

PAKISTAN AUTOS

REP-019

MARKET VISTA

FY25 marks a turnaround for auto sales after two-year slump

- In FY25, the auto sector witnessed a strong rebound as sales surged on the back of a broad-based demand recovery. Total industry sales rose by 20%YoY, reaching 182,452 units, marking a significant turnaround from the previous year's muted performance.
- INDU reported total sales of 33,393 units, marking a 61%YoY increase. Alongside, HCAR sales were reported at 18,296 units in FY25, marking 38%YoY increase.
- Total industry sales reached 25,305 units in Jun'25, marking a 43%YoY increase compared to SPLY. Major improvement in volumes were witnessed by Passenger cars marking an increase of 74%YoY.
- We anticipate a 22%/20%YoY growth in the auto sector for FY26 and FY27, respectively. Our top pick remains 'INDU' with Dec'25 TP of Pkr3,350/sh.

Selective discounts and declining financing cost surge auto sales during FY25: In FY25, the auto sector witnessed a strong rebound as sales surged on the back of a broad-based demand recovery. Total industry sales rose by 20%YoY, reaching 182,452 units, marking a significant turnaround from the previous year's muted performance. The said increase was driven by 43%YoY increase in Passenger car & LCV sales to 148,028 units, highest in three years. We attribute this increase to two primary factors: discounts on selective variants from OEMs, along with zero-interest installment plans and decrease in financing rates during the year. Moreover, trucks sales also surged by 103%YoY to 4,444 units during FY25 due to increased demand post axle load implementation by the government. However, tractor sales remained subdued with a decline of 36%YoY to 29,192 units due to weak farm economics during the year, alongside, contained sales as farmers await another subsidy scheme.

Total industry sales during Jun'25 witnessed a growth of 43%YoY due to customer ramping up their buying to avoid higher taxes, primarily driven by a 92%YoY growth in PSMC sales amid removal of concessionary sales tax in the Finance bill, on vehicles with engine capacities below 800cc. Moreover, sales of higher engine capacities also picked up due to adoption of NEV levy tax of 1-3%.

INDU and HCAR sales rebound in FY25: INDU reported total sales of 33,393 units, an increase of 61%YoY during FY25. Wherein, the increase is primarily attributable to higher Corolla, Yaris & Cross sales amid inclusion of Cross sales during full year and Yaris facelift launch, which increased by 55%YoY, clocking in at 25,212 units. Additionally, sales of Fortuner & IMVs were reported at 8,181 units, up by 83%YoY

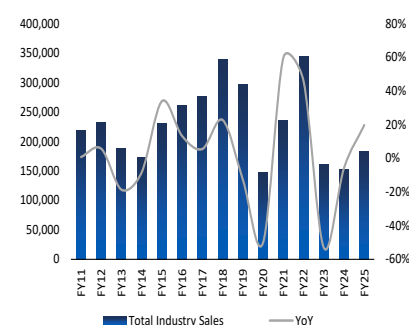
HCAR reported total sales of 18,296 units in FY25, marking an increase of 38%YoY. On a product wise basis, Civic & City experienced increase in sales, clocking in at 16,614 units (up 44%YoY). However, BR-V & HR-V sales totaled to 1,682 units, down 2%YoY.

Economical segment continues to witness growth: PSMC reported total volumes of 72,685 units, reflecting 34%YoY increase. The rise is primarily due to improved sales volumes of Swift and Alto, increasing 64%/29%YoY, respectively. Additionally, the inclusion of 'Every' sales, totaling 3,390 units, contributed to the company's improved overall sales.

Investment Perspective: We anticipate a 22%/20%YoY growth in the auto sector for FY26 and FY27, respectively due to; i) falling financing rates, and ii) improving macroeconomic indicators. INDU stands out as our recommended pick with Dec'25 target price of Pkr3,350/sh.

