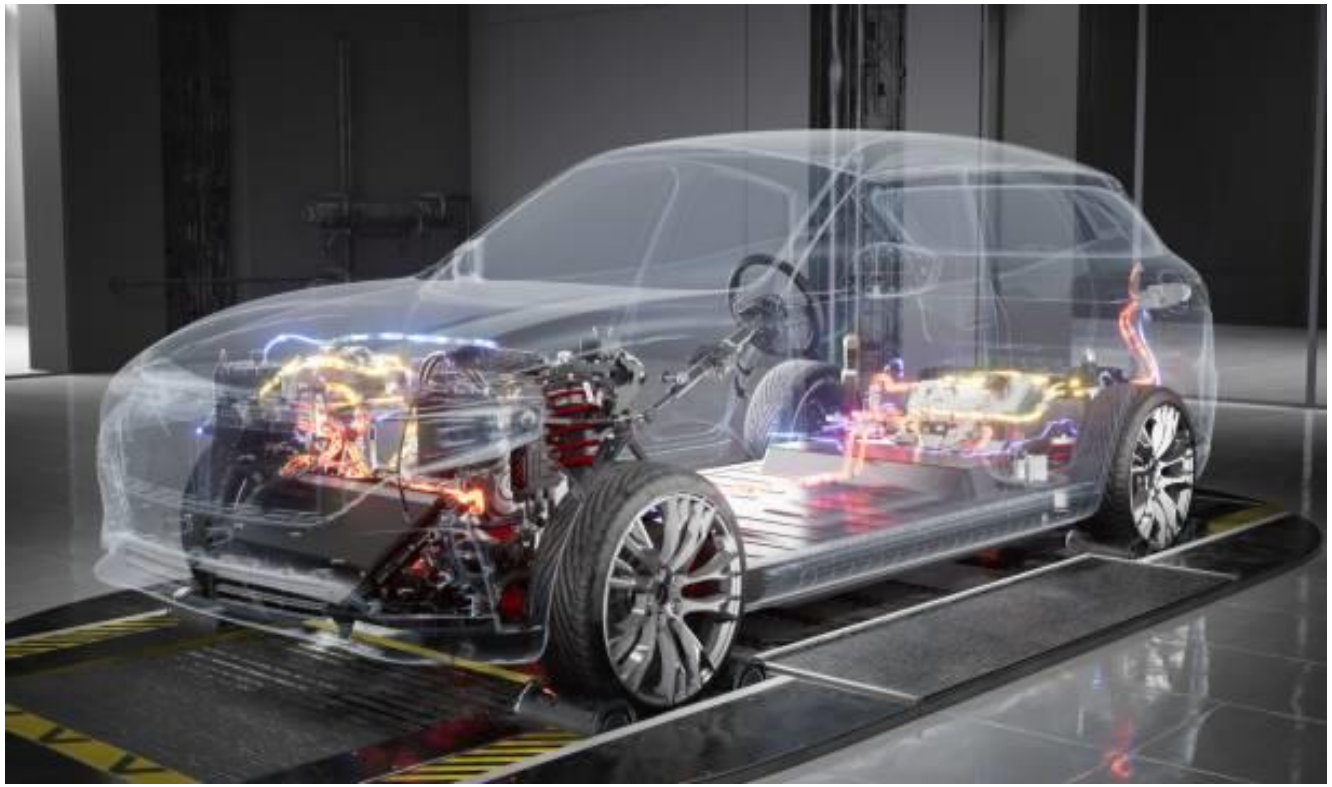
SECTOR STUDY . JUNE 2025

Together. Creating Value.

Passenger Cars



Research Team

Ayesha Wajih | Assistant Manager Research
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Passenger Cars

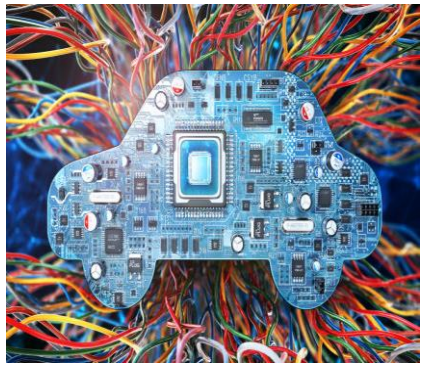
Passenger Cars

Critical Raw Materials | Cars

Steel	On average, each new car requires ~900KG of steel for the chassis, body, roof, door panels, and beams between doors.
Plastics	On average, a new car requires ~150-200KG of plastics. These include Polypropylene (e.g. interior flooring), Polyvinyl Chloride (e.g. dashboards), Polycarbonate (e.g. car bumpers), and Acrylonitrile Butadiene Styrene (e.g. steering wheel covers).
Aluminum	On average, a new car requires ~205KG of metal. It can be utilized to produce engines, transmissions, suspension, wheels, brake components etc.
Rubber	Used for manufacture of tyres, belts, hoses, and seals for car engines. The automotive industry is the largest global consumer of rubber (~75.0% of the global rubber production is utilized to manufacture tyres).
Silica Sand	Serves as a key ingredient in the production of automotive glass, used for making windows and windshields. Also used as filler material and reinforcing agent in the production of tyres.
Semi-conductor Chips	Every vehicle contains at least ~2-3 dozen chips while luxury use more. Neon gas is an essential raw material for chips. These serve functions, including engine temperature and pressure sensor data analysis, among others.





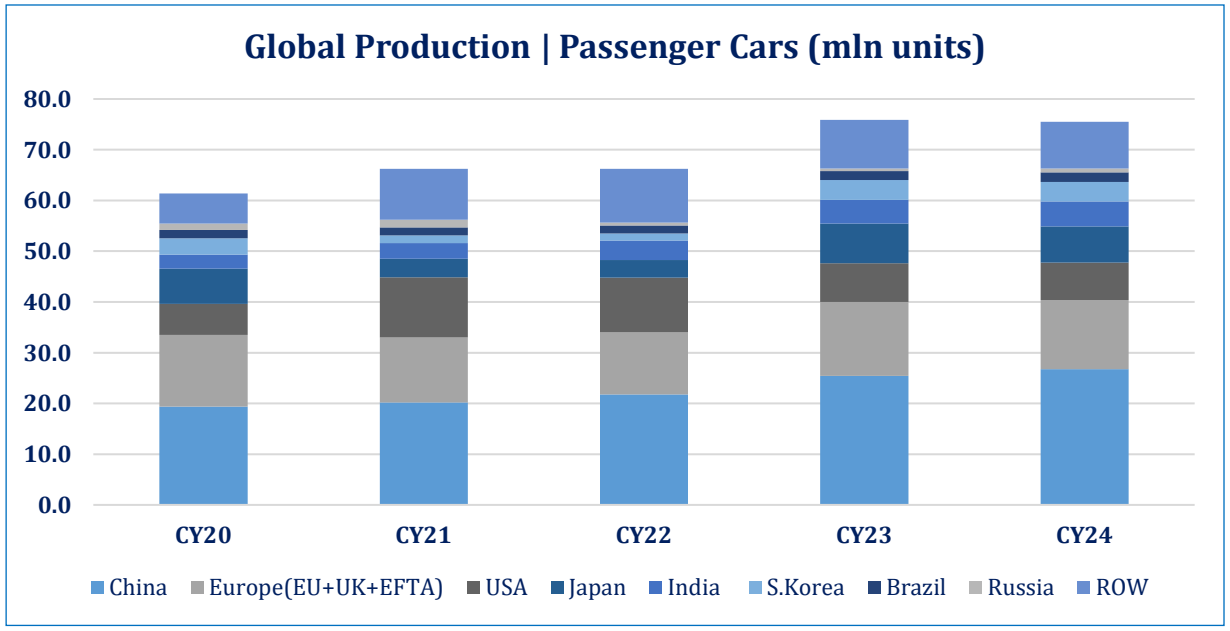



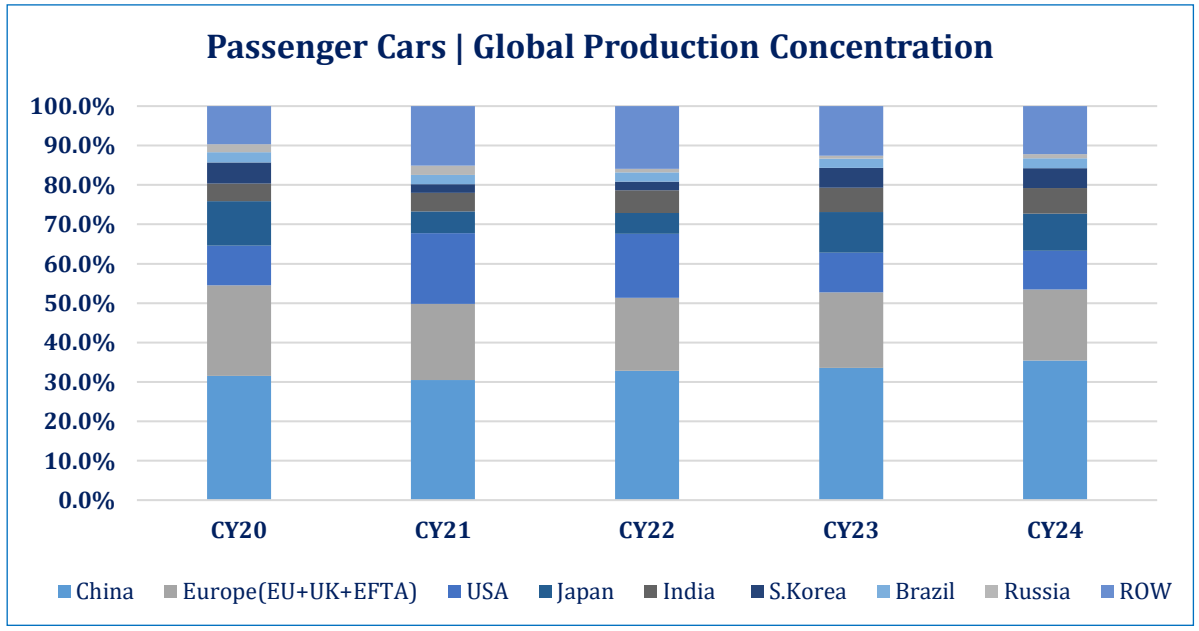
Source: A&C Plastics, Howard Precision Metals, European Aluminum

Passenger Cars

Global | Production

- In CY24, global car manufacturing registered a marginal decline of ~0.5% YoY (CY23: ~14.6% growth) and stood at ~75.5mln units. Production in China remained strong during the year, growing by ~5.2% YoY (CY23: ~16.9%) while the country held a market share of ~35.4% in terms of production (~32.8% during CY20-24). Based on volumetric production, the Chinese market was ~2.0x larger than EU and UK markets combined during the year (SPLY: ~1.8x).
- In Europe, production was down ~6.4% YoY to ~13.6mln units, owing to a supply-demand recalibration after a low-base effect was observed in CY23. The Japanese car market registered a decline of ~8.6% YoY in CY24 to stand at ~7.1mln units, reflecting low export demand from the U.S. which, in turn, was attributed to the U.S. accelerating push for electric vehicles, saturation in the domestic market and testing scandals involving carmakers such as Toyota, Honda and Mazda.
- India, meanwhile, recorded ~4.7% YoY increase to ~4.9mln units on the back of domestic demand and strong export performance, especially in the backdrop of "Made in India" initiative.





