SECTOR STUDY . SEPTEMBER 2024

Together. Creating Value.

Trucks & Buses

Research Team

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Trucks & Buses

Trucks & Buses

Global | Overview

- The trucks & buses sector is a sub-group of the automotive industry, comprising entities that are involved in manufacturing, assembling, marketing and distribution of trucks and buses. The global automobile manufacturing industry (including 2 and 3 wheelers) accelerated its positive growth at the rate of ~10.0% YoY in CY23.

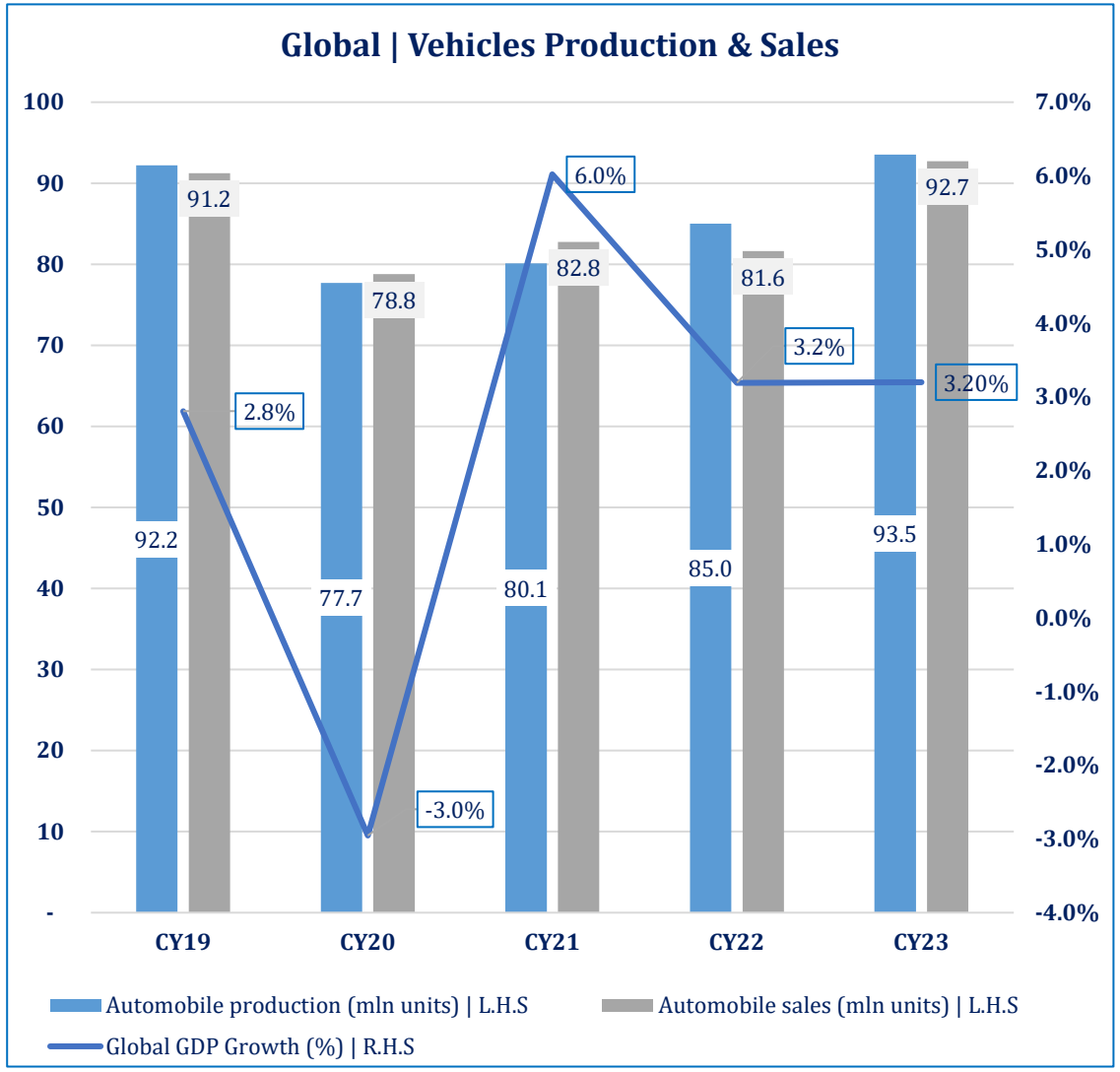
- The number of vehicles (excluding 2 and 3 wheelers) manufactured were recorded at ~93.5mln units in CY23 (CY22: ~85.0mln units). Trucks accounted for ~4.1% (~3.8mln) of the total vehicles produced, while buses accounted for ~0.3% (~0.3mln) of the total vehicles produced during CY23. Similarly, during CY23, sales volumes increased to ~92.7mln units, up ~13.6% YoY.