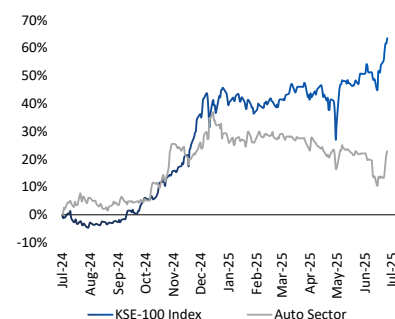
Osama Naeem
osama.naeem@akdsl.com
111-253-111 Ext: 602

Industry sales (annual trend)



Source: PAMA & AKD Research

KSE100 Index vs. Autos Sector



Source: PSX & AKD Research

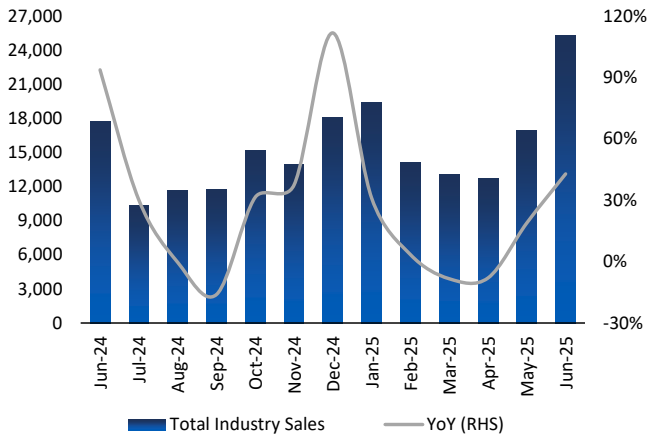


AKD Securities Limited

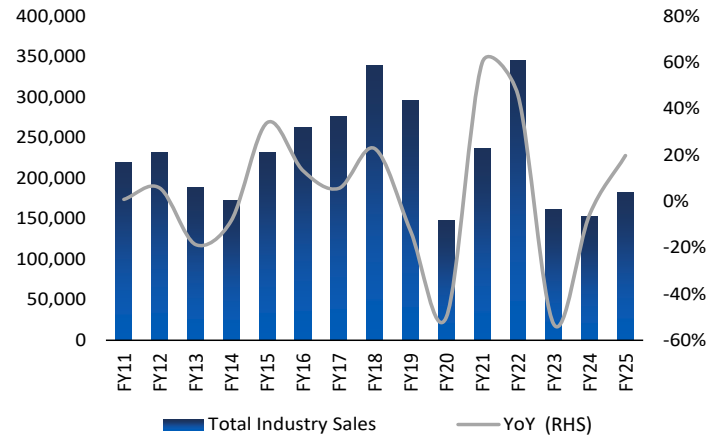


Passenger & LCVs sales drive industry growth to 20% during FY25

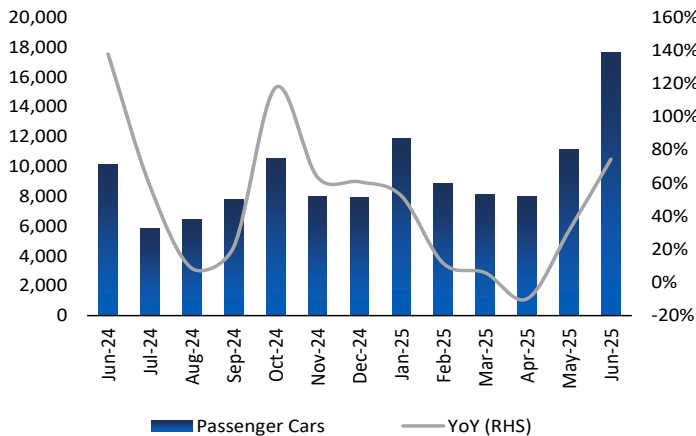
Sales surge in Jun'25 amid removal of concessionary sales tax (units)



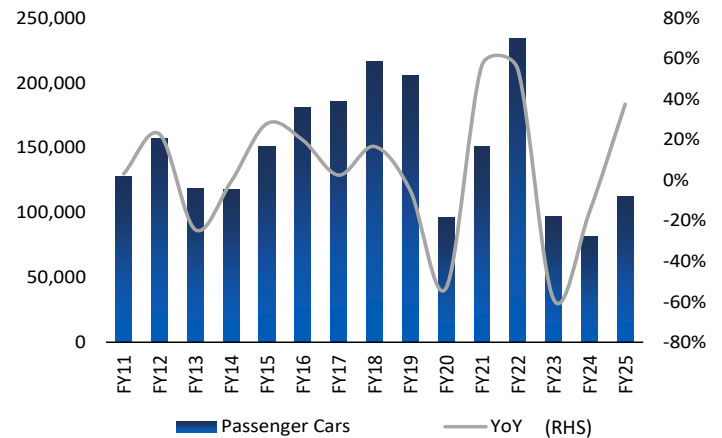
FY25 witness a rebound after two-years of sales slump (units)