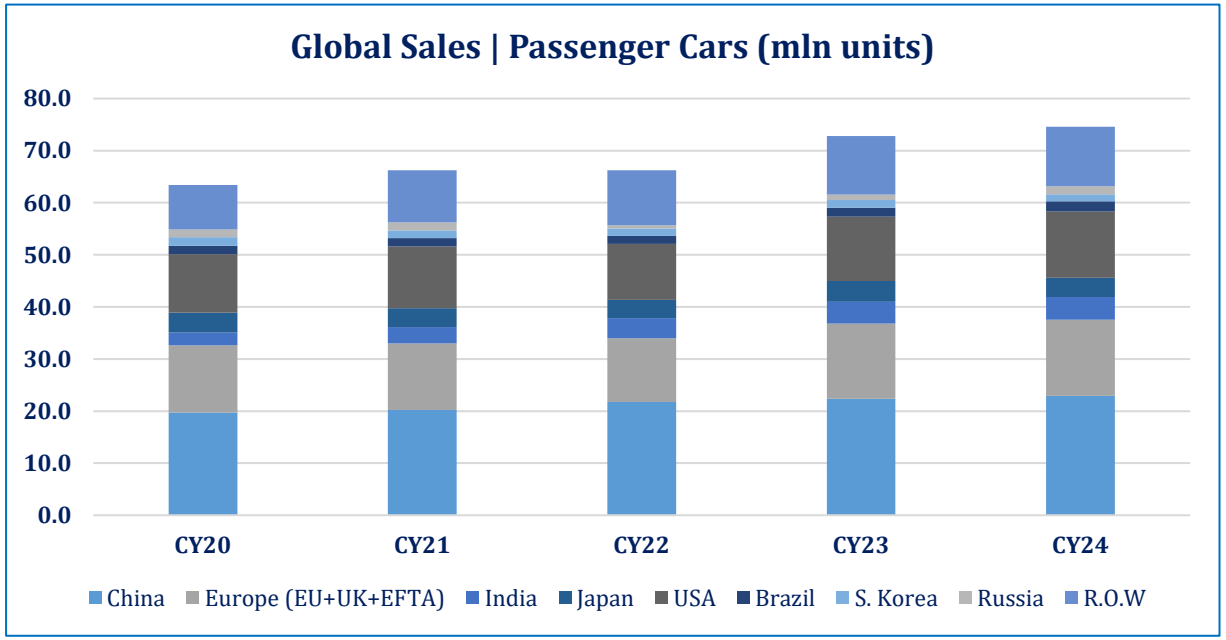
Note: *Data represents passenger cars only, including electric vehicles. Passenger cars here exclude motor cycles and are defined as road motor vehicles designed to carry no more than 09 passengers, including the driver. These may also include pick-ups.*

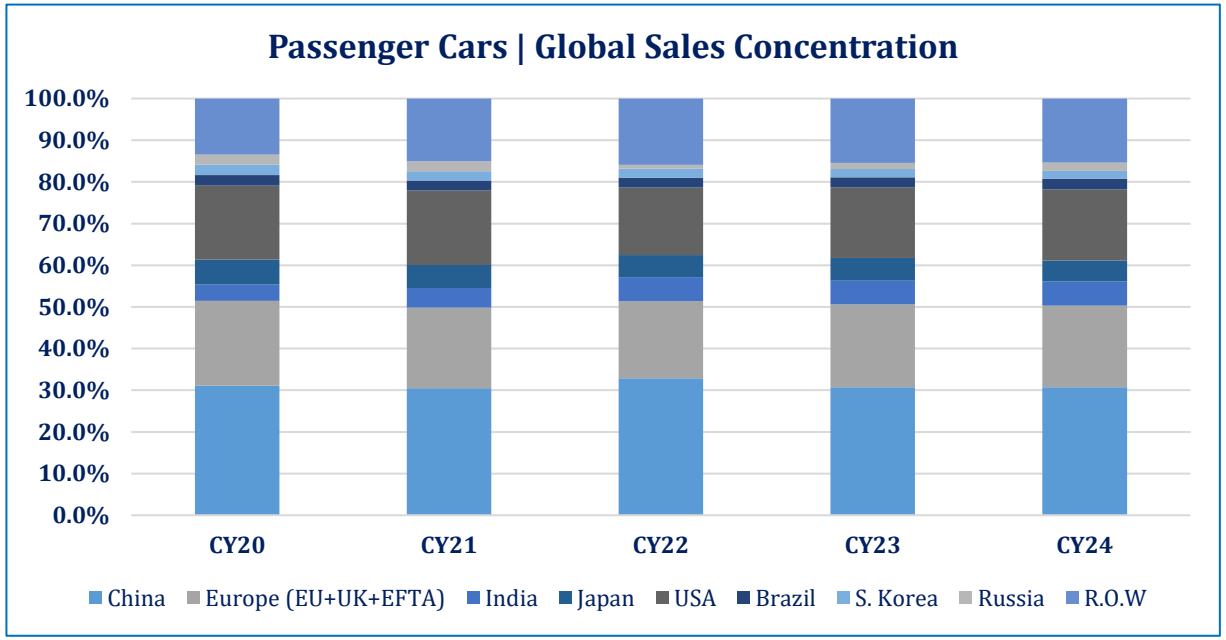
Source: ACEA

Passenger Cars

Global | Sales

- Global car sales registered a growth of ~3.3% YoY during CY24 to clock in at ~74.6mln units. In China, car sales were recorded at ~22.9mln units, up ~2.6% YoY as the government provided tax incentives. Notably, the country accounted for ~30.7% of global car sales during the year (SPLY: ~30.7%) while market size, in terms of volumetric production, remained ~1.8x and ~2.1x larger than U.S. and EU markets, respectively. Moreover, ~50.0% of all car sales in China comprised electric vehicles.
- Japanese car sales registered ~7.0% YoY decline to stand at ~3.7mln units, impacted by the phased reduction of government subsidies and the persistent effects of a weak domestic currency. Meanwhile, India's passenger cars market grew by ~4.8% YoY, where total cars sales increased to ~4.4mln units.
- Going forward, global car sales are projected to slightly increase at a modest rate due to elevated affordability that will somewhat be offset by trade war across the world.





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Source: ACEA

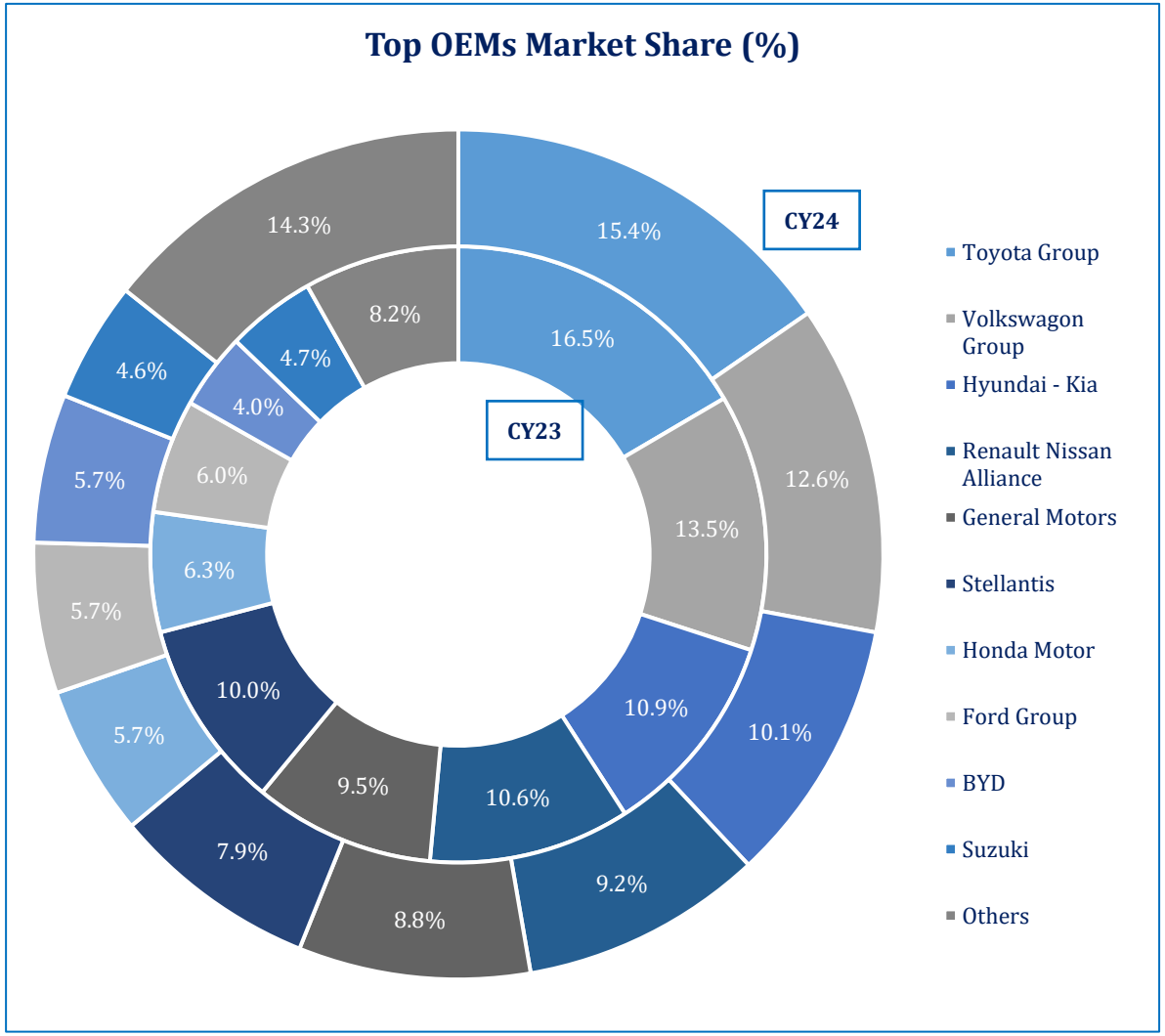
Passenger Cars

Global | Top Selling OEMs

- In CY24, Toyota Group maintained its position as the market leader amongst Original Equipment Manufacturer (OEMs) and held the highest market share of ~15.4% in terms of global car sales. However, its market share declined (CY23: ~16.5%) as sales edged down slightly to ~10.4mln units (SPLY: ~10.8mln units) due to certification test non-compliance in Japan.

- Toyota Group was followed by Volkswagen Group, Hyundai-Kia and Renault-Nissan Alliance with market shares of ~12.6%, ~10.1%, and ~9.2%, respectively. The top 10 OEMs formed ~85.7% of the global market share in CY24 (SPLY: ~91.8%).

- Build Your Dream (BYD) recorded noticeable improvement during CY24, moving up three ranks to 9th position. BYD sales clocked in at ~3.8mln units (SPLY: ~2.6mln units), a YoY increase of ~46.2%.