Trucks

- A truck or motortruck is defined as a vehicle meant for hauling cargo or transportation of goods. Generally, trucks with a Gross Vehicle Mass (GVM) of less than ~3.5MT are considered as light, between ~3.5-12.0MT as medium, while greater than ~12.0MT are classified as heavy.
- During CY23, ~3.8mln trucks were produced (CY22: ~3.3mln), up ~15.2% YoY.
- Moreover, the global truck manufacturing industry is expected to grow by ~6.3% YoY in CY24, boasting expected revenues to USD~229.2bln (CY23: USD~215.5bln).

Buses

- A bus is defined as a motor vehicle designed to carry more than ~10 passengers and is used for transporting people.
- During CY23, ~310,224 buses were produced globally (CY22:~253,451), up ~22.4% YoY.
- In CY23, in terms of revenue, the global market for buses reached USD~44.9bln, up ~5.2% YoY and is anticipated to grow to USD~47.5bln in CY24 with CAGR of ~5.8%. Furthermore, the market size is expected to reach USD~60.3bln by CY28.



Source: IBIS World, OICA, IMF, Research & Markets, The Business Research Company

Trucks & Buses

Global | Region-wise Production

Region/Country Wise | Production of Heavy trucks and buses ('000' units), Share (%)										
Region/ Country	CY19		CY20		CY21		CY22		CY23	
	Volume	%	Volume	%	Volume	%	Volume	%	Volume	%
China	2,358	53.4%	3,080	67.2%	2,503	55.7%	1,338	37.6%	1,738	42.6%
N. & S. America	725	16.4%	495	10.8%	645	14.4%	725	20.4%	689	16.9%
Japan	516	11.7%	410	9.0%	519	11.6%	516	14.5%	497	12.2%
Europe	335	7.6%	265	5.8%	344	7.7%	343	9.7%	469	11.5%
India	321	7.3%	159	3.5%	281	6.3%	400	11.3%	467	11.4%
Rest of the Regions	125	2.8%	144	3.1%	167	3.7%	197	5.5%	190	4.7%
Africa	29	0.7%	23	0.5%	28	0.6%	30	0.8%	32	0.8%
Pakistan	5	0.1%	3	0.1%	6	0.1%	6	0.2%	2	0.1%
World Total	**4,414**	**100%**	**4,581**	**100%**	**4,492**	**100%**	**3,558**	**100%**	**4,084**	**100.0%**

- The global production of Heavy trucks and buses exhibited a negative CAGR of ~1.5% during CY19-23. During CY23, China emerged as the world leader in both segments, holding ~43.6% and ~30.0% share, respectively, and ~42.6% cumulatively.

- In CY23, global truck manufacturing volumes increased by ~13.8% YoY (CY22: ~-22.7%), while global bus manufacturing volumes increased by ~22.5% YoY (CY22: ~27.5%). The global truck manufacturing volumes during CY19-23, on average, stood at ~15.8x the manufacturing volumes of buses. The overall sector registered an increase of ~14.8% YoY (CY22: ~-20.8%).

***Note**: Table pertains to Heavy trucks and buses.*

Source: OICA

Trucks & Buses

Global | Country-wise Exports

Region/Country-wise Exports | Trucks						
Trucks	CY19	CY20	CY21	CY22	CY23	
	Value (USD mln)					%
China	2,638.2	2,482.2	4,142.0	6,200.0	7,388.2	22.9%
Germany	3,793.4	3,155.4	3,891.7	3,931.7	4,735.7	14.7%
USA	2,303.5	1,662.2	2,147.7	2,381.7	2,701.6	8.4%
Italy	1,592.5	1,253.0	1,616.0	1,871.8	2,527.5	7.8%
UK	1,311.8	1,314.6	1,068.8	1,206.1	2,425.6	7.5%
France	1,343.4	1,004.7	1,325.6	1,424.5	1,755.9	5.4%
Sweden	1,102.9	952.3	1,115.5	1,068.3	1,341.3	4.2%
Korea	652.9	494.7	711.4	951.4	1,248.6	3.9%
Netherlands	791.8	699.0	854.1	1,042.0	1,143.6	3.5%
Canada	766.9	397.8	605.0	778.6	898.6	2.8%
R.O.W	4,088.8	3,311.3	4,016.7	4,826.9	6,068.0	18.8%
Total	20,386.1	16,727.2	21,494.5	25,683.0	32,234.6	100.0%