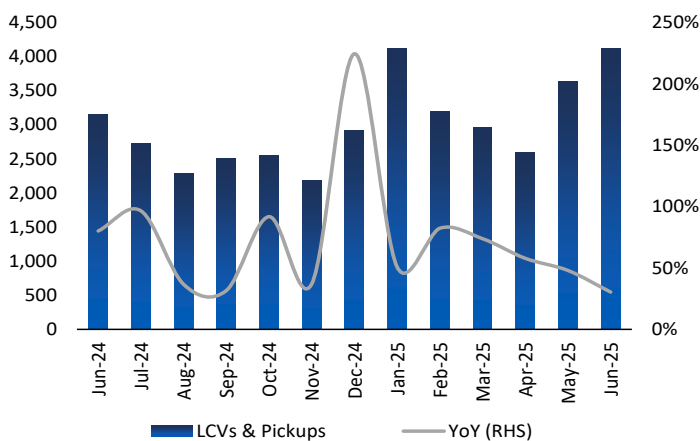
Economical segment drive growth during Jun'25



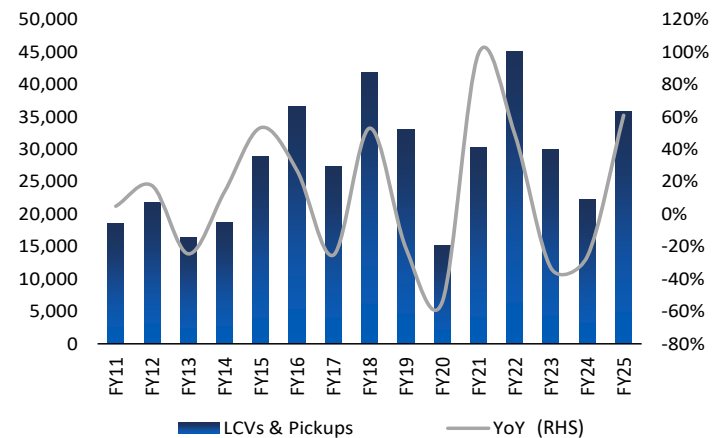
with cars below 800cc growing 163%YoY during FY25



LCVs & Pickups sales surge 30%YoY during Jun'25



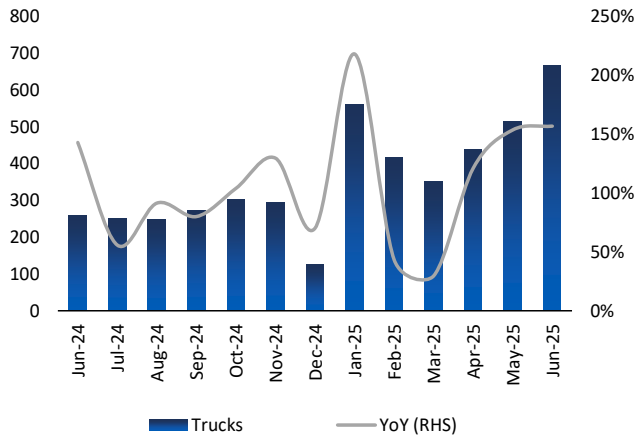
...subsequently witnessing a 61%YoY surge during FY25