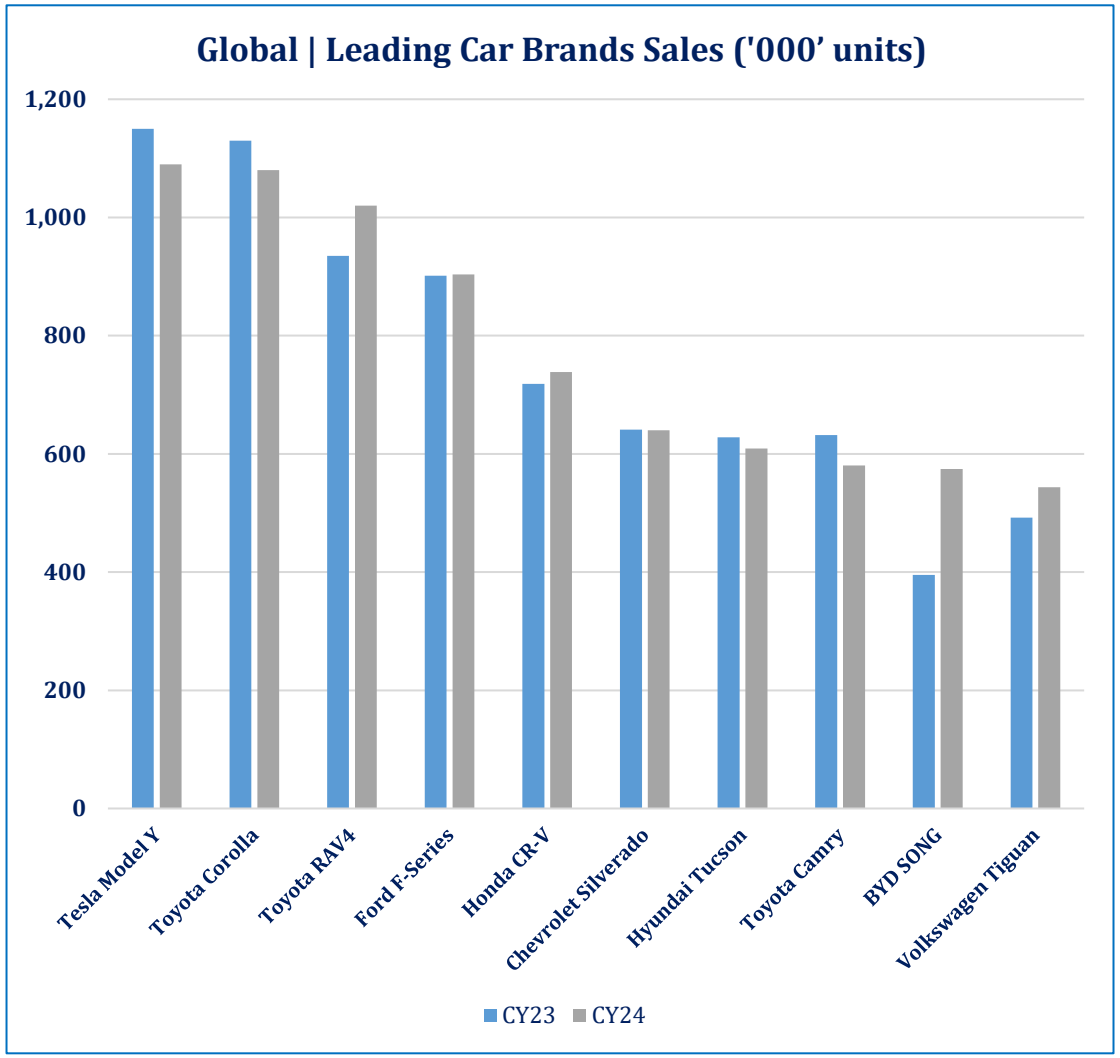
Note: *Top OEMs' share is based on units of passenger cars sold, including electric vehicles.*

Source: focus2move

Passenger Cars

Global | Top Selling Vehicles

- Tesla Model Y remained the market leader as sales clocked in at ~1.1mln units in CY24 (SPLY: ~1.2mln units), a YoY decline of ~5.2%, followed by Toyota Corolla with ~1.1mln units sold during CY24, a marginal decline of ~4.4% YoY. Four of the top ten models are electric cars.
- During the year, Toyota RAV4 achieved notable sales of ~1.0mln units (SPLY: ~0.9mln units), a YoY growth of ~9.1%. Ford F-Series and Honda CR-V sales during CY24 increased by ~0.2% and ~2.8% YoY, respectively.
- Notable performances among other models mostly comprised electric cars, such as BYD Dolphin ranking 30th with a remarkable increase of ~54.7% YoY and the BYD Yuan Plus with a growth of ~86.0% YoY.



Note: *Top OEMs' share is based on units of passenger cars sold*

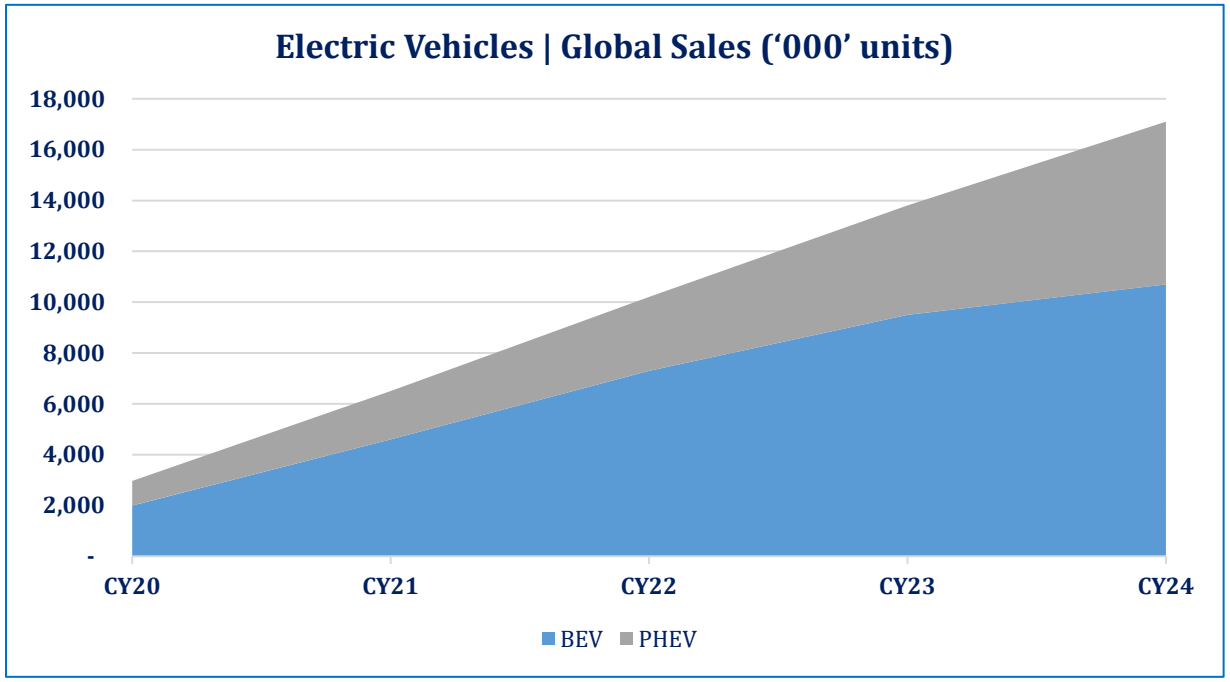
Source: focus2move

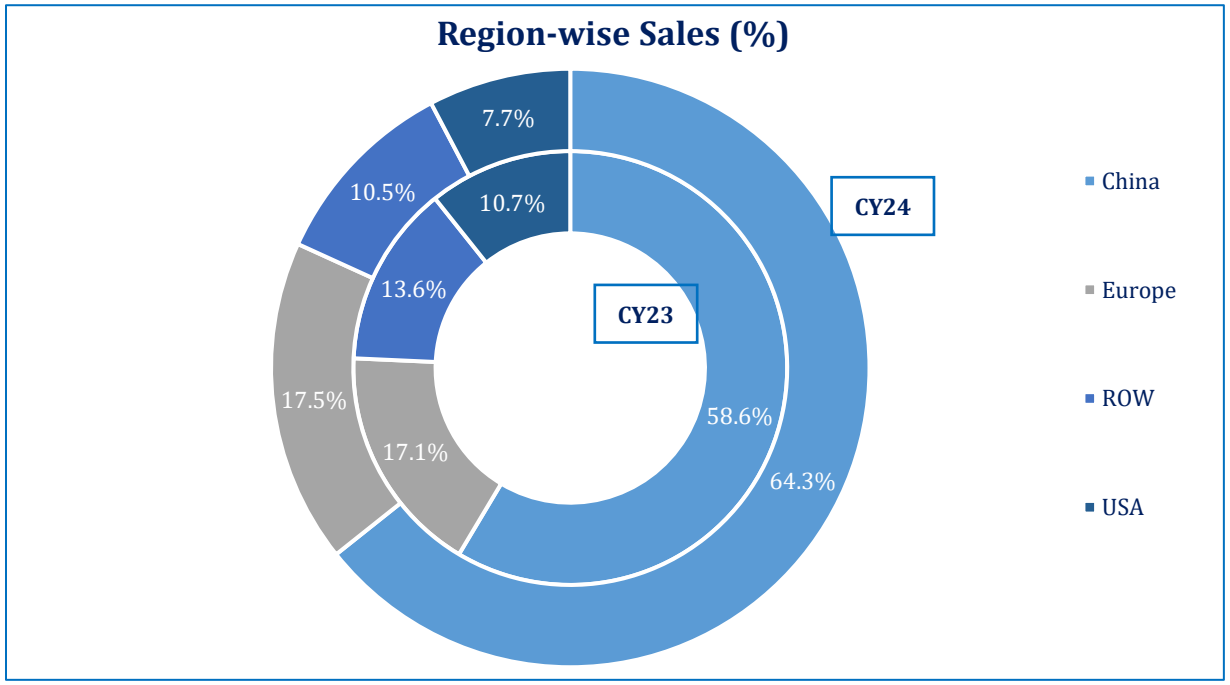
Passenger Cars

Global | Electric Vehicles

- The global Electric Vehicles/ cars (EVs) segment has experienced tremendous growth over the past five years (CY20-24), with a CAGR of ~41.9%. EVs accounted for ~22.0% of all vehicles sold globally during CY24, up from ~18.0% in CY23. During CY24, EV sales were registered at ~17.1mln units, whereas ~92.3% of these were cumulatively accounted for by China, Europe, and the U.S. (covered subsequently).

- During CY24, total stock of electric cars expanded to ~57.0mln, registering ~42.5% YoY increase. During CY25, it is expected that one out of every four or ~25.0% of overall cars sold will be an electric vehicle, with aggregate new sales projected at ~20.0mln by End-CY25 owing to increasing affordability.





***Note**: BEV stands for Battery Electric Vehicle; PHEV for Plug-in Hybrid Electric Vehicle*

Source: IEA, Global Data

Passenger Cars

Global | Electric Vehicles

- In CY24, electric cars comprised ~22.0% of total car sales, a YoY increase of ~3.0% (SPLY: ~18.0%). The additional ~3.5mln electric cars sold in CY24, in comparison with last year, were more than the total electric cars sold in CY20.

- During the year, the growth in the Chinese electric cars market remained higher than the global electric cars market, forming ~64.3% of the global electric car sales. During the year, electric car sales in China made up ~48.0% of new car sales, up from ~31.1% in SPLY.

- Europe was the second-largest adopter of EVs in CY24, where the ratio of EV sales to new cars slightly increased to ~22.0% (SPLY: ~21.3%). European EV sales during CY24 made up ~17.1% of the global EV sales, down from ~23.2% during CY23. France, Germany, Italy, and the UK together represented ~60.0% of European car sales.

- In the USA, the proportion of EV sales relative to new car sales stood at ~60.0% in CY24 (SPLY: ~44.9%). During 1QCY25, the total number of EVs sold in the country reached ~294,250 units, ~10.6% YoY higher than SPLY.

