA

# COMMERCIAL VEHICLE SEGMENT

## TOP SELLING DOMESTIC COMMERCIAL VEHICLES

**HINOPAK**



**MASTER MOTORS**



**Ghandhara**



## AUTO DEVELOPMENT POLICY 2016-21

Particular	Greenfield	Brownfield
Definition	Greenfield Investment is defined as the installation of new and independent automotive assembly and manufacturing facilities by an investor for the production of vehicles of a make not already being assembled/manufactured in Pakistan.	Brownfield Investment is defined as revival of an existing assembly and/or manufacturing facilities, that is non-operational or closed on or before July 01, 2013 and the make is not in production in Pakistan since that date and that the revival is undertaken either independently by original owners or new investors or under JV agreement with foreign principal or by foreign principal independently through purchase of plant.
Plant	Duty free import of plant and machinery for assembly/manufacturing facility on a one time basis.	
Test Models	Import of 100 vehicle of the same variant in CBU form at 50 percent of the prevailing duty for test marketing after ground breaking of the project.	
Custom Duty	10% on non localized parts (30% for current players) 25% on localized parts (45% for current Players)	10% on non localized parts (30% for current players) 25% on localized parts (45% for current players)
Incentive Applicability	5 years for Cars and LCVs	3 years for Cars and LCVs
Trucks, Buses & Prime Movers	Import of all parts at prevailing customs duty applicable to nonlocalised parts for manufacturing of trucks, buses and prime movers for a period of three years	
Motorcycles	The existing policy for Motorcycle industry as approved by the government and notified by FBR vide SRO 939(I)/2013 and SRO 940(I)/2013 shall continue.	



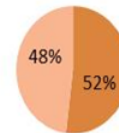
## NEW ENTRANTS (GREENFIELD)

### HYUNDAI – NISHAT MOTORS

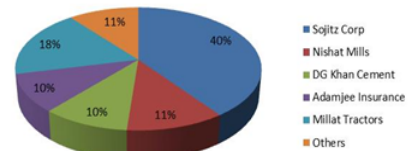
Company Name	Hyundai Nishat Motors Pvt Ltd	
Location	M3 Industrial Area, Faisalabad	
Project Status	Greenfield	
Product Type	PC, SUV & 1 ton CV	
Capacity	Units	2020: 6,500 - 2024: 30,000

#### CAPITAL STRUCTURE

Equity Debt



#### EQUITY BREAKUP



Source: PSX Notice

## NEW ENTRANTS (GREENFIELD)

### HYUNDAI – NISHAT MOTORS PRODUCT LINE UP



VERNA



ELANTRA



TUCSON

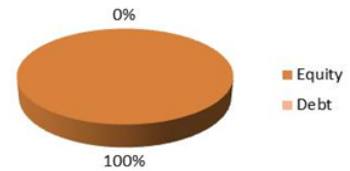


## NEW ENTRANTS (GREENFIELD)

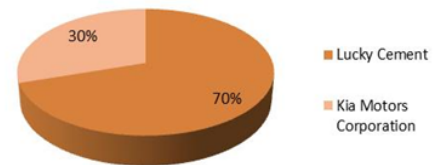
### KIA – LUCKY MOTORS

Company Name	Kia Lucky Motors Pakistan Ltd	
Location	Bin Qasim Industrial Park, Karachi	
Project Status	Greenfield	
Product Type	PC, SUV/MPV & CV	
Capacity	Units	25,000-30,000
COD	4QCY19	

#### CAPITAL STRUCTURE



#### EQUITY BREAK UP



Source: EPA Sindh Report KIA LUCKY Motors

## NEW ENTRANTS (GREENFIELD)

### KIA – LUCKY MOTORS PRODUCT LINE UP

RIO



PICANTO



SPORTAGE



CARNIVAL



## NEW ENTRANTS (GREENFIELD)

### RENAULT & AL FUTTAHIM AUTOMOTIVE

Company Name	Al-Futtahim Automotive Pakistan Pvt Ltd	
Location	M3 Industrial Area, Faisalabad	
Project Status	Greenfield	
Product Type	PC, SUV	
Capacity	Units	50,000
COD	3QCY2020	

#### DUSTER



#### PULSE



Source: Renault Pakistan Website

## NEW ENTRANTS (GREENFIELD)

### CHINESE ENTRANTS

Source: Dawn, Pakistan Today

	REGAL AUTOMOBILE INDUSTRIES	SAZGAAR ENGINEERING	UNITED MOTORS	KHALID MUSHTAQ MOTORS	MASTER MOTORS	
Location	Lahore	Lahore	Lahore	Nooriabad, Sindh	Port Qasim, Karachi	
Project Status	Greenfield	Greenfield	Greenfield	Greenfield	Greenfield	
Product Type	LCV/ MINI VANS	PC/LCV	PC/LCV	LCV/VANS	VAN/PICK UP/SUVs	
Capacity	Units	10,000	24,000	N/A	1,200	30,000
COD	2QCY19	2QCY19	3QCY18	1QCY19	3QCY19	
Technical Collaboration	China DFSK group	Beijing Automotive Industry Holding	Luoyang Dahe New Energy Vehicle Co., Ltd	KYC (Changan Group)	Changan Automobile Co	