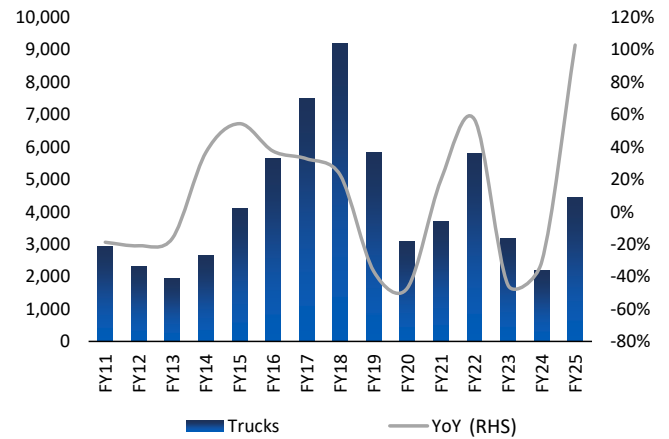


Passenger & LCVs sales continue to surge

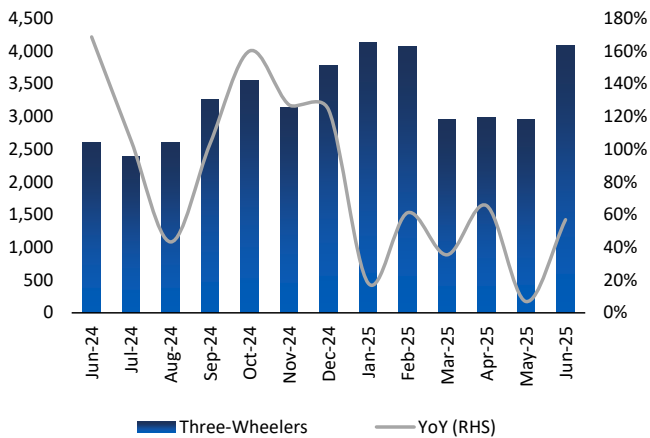
Highest truck sales in 84-months during Jun'25



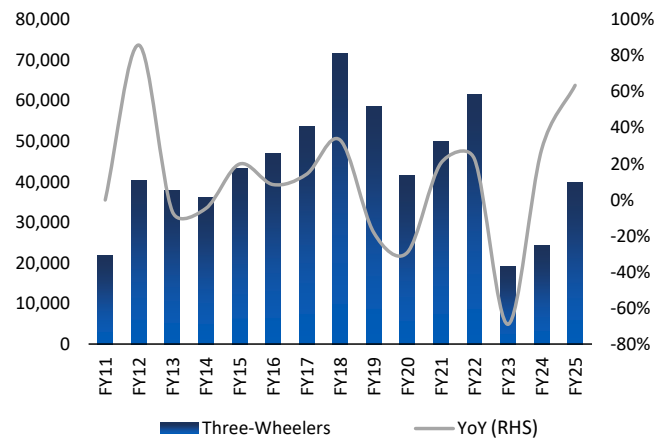
...witnessing a rebound in FY25 amid axle load implementation



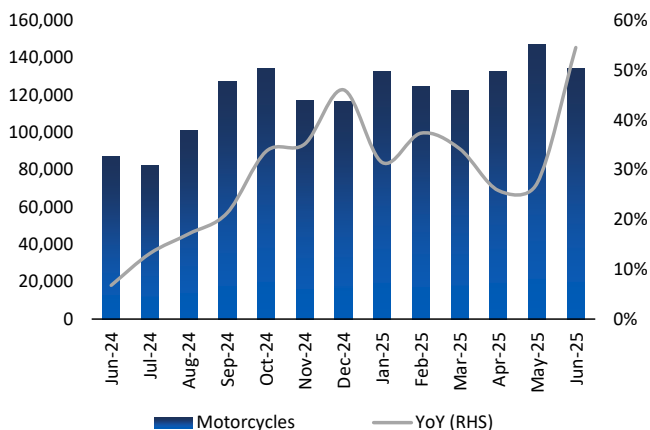
Three-Wheeler sales end the year on a strong note...