Continent/ Region (CY24)	Approx. Electric Car Sales (mln units)	Approx. Share of Electric to New Car Sales	Market Share (Electric Car Sales)
China	11.0	48.0%	64.3%
Europe	3.0	22.0%	17.5%
U.S.	1.8	60.0%	10.5%
Rest of the World	1.3	11.7%	7.7%
Total	**17.1**	**22.0%**	**100%**

Source: IEA, OICA

Passenger Cars

Global | Outlook

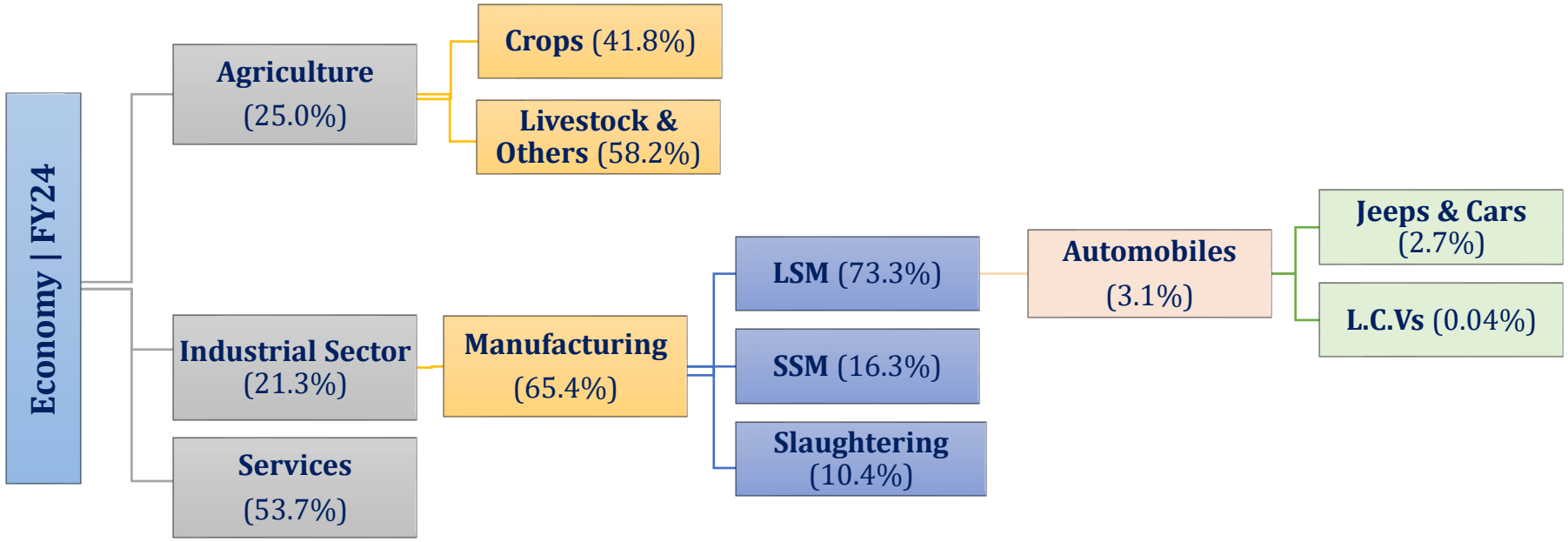
- Major factors impacting the automobile sector in CY24 included high prices, new market entrants, and technological innovation. However, challenges like geopolitical tensions, high interest costs, and supply chain disruptions continued to prove significant headwinds. Global vehicle sales (including passenger cars and commercial vehicles) in CY24 increased by ~10.4% YoY to clock in at ~102.4mln units sold worldwide (SPLY: ~92.7mln units). Global passenger car sales registered a growth of ~3.5% YoY during CY24 (SPLY: ~11.4%) and clocked in at ~67.5mln units, as against ~65.3mln units during SPLY.
- Given the tariffs expectations, the production outlook for North America has increased by ~163,000 units for CY25, primarily due to incrementally favorable tariff policies for USA's Producers. There are ~5.3mln light vehicles built in Canada and Mexico, with ~70.0% of these destined for the US. Further, many U.S.-built vehicles use Canadian or Mexican-sourced propulsion systems and component sets; those components would see a tariff as well, increasing costs for vehicles produced in the U.S. However, car sales are expected to increase globally, while car trade might be impacted particularly with the ongoing trade wars across the globe.
- Globally, CY24 was marked by the transition to a greater number of electric vehicles, which, in turn, was largely driven by consumers' belief that it will substantially decrease maintenance costs of vehicles compared with cars fuels ad well as a growing awareness on climate change driving eco-conscious purchasing decisions. Governments across the world are offering incentives to boost the production of low-emission vehicles. Incentives within various industrial frameworks, like the US IRA, the EU Net Zero Industry Act, China's 14th Five-Year Plan, and India's PLI scheme, further promote the development of value and job opportunities throughout the EV supply chains within these economies. Additionally, at COP29 held in CY24, renewed pledges were taken to achieve net-zero emission targets by CY50. However, even with price reductions from automakers and government incentives aimed at enhancing affordability, several hurdles persist, such as charging duration and the accessibility of charging infrastructure.
- Looking forward, the passenger car market is expected to continue its growth trajectory, driven by electrification, digitalization, and evolving consumer preferences. Global EV sales are projected to comprise over ~25.0% of the global car market by End-CY25. The surge in electric vehicle adoption will be propelled by further improvements in battery technology, the expansion of charging infrastructure and stricter emissions regulations, particularly in China, the EU, and North America.

Source: IEA, S&P, Deloitte

Passenger Cars

Local | Overview

- In FY24, Pakistan's GDP (nominal) stood at PKR~105.6trn, increasing, in real terms, by ~2.5% YoY (FY23: ~-0.2% YoY). Industrial activities during the year held ~21.3% share in the GDP, while services made up ~53.7%. In 9MFY25, GDP (nominal) stood at PKR~28.4trn, rising in real terms by ~2.4% YoY while GDP growth projection for FY25 is recorded at ~2.7% YoY.
- Large Scale Manufacturing (LSM) in Pakistan is essential for economic growth, considering its linkages with other sectors, as it represented ~73.3% value in manufacturing activities and ~10.2% of the country's GDP in FY24. The LSM increased by ~0.8% YoY in FY24 (FY23: ~-10.3%), however, declined by ~1.5% YoY during 9MFY25.
- The automobile sector is classified as a Large-Scale Manufacturing (LSM) industrial component within the industrial sector. In FY24, the automobiles sector weight in the QIM was recorded at ~3.1%. During 9MFY25, the automobile sector performance in LSM increased by ~40.0% YoY.



Source: PBS

Passenger Cars

Local | Supply

- The sector is largely structured with major Original Equipment Manufacturers (OEMs), i.e., Pak Suzuki, Honda, Hyundai Nishat, KIA Lucky and Toyota Indus comprising bulk of production and sales.

- In FY24, volumetric car sales were down ~15.7% YoY (FY23: ~58.7%) to ~81,577 units, owing to high interest rates (average interest rate: ~21.9%; SPLY: ~17.2%), high inflation (average inflation: ~23.8%; SPLY: ~29.1%) and ~14.3% currency depreciation (average exchange rate: PKR~283.2/USD; SPLY: PKR~247.6/USD) leading to increase in prices.

- During 9MFY25, volumetric car sales clocked in at ~75,265 units, a YoY increase of ~39.5% on the back of improved macroeconomic indicators, as the policy rate was reduced to ~12.0% as of End-Jan'25, while Mar'25 average inflation was recorded at ~0.7% (SPLY: ~20.7%).

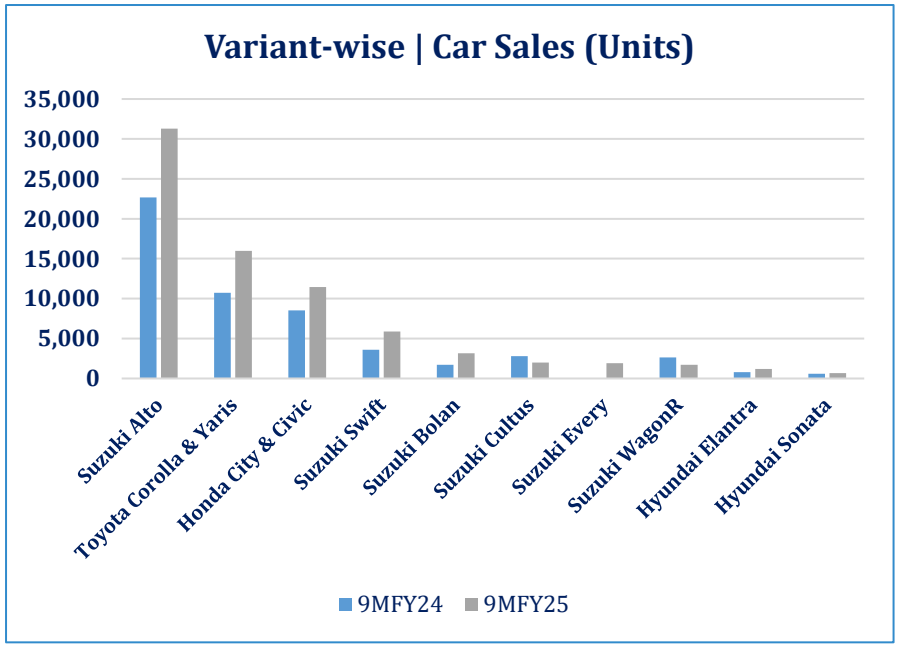
- On the other hand, during 9MFY25, Jeeps and Pickup sales increased by ~67.2% and ~77.4%, respectively. Going forward, overall sales are expected to increase in FY25 on the back of improved macroeconomic conditions.

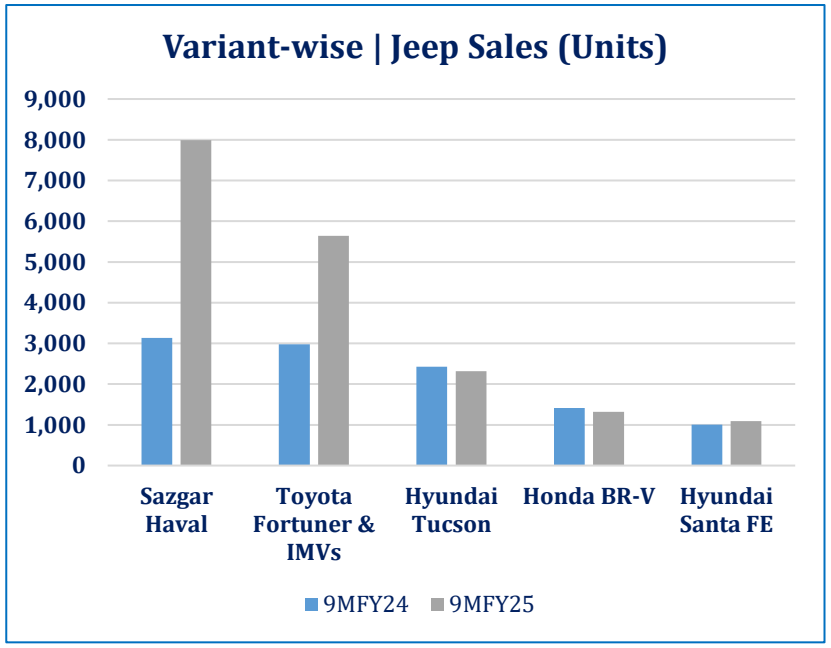
Passenger Vehicles | Volumetric Sales (Units)							
Type	**FY20**	**FY21**	**FY22**	**FY23**	**FY24**	**9MFY24**	**9MFY25**
Cars	96,455	151,182	234,180	96,811	81,577	54,091	75,265
Jeeps	3,459	11,306	27,608	24,190	15,027	10,997	18,388
Pickups	12,048	18,909	17,479	5,877	7,223	3,993	7,083
Total	**111,962**	**181,397**	**279,267**	**126,878**	**103,827**	**69,081**	**100,736**