Region/Country-wise Exports | Buses						
Buses	CY19	CY20	CY21	CY22	CY23	
	Value (USD mln)					%
China	296.6	205.8	229.9	301.0	723.9	33.0%
Japan	489.2	304.6	309.2	337.8	399.5	18.2%
USA	250.4	185.6	121.5	167.7	231.0	10.5%
Czech Republic	104.0	124.8	152.3	155.8	205.8	9.4%
Canada	166.4	144.2	159.0	98.9	165.5	7.5%
Poland	56.1	85.0	104.7	92.6	122.1	5.6%
Türkiye	118.4	133.5	109.8	139.9	108.6	4.9%
Netherlands	13.5	13.7	11.7	21.5	30.0	1.4%
Macedonia	6.6	8.9	3.5	6.9	19.1	0.9%
Korea	79.2	67.3	24.0	20.6	18.4	0.8%
R.O.W	780.6	673.6	563.4	279.3	172.1	7.8%
Total	2,361.4	1,947.0	1,788.6	1,622.0	2,196.4	100.0%

***Note**: Data pertain HS Code 8427 for trucks & 8702.90 for buses*

Source: UN Comtrade, ITC

Trucks & Buses

Global | Country-wise Imports

Region/Country-wise Imports | Trucks						
Trucks	CY19	CY20	CY21	CY22	CY23	
	Value (USD mln)					%
USA	2,989.3	1,966.7	2,989.1	4,487.8	7,056.7	21.9%
Canada	1,085.5	803.3	1,119.4	1,453.5	1,740.8	5.4%
France	1,539.8	1,110.8	1,094.8	1,164.5	1,642.7	5.1%
Germany	1,053.9	937.4	1,198.7	1,280.1	1,512.1	4.7%
UK	1,029.1	741.5	887.1	1,177.9	1,337.6	4.1%
Netherlands	1,027.8	911.7	1,122.8	1,129.4	1,261.4	3.9%
Italy	768.0	630.1	834.2	1,037.9	1,222.7	3.8%
Mexico	544.4	391.7	414.7	525.4	1,000.4	3.1%
Belgium	820.4	632.0	798.3	798.1	994.2	3.1%
Australia	567.9	513.9	713.9	853.7	941.5	2.9%
R.O.W	8,960.0	8,088.1	10,321.5	11,774.7	13,524.5	42.0%
Total	20,386.1	16,727.2	21,494.5	25,683.0	32,234.6	100.0%

Region/Country-wise Imports | Buses						
Buses	CY19	CY20	CY21	CY22	CY23	
	Value (USD mln)					%
Spain	16.0	216.1	220.8	311.1	402.5	18.3%
USA	198.6	150.3	159.4	99.4	167.2	7.6%
Canada	215.8	159.1	96.6	124.6	166.7	7.6%
Italy	123.0	87.5	36.3	10.4	160.1	7.3%
Uzbekistan	20.4	11.3	6.4	18.4	154.6	7.0%
France	63.4	72.3	85.1	57.3	103.0	4.7%
Armenia	1.0	0.3	21.8	3.4	88.4	4.0%
Kyrgyzstan	6.0	0	2.6	0	57.3	2.6%
Russia	13.5	8.7	38.8	26.4	54.0	2.5%
Peru	40.4	24.1	31.1	40.2	51.0	2.3%
R.O.W	1,662.9	1,217.3	1,090.1	930.8	791.2	36.0%
Total	2,361.4	1,947.0	1,788.6	1,622.0	2,196.4	100.0%

***Note**: Data pertain HS Code 8427 for trucks & 8702.90 for buses.*

Source: UN Comtrade,ITC

Trucks & Buses

Global | Carbon Emissions

Countries and regions are making significant strides in decarbonizing trucks and buses. China currently hosts over ~90.0% of the world's zero-emission trucks and buses, but recent policies could enable the European Union and USA to close the gap.

Policies: Though many countries are setting ambitious targets, advanced economies that include the European Union, USA and China have introduced combinations of regulation and incentives to tackle heavy duty vehicle (HDV) CO_2 emissions.