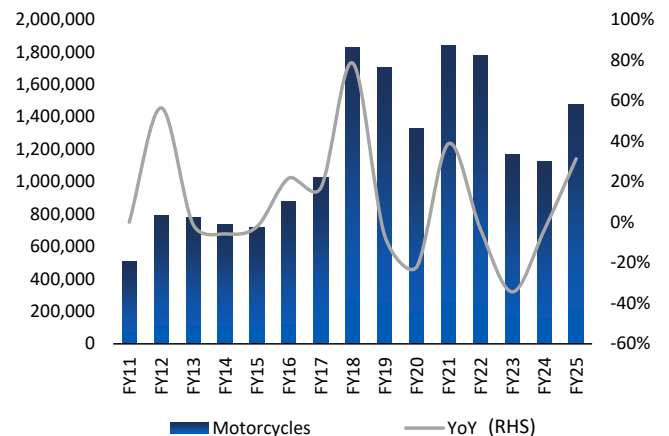
...posting a strong recovery during FY25



Motorcycle sales witness a decline during Jun'25..



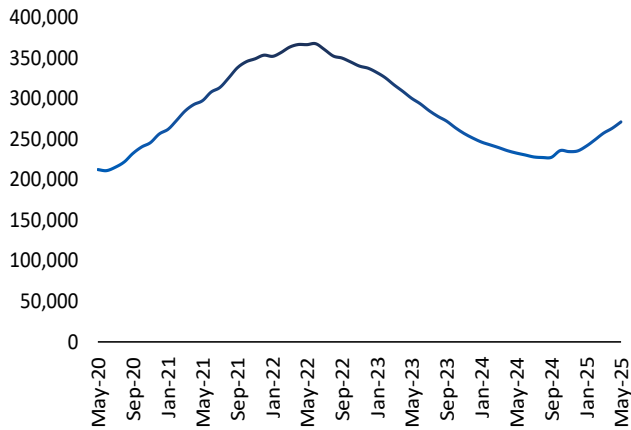
...however, posting growth after two-years in FY25



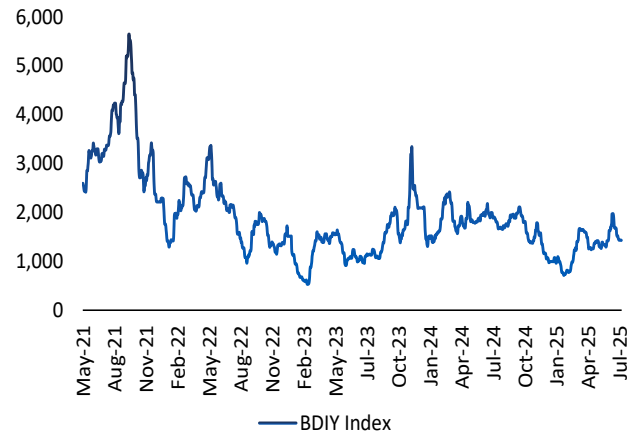


Stable currency to keep car prices in check

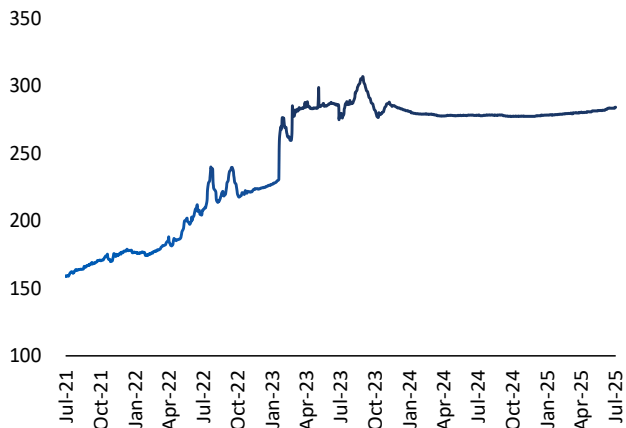
Auto financing continues to increase (PkRmn)



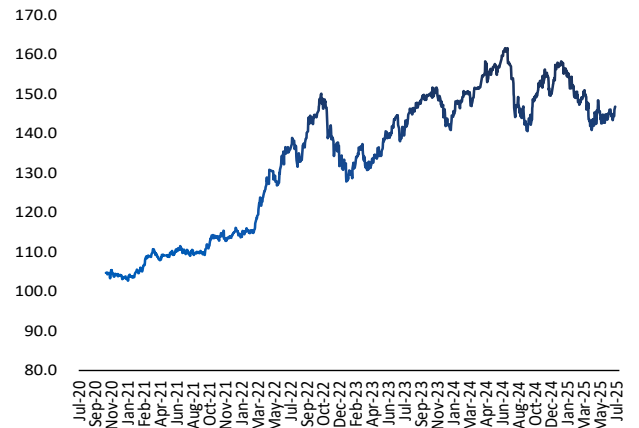
Cargo prices on a steady decline amid easing geopolitical tensions