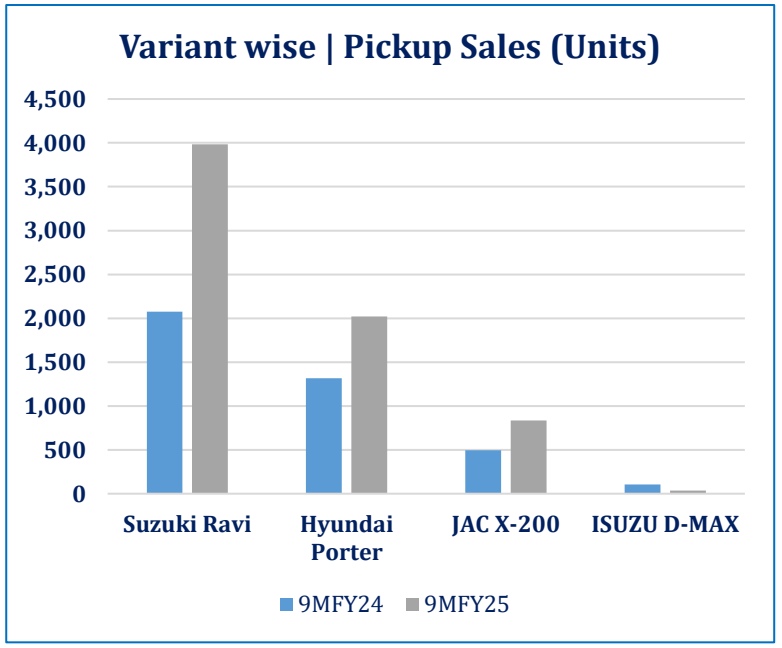
Passenger Cars

Local | Variant-wise Sales

- During 9MFY25, Suzuki Alto remained the highest selling car variant as sales clocked in at ~31,284, up ~37.9%, while Toyota Corolla and Yaris were the second most popular variants with cumulative sales increasing by ~48.9% YoY to ~18,496units. Meanwhile, Honda City & Civic sales increased by ~34.6% YoY. This uptick in sales is due to the improvement in automotive financing as the policy rate was cut by ~11.0% from Jun'24 to May'25 and relatively stable prices of cars during 9MFY25. Certain OEMs offered financing schemes as well to reduce inventory.
- Sazgar Haval remained the volume leader in the Jeeps segment as sales increased by ~154.8% YoY during 9MFY25 ~7,992 units. Toyota Fortuner and Toyota IMVs sales also increased by ~89.6% YoY. Meanwhile, Hyundai Tucson and Honda-BRV sales were down ~4.6% and ~6.9% YoY, respectively.
- Among Pickups, Suzuki Ravi remained the top-selling variant with ~92.0% YoY increase in sales during the period under review, while those for Hyundai Porter improved by ~53.2% YoY.





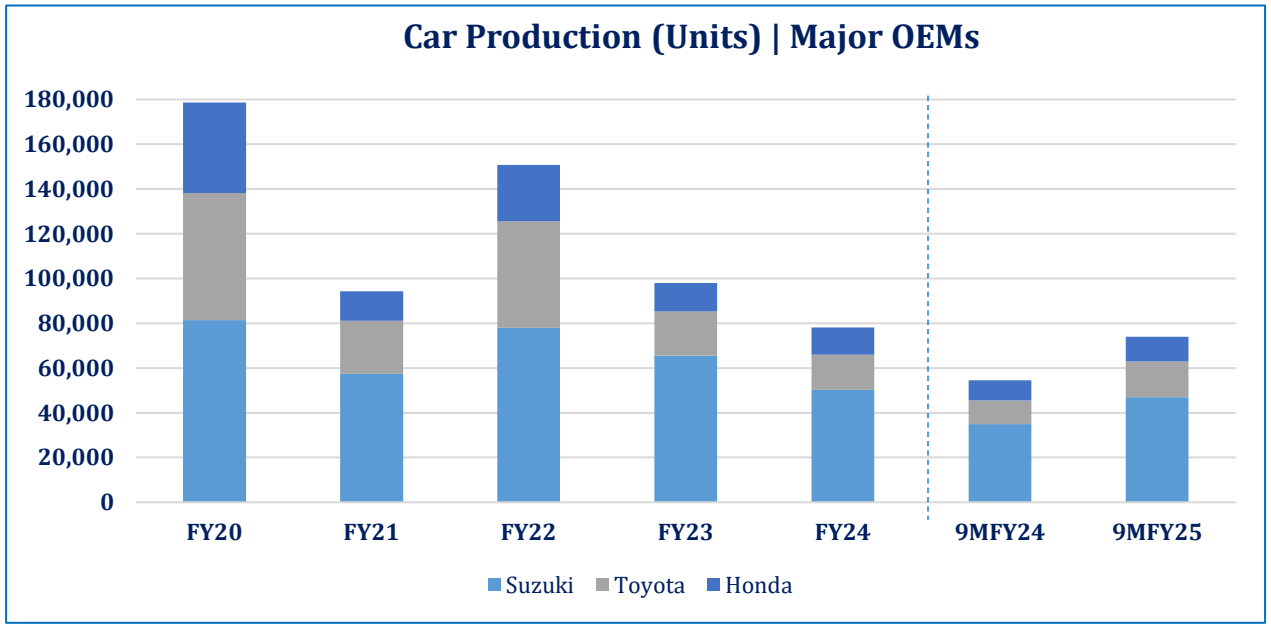


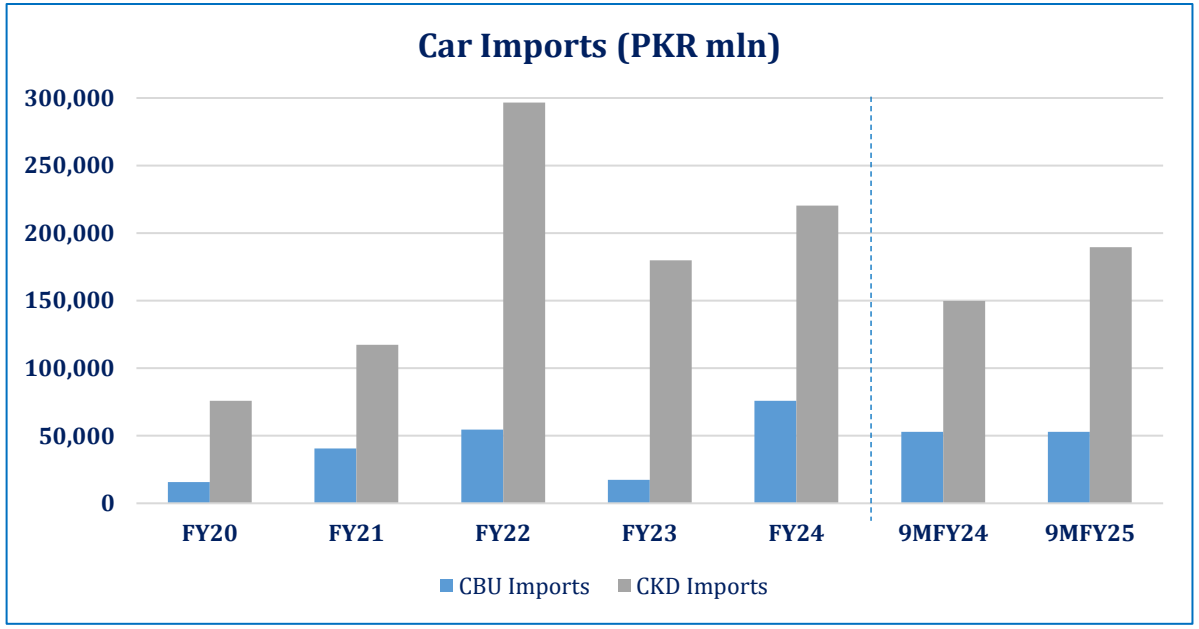
Source: PAMA

Passenger Cars

Local | Cars Supply

- Honda Atlas Cars and Toyota Indus Motors are largely involved in the production of high-niche car models (more than 1300cc engines). These include Honda City, Honda Civic, Toyota Corolla and Toyota Yaris. On the other hand, Pak Suzuki Motors (PSM) produces a diverse range of models from Suzuki Swift (above 1000cc) and Alto (660cc).
- Pak Suzuki Motors held the highest market share in terms of production at ~61.6% (SPLY: ~67.7%) during FY24, followed by Toyota and Honda with ~19.3% and ~14.9% shares, respectively (SPLY: ~19.2%, ~12.5%). Meanwhile, ~1.9% market share was held by other OEMs including Hyundai and KIA (SPLY: ~3.9%).
- During the year, Completely-Built Unit (CBUs) imports clocked in at PKR~75.8bln, up ~336.6% owing to lifting of import restrictions in Jun'23 and removal of Regulatory Duty in FY24 budget on used cars up to 1300cc. Completely-Knocked Down (CKD) units import also increased ~22.5% YoY to PKR~220.3bln.