## NEW ENTRANTS (BROWNFIELD)

### Deewan Motors & Ghandhara

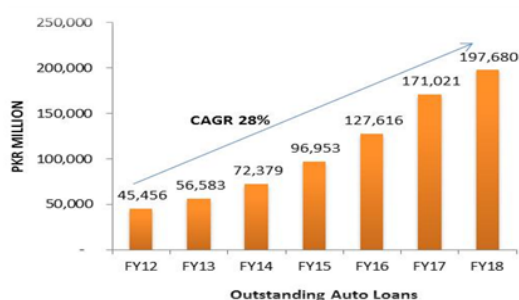
Source: Dawn

	Daehan Deewan Motor	Ghandhara Nissan
Location	Sajawal, Sindh	Karachi
Project Status	Brownfield	Brownfield
Product Type	LCV/SUVs	Small PC
Capacity	Units	Units
	20,000	32,000
COD	FY19	4QCY19
Technical Collaboration	Kolao & Ssangyong Group	Nissan Motor Company

## FUTURE OUTLOOK

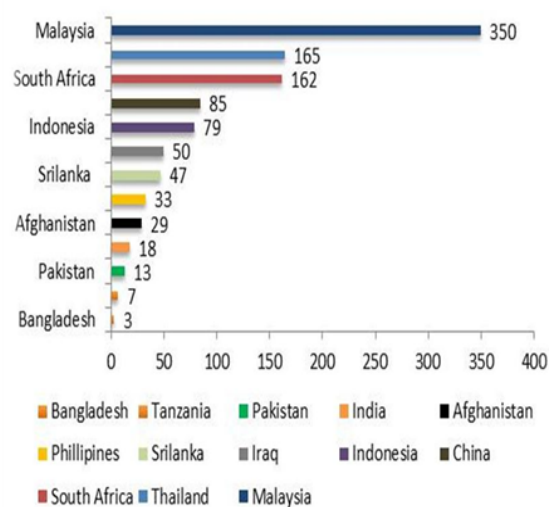
### LOW MOTORIZATION DRIVES FOR MORE GROWTH..

- Low car penetration and acceleration in auto loans depict immense potential for growth
- Car penetration in Pakistan is one of the lowest in the region lagging behind India which has a population base 6.5x Pakistan's population
- Auto loans have registered a CAGR of 28% over the last 6 years depicting strong demand for vehicles.



Source: SBP

### Number Of Cars Per 1000 People



Source: Economist, IMS securities

## FUTURE OUTLOOK

### ADP DEPICTS ROOM FOR FURTHER UPSIDE...

- ADP II depicts a further 35% increase in overall auto production
- ADP II has attracted an overall expansion of 175,000 units to the industry
- Significant share of imports envisages further room for local car penetration
- Despite an economic slowdown, car sales registered 21% growth YoY in FY18

	Actual Production	ADP II Forecast (FY21)	Expected Growth
Cars/Vans/Jeeps	231,138	350,000	118,862
LCVs	29,055	79,000	49,945
Trucks	9,187	12,000	2,813
Buses	784	2,200	1,416
Tractors	71,874	88,000	16,126
Motorcycles	1,897,623	2,500,000	602,377

Source: ADP II, PAMA

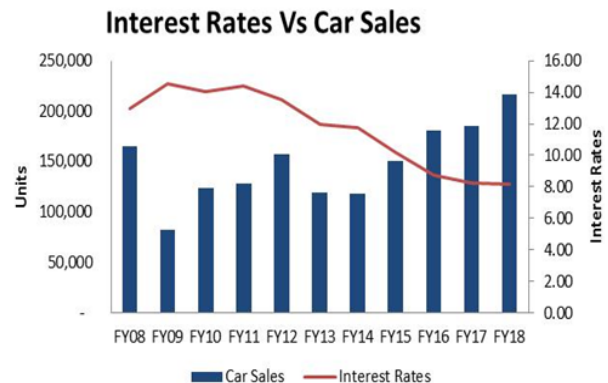
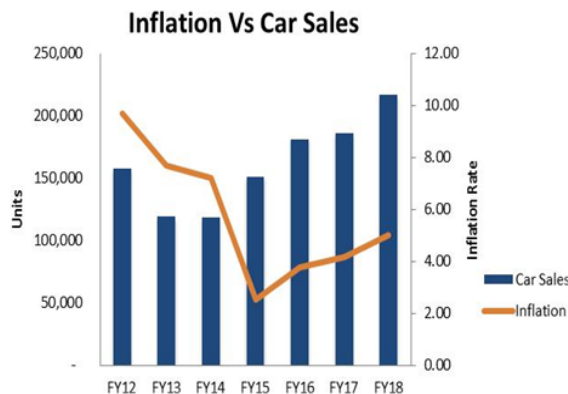
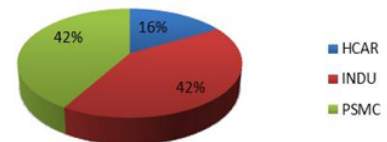
## FUTURE OUTLOOK

### ...DOWNSIDE RISK STILL REMAINS

- Slowdown in demand due to regulatory ban on non-filers
- Rising interest rates
- Price hikes in anticipation of devaluation of PKR
- Rising inflation

Source: World Bank, BIPL Securities

### Portion Of Sales Mix From Non-Filers



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