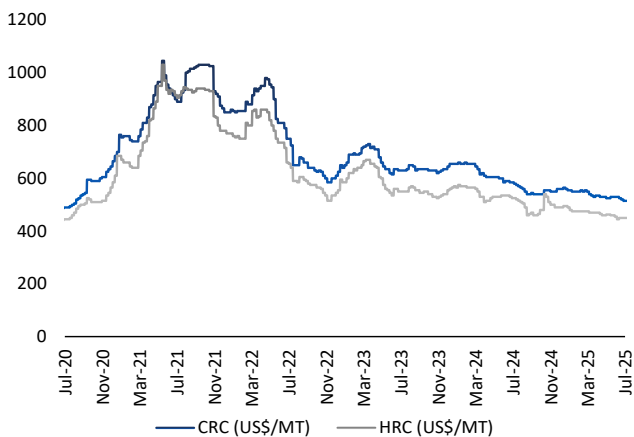
Stable currency to support steady car prices (US\$/Pkr)...



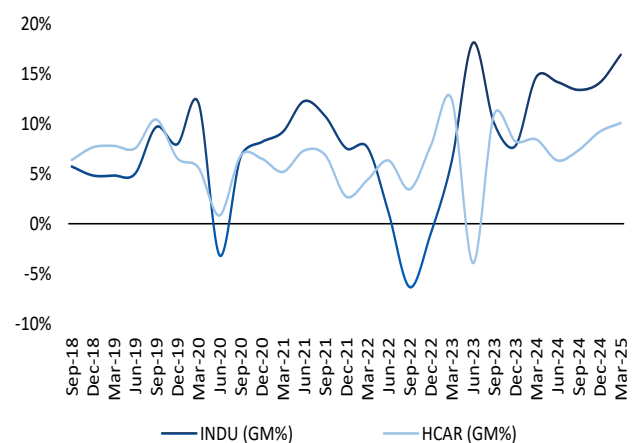
...lower exposure to JPY to keep car prices in check (US\$/JPY)