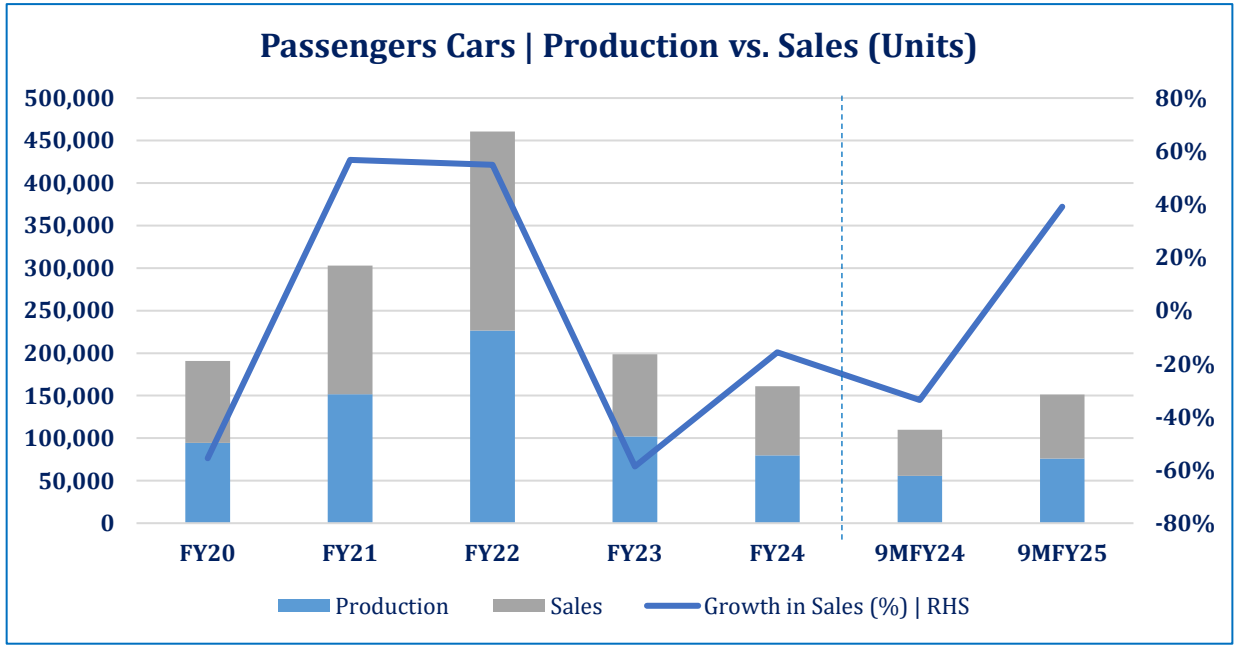


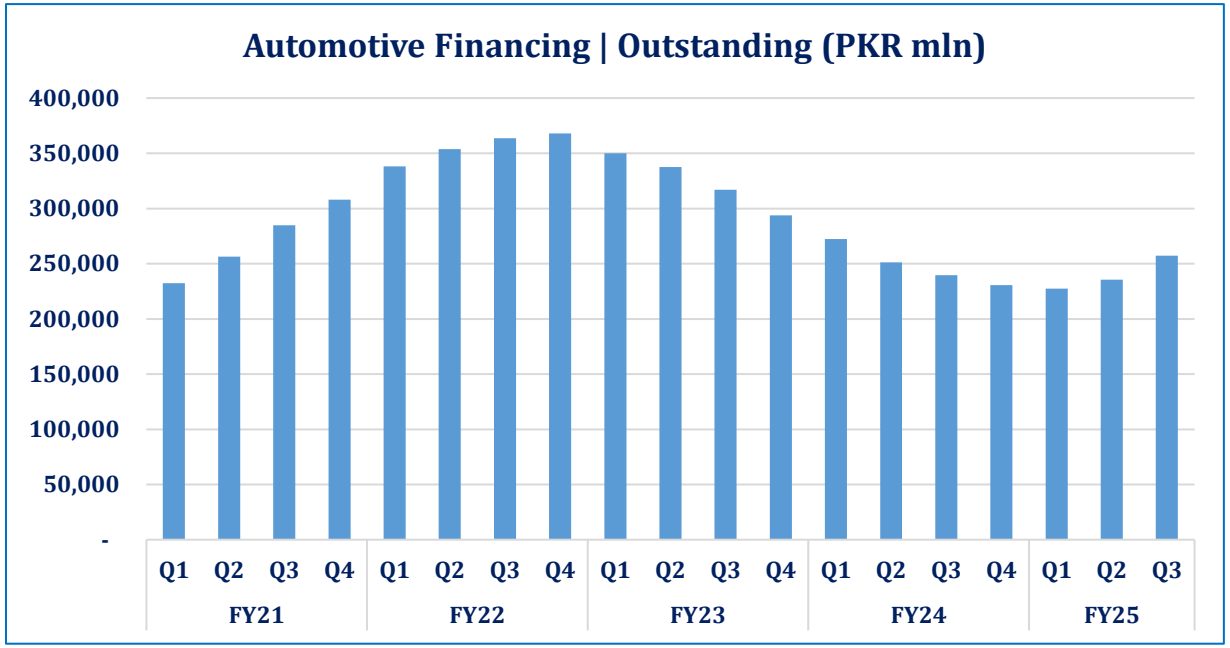
Source: PAMA, FBR

Passenger Cars

Local | Supply & Demand

- Over the period of five years (FY20-24) cars production and sales have decreased at a CAGR of ~3.4% and ~3.3%, respectively. However, during 9MFY25 cars production and sales has improved on the back of improved macroeconomic indicators as interest rate and inflation rate has begin to stabilize.
- During FY24 Auto financing decreased to PKR~230.5bln in 4QFY24 from PKR~272.3bln in 1QFY24, per capita GNI during FY24 also increased to USD~1,824 (SPLY: USD~1,662). During 3QFY25, automotive financing for the general public clocked in at PKR~257.4bln (SPLY: PKR~239.4bln), a YoY increase of ~7.4% indicating improved demand in the automotive sector. The slight uptick in consumer automotive financing in recent time periods is commensurate with monetary policy easing as well as lower inflationary pressures. Meanwhile, GNI per capita for FY25 is provisioned at USD~1,824.



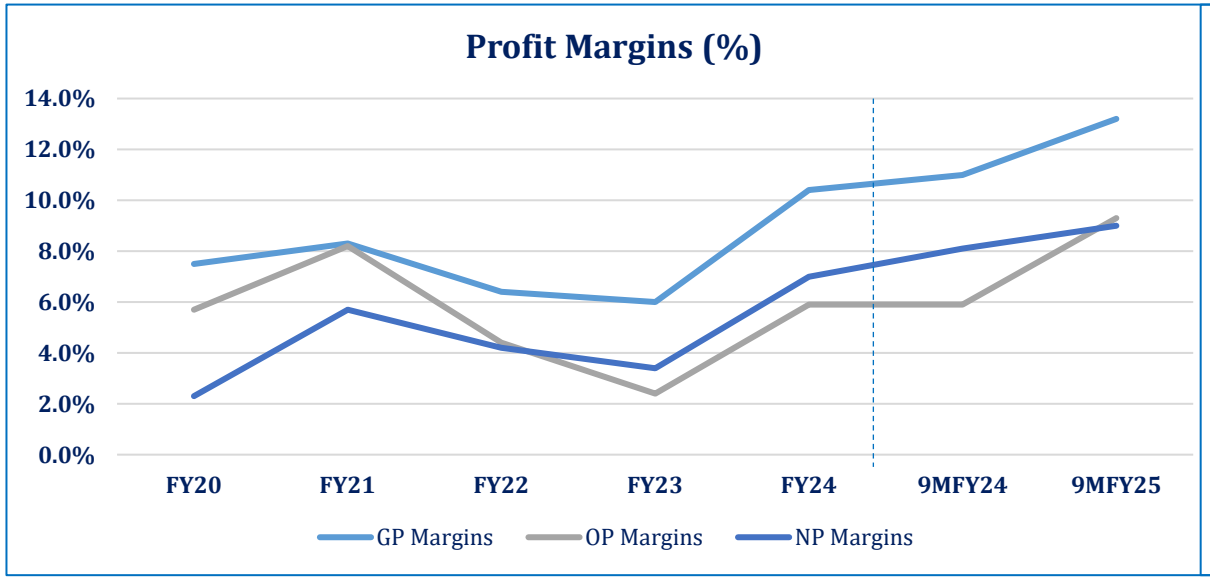


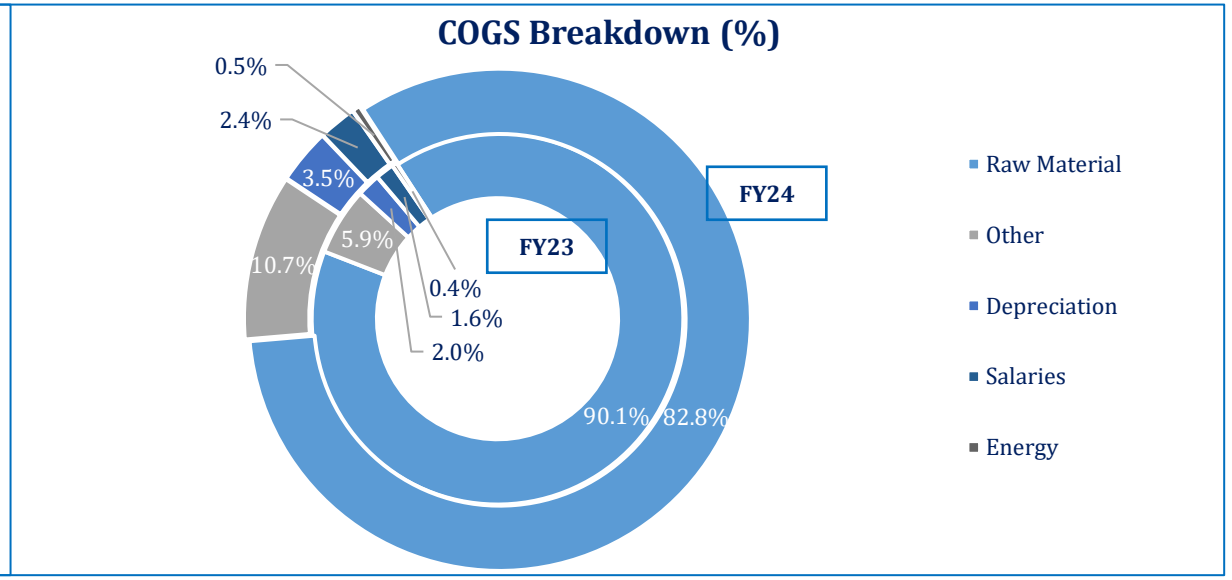
Source: PAMA, SBP

Passenger Cars

Business Risk | Margins

- In FY24, average gross margins stood at ~10.4% (FY23: ~6.0%) owing to improved revenue on the back of increase in car prices (~15.7% YoY increase) and lower cost of sales which were down 19.7% YoY. Higher revenue, in turn, largely reflected higher car prices. Average operating margin rose to ~5.9% in FY24, owing to a decline in the administrative and selling & marketing expenses by ~6.1% YoY. Meanwhile, average net margins increased to ~7.0% in FY24, as other income increased by ~38.7% YoY while finance cost increased by ~29.9% on the back of ~36.7% YoY high borrowing.
- The sector exhibited further signs of improvement during 9MFY25 coinciding with ~52.6% YoY improvement in volumetric sales and ~52.6% YoY higher revenue. Therefore, average gross margins stood at ~13.2% (SPLY: ~11.0%) whereas operating margins were recorded at ~9.3% (SPLY: ~5.9%). During 9MFY25, average net margins stood at ~9.0% (SPLY: ~8.1%), owing to ~24.4% YoY lower finance cost on the back of lower borrowing and interest rates (End-Jun'24: ~21.5%; End-Mar'25: ~12%).
- The sector's cost of goods sold fell by ~19.7% in FY24. Raw material is the most significant component of the sector's direct costs, making up for ~82.8% during the year (FY23: ~90.1%).





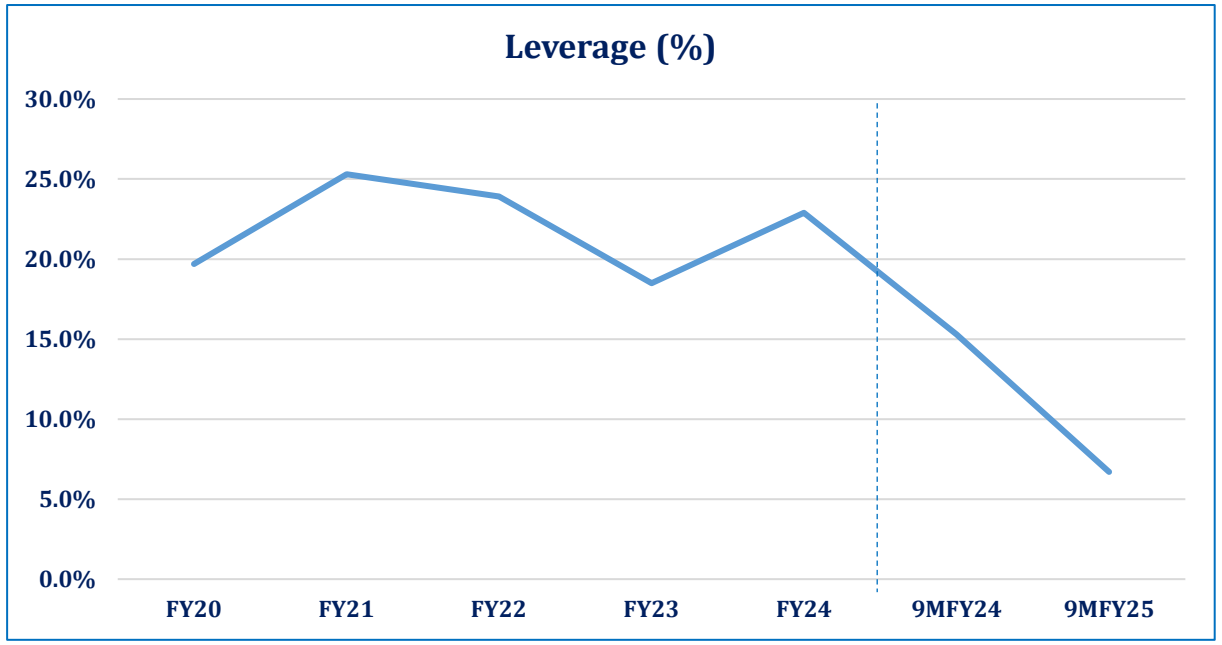
***Note**: Data is representative of 3 Listed/PACRA-rated players involved in manufacture and sales of cars.. Margins are revenue-weighted.*