Falling CRC/HRC boosted OEM margins



Eased international steel prices to further support OEM margins

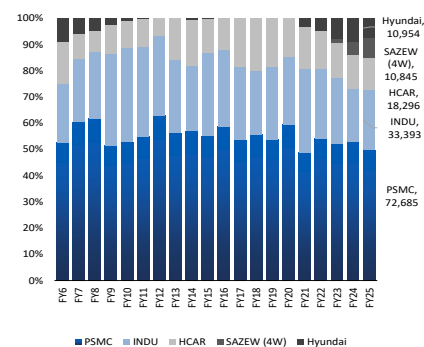


Pakistan Automotive Industry Sales Snapshot Jun'25

(Units)	Jun-25	Jun-24	YoY	May-25	MoM	FY25	FY24	YoY
Ind. Perform.								
Total Industry Sales	25,305	17,717	43%	16,965	49%	182,452	152,383	20%
Passenger Cars + LCV	21,777	13,284	64%	14,786	47%	148,028	103,828	43%
Passenger Cars	17,663	10,128	74%	11,143	59%	112,207	81,579	38%
LCVs & Pickups	4,114	3,156	30%	3,643	13%	35,821	22,249	61%
Trucks	668	260	157%	515	30%	4,444	2,191	103%
Buses	69	39	77%	95	-27%	788	453	74%
Tractors	2,791	4,134	-32%	1,569	78%	29,192	45,911	-36%
Company-Wise								
PSMC	13,217	6,885	92%	5,519	139%	72,685	54,428	34%
INDU	3,687	2,957	25%	4,829	-24%	33,393	20,772	61%
HCAR	1,808	1,095	65%	2,005	-10%	18,296	13,214	38%
DFML	92	0	-	90	2%	541	0	-
SAZEW (4W)	1,349	871	55%	919	47%	10,845	5,374	102%
Hyundai	1,457	1,364	7%	1,307	11%	10,954	9,160	20%
MTL	2,249	2,718	-17%	954	136%	18,580	30,620	-39%
AGTL	542	1,416	-62%	615	-12%	10,612	15,291	-31%
Segment-Wise								
1000cc & above	6,775	4,522	50%	6,778	0%	53,922	35,449	52%
800-1000cc	676	898	-25%	476	42%	5,071	7,473	-32%
800cc & below	10,178	4,708	116%	3,865	163%	53,024	38,657	37%
2-Wheels	134,426	86,955	55%	147,216	-9%	1,473,311	1,122,019	31%
3-Wheels	4,083	2,601	57%	2,959	38%	39,921	24,389	64%
PSMC								
Swift	1,784	939	90%	792	125%	9,138	5,567	64%
Cultus	523	526	-1%	252	108%	2,905	3,878	-25%
Wagon R	153	372	-59%	224	-32%	2,166	3,595	-40%
Alto	9,497	4,352	118%	3,409	179%	46,466	35,883	29%
Bolan	0	356	-100%	0	n.m	3,168	2,774	14%
Ravi	579	340	70%	386	50%	5,452	2,731	100%
Every	681	0	n.m	456	49%	3,390	0	n.m
INDU								
Corolla, Cross & Yaris	2,902	2,293	27%	3,814	-24%	25,212	16,307	55%
Fortuner & IMVs	785	664	18%	1,015	-23%	8,181	4,465	83%
HCAR								
Civic & City	1,710	982	74%	1,870	-9%	16,614	11,501	44%
BR-V & HR-V	98	113	-13%	135	-27%	1,682	1,713	-2%
SAZEW								
4 Wheel	1349	871	55%	919	47%	10,845	5,374	102%
3 Wheel	2,435	1,818	34%	1,865	31%	25,786	15,014	72%
DFML								
Shehzore	62	0	-	66	-6%	355	-	-
Honri	30	0	-	24	25%	186	-	-

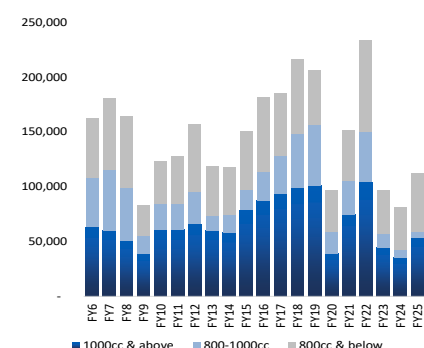
Source: PAMA & AKD Research

OEMs market share in FY25



Source: PAMA & AKD Research

Segment Wise (annual trend)



Source: PAMA & AKD Research

Disclosure Section

Neither the information nor any opinion expressed herein constitutes an offer or a solicitation of an offer to transact in any securities or other financial instrument and is for the personal information of the recipient containing general information only. AKD Securities Limited (hereinafter referred as AKDS) is not soliciting any action based upon it. This report is not intended to provide personal investment advice nor does it provide individually tailored investment advice. This report does not take into account the specific investment objectives, financial situation/financial circumstances and the particular needs of any specific person. Investors should seek financial advice regarding the appropriateness of investing in financial instruments and implementing investment strategies discussed or recommended in this report and should understand that statements regarding future prospects may not be realized. AKDS recommends that investors independently evaluate particular investments and strategies and it encourages investors to seek the advice of a financial advisor.

The appropriateness of a particular investment or strategy will depend on an investor's individual circumstances and objectives. The securities or strategies discussed in this report may not be suitable for all investors, and certain investors may not be eligible to purchase or participate in some or all of them.

Reports prepared by AKDS research personnel are based on public information. AKDS makes every effort to use reliable, comprehensive information, but we make no representation that it is accurate or complete. Facts and views presented in this report have not been reviewed by and may not reflect information known to professionals in other business areas of AKDS including investment banking personnel. AKDS has established information barriers between certain business groups maintaining complete independence of this research report.