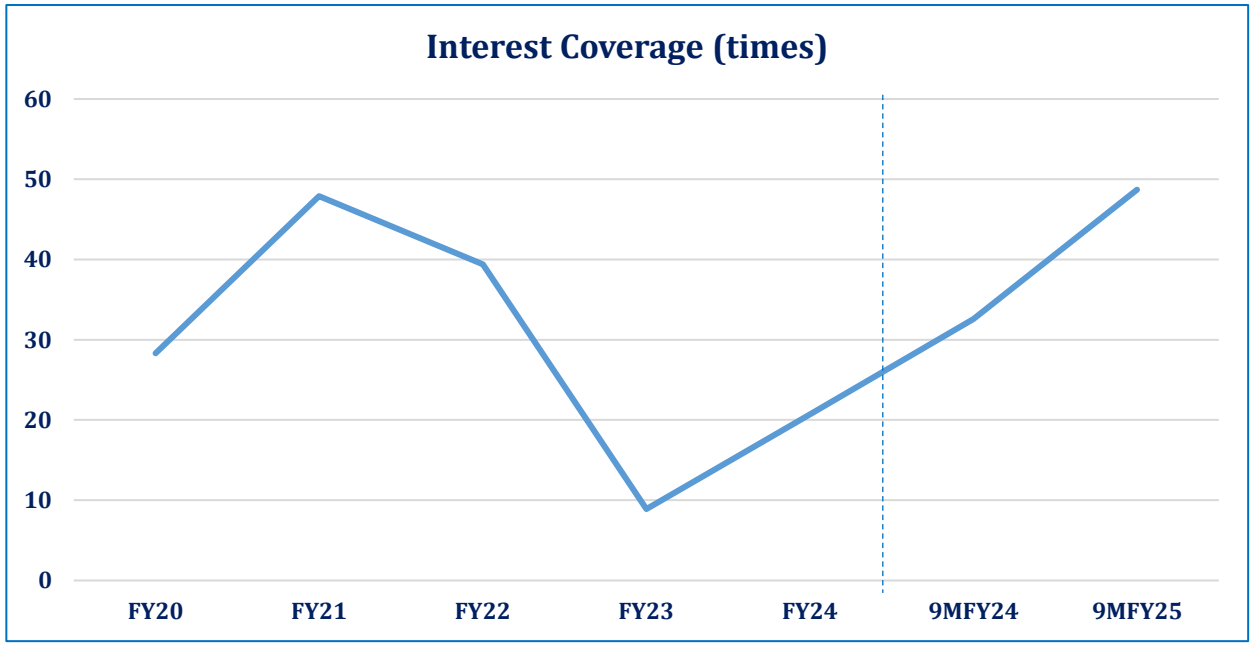
Source: Company Financials, PACRA Database

Passenger Cars

Financial Risk | Borrowings

- In FY24, the sector's average leverage increased to ~22.9% as total borrowings increased by ~36.7% YoY, increasing exposure to high interest rates. On the other hand, equity also rose by ~11.3% YoY. During the year, the share of short-term borrowings stood at ~36.2% while a simultaneous ~65.8% YoY increase was also registered. Long-term borrowings comprised the rest and were up ~63.8% YoY. Higher leverage was in line with the aforementioned increase in the sector's overall finance cost.
- During 9MFY25, leverage declined to ~6.7% (SPLY: ~15.3%), as total borrowings registered ~61.2% YoY decline and equity increased by ~13.8%. Short term borrowings decreased ~93.6% YoY as sales increased by ~36.8% YoY.
- Sector's average interest coverage improved during FY24 to ~20.7x (SPLY: ~8.9x), despite higher leverage and finance costs. This was supported by ~106.1% YoY high operating profit during the year. In 9MFY25, coverage improved to ~48.7x when compared with SPLY levels of ~32.6x, depicting the dissipating impact of high interest rates in the previous year.





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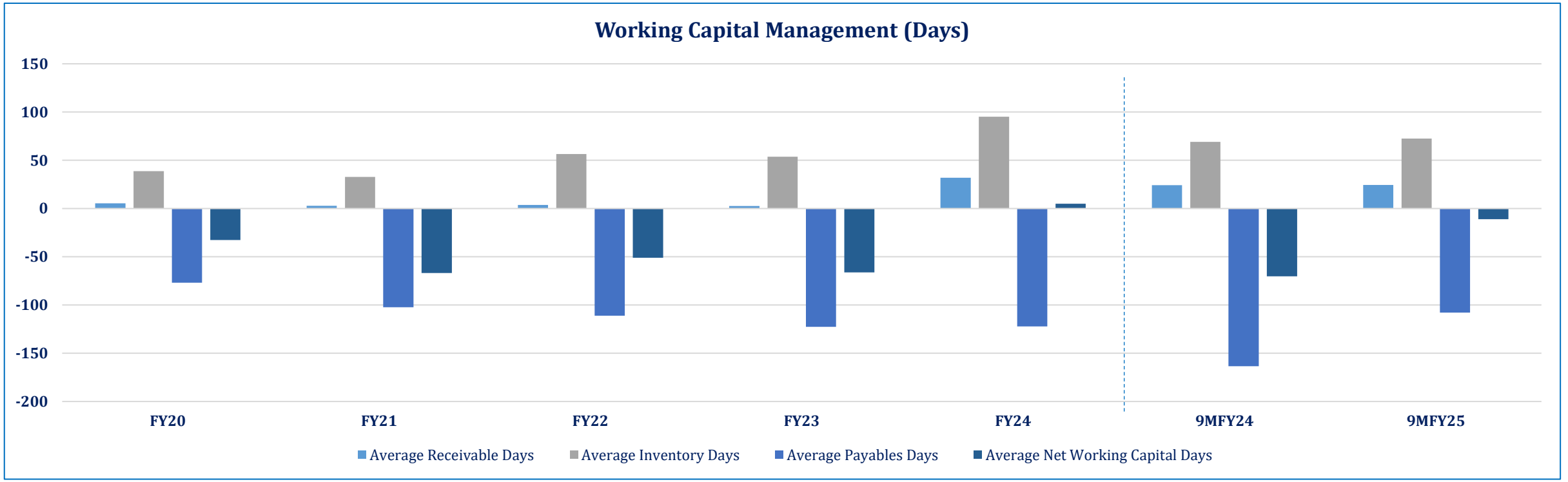
Source: Company Financials PACRA Database

Passenger Cars

Financial Risk | Working Capital Management

- The net working capital cycle of the sector is largely a function of inventory and payable days. In FY24, the sector's average working capital management improved as the working capital days were recorded at ~5 days (FY23: ~-66 days), as inventory days rose from ~54 days in FY23 to ~95 days, while average payable days marginally declined to ~122 days (SPLY: ~123 days). During the year, volumetric car sales were down ~21.9% YoY.
- However, during 9MFY25, the sector's average working capital days stood at ~-11 days (SPLY: ~-70 days) owing to an increase in inventory days to ~72 days and payable days to ~108 days (SPLY: ~163 days).



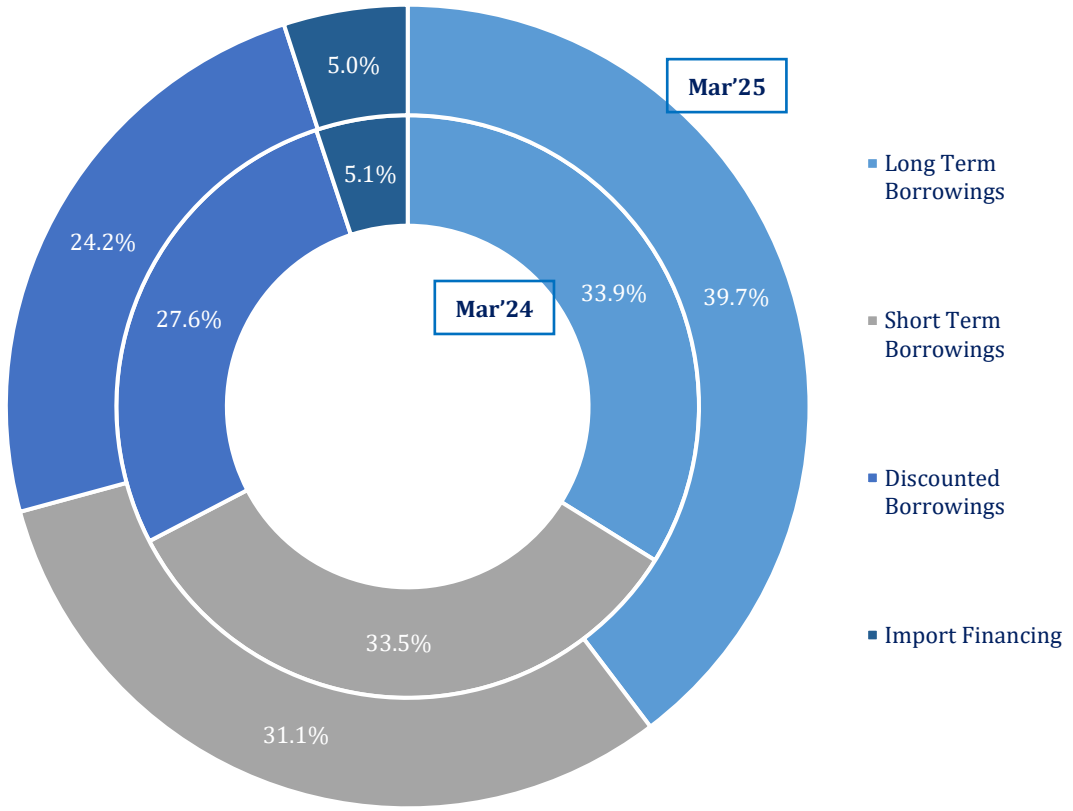
***Note**: Data is representative of 3 Listed/PACRA-rated players.*

Source: Company Financials PACRA Database

Passenger Cars

Financial Risk | Borrowings

- As of End-Mar'25, the sector's overall borrowings, defined under 'Manufacture of Motor Vehicles', stood at PKR~41.6bln, down ~23.4% YoY (SPLY: PKR~54.4bln).
- Long-term borrowings (LTBs) stood at PKR~16.5bln, down ~10.2% YoY and held the largest share of ~39.7% in overall borrowings (SPLY: ~33.9%). Short-term borrowings (STBs) stood at PKR~12.9bln, down ~28.8% YoY with a share of ~31.1% (SPLY: ~33.5%).
- Discounted borrowing, as at End-Mar'25, stood at PKR~10.1bln (SPLY: PKR~14.9bln), down ~32.6% YoY with a share of ~24.2% in the borrowing mix (SPLY: ~27.6%).
- Import financing schemes stood at PKR~2.1bln (SPLY: PKR~2.8bln), held ~5.0% share in the total borrowings mix, and registered a decline of ~24.8% as at End-Mar'25.
- As of End-Dec'24, automobile sector Non-Performing Loans (NPLs) clocked in at PKR~21.6bln (SPLY: PKR~19.3bln), a YoY increase of ~11.9%, while the infection ratio stood at ~11.1%.



***Note**: Data is representative of SBP Classification, "Manufacture of Motor Vehicles".*

Source: Company Financials, PACRA Database

Passenger Cars

Auto Policy 2021-26 | Salient Features

The policy encompasses localization of parts and components, implementation of safety regulations, promotion of new technologies, exports of auto parts & completely built-up units, consumer welfare and promotion of manufacturing of specialized vehicles. AIDEP anticipates fair competition across various vehicle segments. New investors are poised to enhance productivity and expand capacities over this time. Incentives granted to newcomers facilitate local manufacturing, while AIDEP pledges to sustain previous policy incentives for continual growth.

Meri Garri Scheme – Promotion of small cars and L.C.Vs which are fuel efficient (applicable to vehicles up to 1000cc).

i. Custom Duty (CD) on localized parts will be ~30% and on non-localized parts will be ~15% for three (03) years from date of issuance of manufacturing certificate or June 30, 2026.
ii. Sales tax reduction to 12.5 % at sales stage.
iii. Removal of Additional Custom Duty (ACD), Withholding Tax (WHT) & Federal Excise Duty (FED) on locally manufactured vehicles.

Electric Vehicles

i. For EVs, SUVs, L.C.Vs and Vans, the CKD non-localized will attract ~10% CD and CKD localized will attract ~25 % CD.
ii. Exemption of sales tax and VAT on imports and ~1% sales tax on sales applicable to small cars/vans/SUVs with ~50KWH battery or below and LCV with ~150 KWH battery pack or below.
iii. The maximum quantity of EV CBUs permitted per company shall be capped at 100 units, with a maximum of 10 units per variant, as determined by the EDB after verification of the manufacturing facilities by EDB.

Source: PAMA

Passenger Cars

Auto Policy 2021-26 | Salient Features

Incentives for Electric Vehicles

i. Additional Custom Duty to be 0% on CKD manufacturing of EVs.
ii. Duty free import of plant and machinery of EVs, 0% CD, ACD 0%.
iii. Import of EV chargers to attract 1 % CD, ACD 0%.
iv. EVs (both imported and locally manufactured) to be exempt from FED.

Charging Infrastructure

To boost the adoption of electric vehicles (EVs), infrastructure development is crucial in major cities, commercial/government buildings, and along motorways/highways. An inter-ministerial committee has outlined recommendations for relevant authorities:

i. Charging infrastructure will be deployed in selected cities and later expanded to secondary cities. Each selected city will have at least one DC fast charger within every 3x3 km or 4x4 km grid.
ii. Fast chargers will be placed along major motorways and highways every 15-30 km, starting with highway N5 and rest areas of motorways M1, M2, M3, M4, M5, and M9. Expansion will cover all motorways and highways nationwide.
iii. Public charging stations may offer standardized swappable battery facilities for specific vehicle categories.
iv. Electric Distribution Companies (DISCOs) will identify feeders to support fast charging stations. If system constraints arise, DISCOs will resolve supply issues.
v. Government bodies will encourage existing CNG and fuel stations to participate in establishing charging infrastructure.
vi. Smart charging methods, including smart metering and time-of-use pricing, may be implemented at charging stations, particularly for Level-2 and above, to alleviate strain on the main grid.

Source: PAMA

Passenger Cars

Duty Structure

PCT Code	Description	Custom Duty		Additional Custom Duty		Regulatory Duty		Federal Excise Duty		Total	
		FY24	FY25	FY24	FY25	FY24	FY25	FY24	FY25	FY24	FY25
8703.2192	Components for the assembly/manufacture of 4X4 vehicles	55%	55%	7%	7%	0%	0%	0%	0%	62%	62%
8703.2193	4X4 vehicles (CBU)	55%	55%	7%	7%	15%	15%	2.5%	2.5%	79.5%	79.5%
8703.2119	Cylinder Capacity: up to 1000cc	50%	50%	7%	7%	0%	0%	2.5%	2.5%	59.5%	59.5%
8703.2220, 2290,2319	Cylinder Capacity: >1000cc & <3000cc	60-75%	60-75%	7%	7%	15%	15%	10%	10%	92%-107%	92%-107%

Notes

1. 50% exemption from duty & taxes is admissible on import of Hybrid Electric Vehicles (HEVs) of engine capacity up to 1800cc and 25% exemption from duty & taxes is admissible on import of HEVs of engine capacity from 1800cc to 2500cc.
2. Ahead of FY26 budget, the IMF has argued that Pakistan's automotive sector is overly-protected, with tariffs and duties on locally-produced vehicles reaching over ~40.0%, making the sector less competitive and efficient The government has proposed to reduce tariffs by ~5-10% as part of a gradual reduction in additional customs duty (ACD) and regulatory duty (RD), with higher tariff cuts expected for CBUs with larger engine sizes.

Source: FBR

Passenger Cars

SWOT Analysis

- Organized sector with listed players.
- Strong brand value and integration.
- Government support for an industry which contributes.

- Highly cyclical, performance very much depends on overall economy.
- Rising international commodity prices.
- Several parts are imported.
- Exchange rate fluctuations.
- Global supply chain disruptions.
- Inflation and rising interest rates.

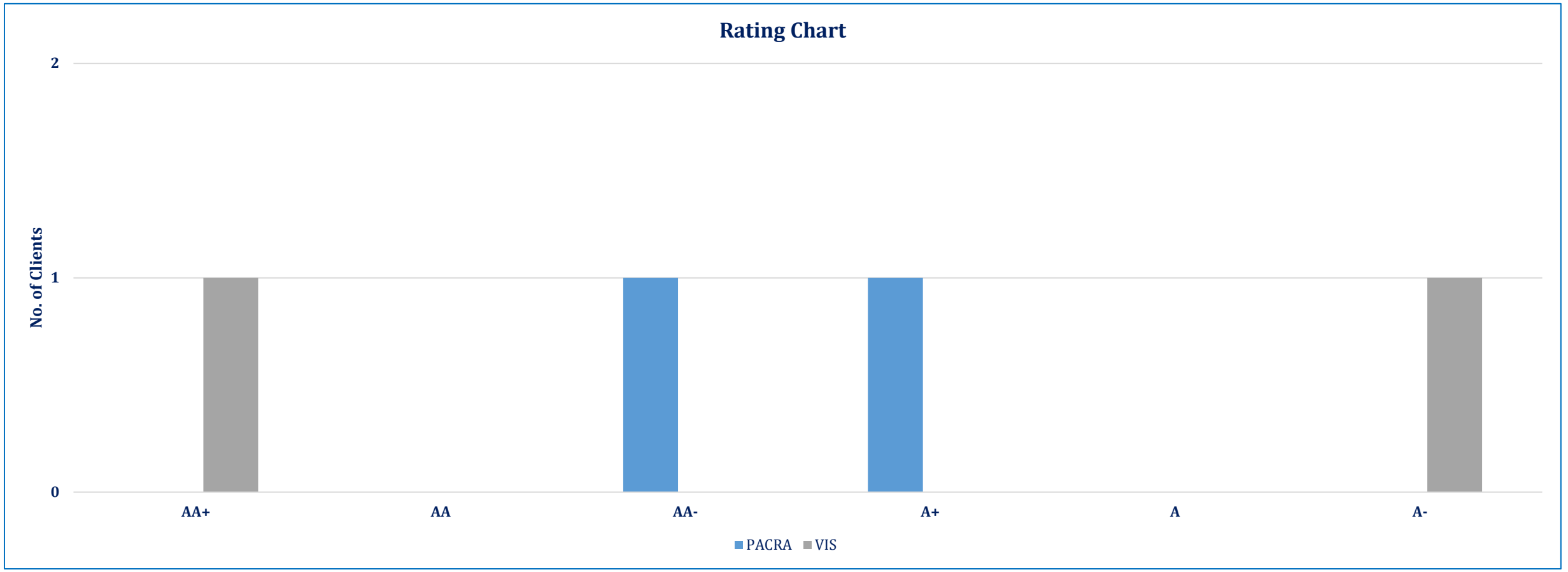
- New entrants and fresh competition.
- Better and cheaper imported vehicles available.
- Adoption of electric vehicles.
- Continued curbs on imports.

- Large population with younger individuals entering the workforce than ever before is a natural demand driver.
- AIDEP 2021-26 can present opportunities for innovation and localization.
- Adoption of WP-29 regulations will increase global competitiveness of locally manufactured vehicles.

Passenger Cars

Rating Chart

- PACRA rates two OEMs in Pakistan, with Long-term ratings of AA- and A+.



Passenger Cars

Outlook: Stable

- In FY24, Pakistan's GDP (nominal) stood at PKR~105.6trn, increasing, in real terms, by ~2.5% YoY (FY23: ~-0.2% YoY). Industrial activities during the year held ~21.3% share in the GDP, while services made up ~53.7%. In 9MFY25, GDP (nominal) stood at PKR~83.2trn, rising in real terms by ~2.4% YoY while GDP growth projection for FY25 is recorded at ~2.7% YoY.
- The automotive sector, as part of economy's Large-Scale Manufacturing segment (LSM), posted ~25.1% YoY overall growth during the year, while production of Jeeps, cars and light commercial vehicles (LCVs) was down ~9.4%, ~28.3%, ~43.6%, respectively. FY24 was also marred by significant high levels of inflation with average national CPI recording at ~23.9% (FY23: ~29.1%) while interest rates stood at an all-time high of ~22.0%. In 9MFY25, the sector recorded ~40.0% YoY growth in LSM. Jeeps, cars and LCVs registered ~51.2%, ~30.9% and ~197.2% YoY growth, respectively. Correspondingly, in 9MFY25, cumulative sales for jeeps, cars and LCVs clocked in at ~100,736 units, up ~45.9% YoY, while, individually, jeep, car and LCV sales were up ~67.2%, 39.1% and ~77.4%. Meanwhile, average inflation stood at ~4.75% while policy rate recorded at ~12.0% as at End-Mar'25.
- The FY24 period, despite recording ~18.2% YoY decline in cumulative jeep, car and LCV sales (individually, ~-37.9%, ~-15.7% and ~22.9% change) proved profitable for passenger car sector players seeing as average net profit margins improved considerably to ~7.0% (FY23: ~3.4%). This was largely a result of trickle-down impact of higher vehicle prices as well as ~29.9% increase in finance cost.
- The sector' financial performance further improved in 9MFY25 where average gross profit margins rose to 13.2% (SPLY: ~11.0%) while average net profit margins also improved to ~9.0% (FY23: ~8.1%), owing to ~24.4% YoY lower finance cost on the back of lower borrowing and interest rates. The sector's leverage also declined in 9MFY25 to ~6.7% (SPLY: ~15.3%) while interest coverage improved to ~48.7x (SPLY: ~32.6x).
- In May'25, average national CPI stood at ~3.5% while the SBP projects the same at ~5.0-7.0% by End-FY25.. On the other hand, the PKR has remained relatively stable against the USD and improved ~1.9% YoY to remain at PKR~278.9/USD during 11MFY25. With interest rates expected to stay stable by End-FY25 at ~12.0%, consumer financing for automobiles and, in turn, passenger cars, is likely to improve given that prices also simultaneously decline.
- Moreover, the IMF views the sector as significantly protected with duties accounting for ~40.0% of assembled cars' prices. To that effect, a National Tariff Policy 2025-30 has been announced by the government envisaging tariff rationalization on used cars. However, to this end, imports of used cars is likely to increase, which would result in direct competition with locally-assembled cars. Additionally, proposed sales tax of ~18.0% in FY26 budget against the current ~12.8%, particularly those with engine capacity greater than 8500cc, as well as imposition of withholding tax on larger cars and ~18.0% sales tax on locally-assembled cars could serve to adversely impact demand vis-à-vis higher prices. It is noteworthy here that local car assembly/ manufacturing is still to reach pre-pandemic levels.

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