This report has been prepared independently of any issuer of securities mentioned herein and not in connection with any proposed offering of securities or as agent of any issuer of any securities. Neither AKDS, nor any of its affiliates or their research analysts have any authority whatsoever to make any representation or warranty on behalf of the issuer(s). AKDS Research Policy prohibits research personnel from disclosing a recommendation, investment rating, or investment thesis for review by an issuer prior to the publication of a research report containing such rating, recommendation or investment thesis.

We have taken all reasonable care to ensure that the information contained herein is accurate, up to date, and complies with all prevailing Pakistani legislations. However, no liability can be accepted for any errors or omissions, or for any loss resulting from the use of the information provided as any data and research material provided ahead of an investment decision are for information purposes only. We shall not be liable for any errors in the provision of this information, or for any actions taken in reliance thereon. We reserve the right to amend, alter, or withdraw any of the information contained in these pages at any time and without notice. No liability is accepted for such changes.

Stock Ratings

Investors should carefully read the definitions of all ratings used in each research report. In addition, research reports contain information carrying the analyst's view and investors should carefully read the entire research report and not infer its contents from the rating ascribed by the analyst. In any case, ratings or research should not be used or relied upon as investment advice. An investor's decision to buy, sell or hold a stock should depend on individual circumstances and other considerations. AKDS uses a three tier rating system: i) Buy, ii) Neutral and iii) Sell with total returns (capital upside + dividend yield) benchmarked against the expected one year forward floating (variable) risk free rate (10yr PIB) plus risk premium.

Valuation Methodology

To arrive at our period end target prices, AKDS uses different valuation techniques including:

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

New Rating Definitions

Buy > 15% expected total return

Neutral > 0% to < 15% expected total return

Sell < 0% expected total return

Analyst Certification of Independence

The analysts hereby certify that their views about the companies and their securities discussed in this report are accurately expressed and that they have not received and will not receive direct or indirect compensation in exchange for expressing specific recommendations or views in this report.

The research analysts, strategists or research associates principally having received compensation responsible for the preparation of this AKDS research report based upon various factors including quality of research, investor client feedback, stock picking, competitive factors and firm revenues.

Disclosure of Interest Area

AKDS and the authoring analyst do not have any interest in any companies recommended in this research report irrespective of the fact that AKD Securities Limited may have, within the last three years, served as manager or co-manager of a public offering of securities for, or currently may make a primary market in issues of, any or all of the entities mentioned in this report or may be providing, or have provided within the previous 12 months, significant advice or investment services in relation to the investment concerned or a related investment.

Regional Disclosures (Outside Pakistan)

The information provided in this report and the report itself is not intended for distribution to, or use by, any person or entity in any jurisdiction or country where such distribution or use would be contrary to law or regulation or which would subject AKDS or its affiliates to any registration or licensing requirements within such jurisdiction or country.

Furthermore, all copyrights, patents, intellectual and other property in the information contained in this report are held by AKDS. No rights of any kind are licensed or assigned or shall otherwise pass to persons accessing this information. You may print copies of the report or information contained within herein for your own private non-commercial use only, provided that you do not change any copyright, trade mark or other proprietary notices. All other copying, reproducing, transmitting, distributing or displaying of material in this report (by any means and in whole or in part) is prohibited.

For the United States

Compliance Notice.

This research report prepared by AKD Securities Limited is distributed in the United States to Major US Institutional Investors (as defined in Rule 15a-6 under the Securities Exchange Act of 1934, as amended) only by Decker & Co, LLC, a broker-dealer registered in the US (registered under Section 15 of Securities Exchange Act of 1934, as amended). All responsibility for the distribution of this report by Decker & Co, LLC in the US shall be borne by Decker & Co, LLC. All resulting transactions by a US person or entity should be effected through a registered broker-dealer in the US. This report is not directed at you if AKD Securities Limited or Decker & Co, LLC is prohibited or restricted by any legislation or regulation in any jurisdiction from making it available to you. You should satisfy yourself before reading it that Decker & Co, LLC and AKD Securities Limited are permitted to provide research material concerning investment to you under relevant applicable legislations and regulations.



AKD Securities Limited

602, Continental Trade Centre,
Clifton Block 8, Karachi, Pakistan.
research@akdsl.com