- European Union, in May'24 introduced ambitious CO_2 emissions policy for trucks and buses. By CY40, EU trucks will be required to cut CO_2 emissions by ~90.0% from the current levels. Despite attempts by Italy, Poland, and Slovakia to block the legislation, the new rules retain the CY25 target of a ~15.0% emissions reduction for heavy buses/lorries weighing over ~16MT. Under the new law, emissions from new trucks weighing over ~7.5MT must be reduced by ~45.0% by CY30, by ~65.0% by CY35, and ultimately by ~90.0% by CY40. Additionally, new urban buses must achieve zero emissions by CY35, with an interim target of a ~90.0% reduction within six years.
- In USA, the Environmental Protection Agency finalized green house gas (GHG) standards for HDVs for model years CY28-CY32, which aims to reduce emissions from trucks and buses by ~25-60% in CY32 compared to CY26. At a state level, the Advanced Clean Fleets and Advanced Clean trucks programmed further promote zero emission vehicles (ZEVs).
- In Mar'24, the USA introduced the National Zero-Emission Freight Corridor Strategy, outlining a phased plan to develop charging and refueling infrastructure for zero-emission medium- and heavy-duty vehicles.

Electric trucks and buses

- In pursuit of the goal of achieving zero carbon emissions, sales of electric trucks rose by ~35.0% in CY23 compared to CY22, surpassing electric bus sales for the first time and reaching to ~54,000 units. China remains the top market for electric trucks, accounting for ~70.0% of the global sales in CY23, down from ~85.0% in CY22. In Europe, electric truck sales nearly tripled in CY23, exceeding ~10,000 units and capturing over ~1.5% of the market share. The USA also experienced a threefold increase in electric truck sales, though they totaled just ~1,200 units, representing less than ~0.1% of the total truck sales.

Source: IEA

Trucks & Buses

Global | Outlook

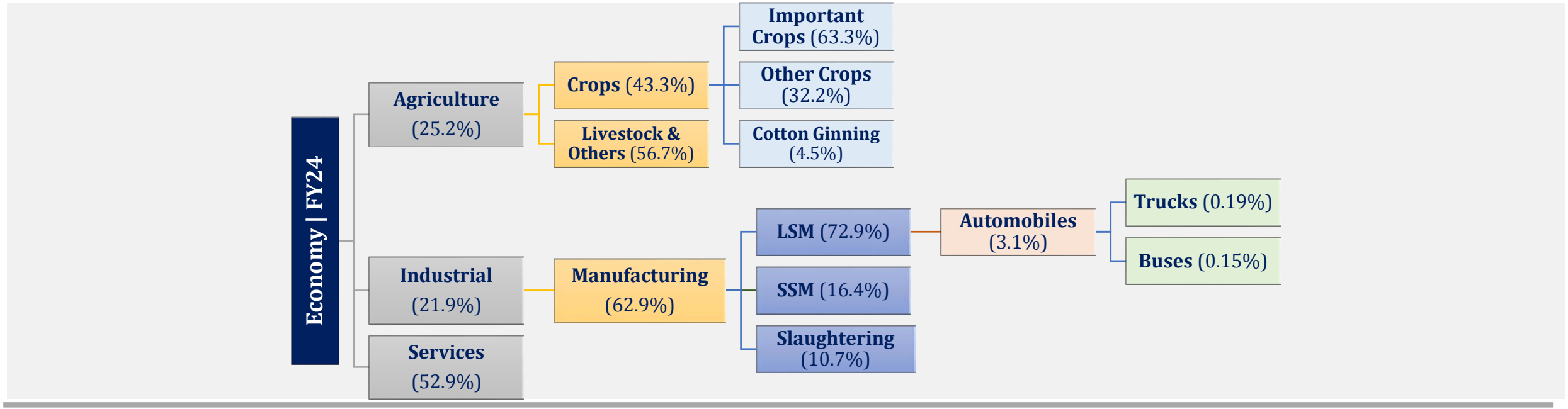
- Although they represent less than ~5.0% of motor vehicles (excluding 2 and 3 wheelers) produced globally, trucks and buses emit more than ~35.0% of direct CO_2 emissions from road transport. To align with the Net Zero Emissions by CY50 (NZE) Scenario, emissions must reduce by ~15.0% during CY22-30 (or ~2.0% per year).
- Global sales of electric buses, comprising medium and large-sized buses exceeded those of other heavy-duty vehicle (HDV) segments (including medium and heavy-duty trucks). European countries including Switzerland, Norway and Belgium, along with China, achieved sales shares above ~50% in CY23, and more than ~20.0% of bus sales were electric in Canada, Chile, Finland and the Netherlands, among others.
- Globally, ~50,000 electric buses were sold in CY23, forming ~3.0% of the overall bus sales and bringing the global stock to ~635,000 units at year-end. The low penetration resulted on the back of limited sales in emerging and developing economies, as well as low market penetration in the USA and Korea.
- Supported by the country's strong policy initiatives, ~90.0% of electric bus sales globally was taken up by China in CY20. In CY23, this fell to ~60.0%, owing to a decline in domestic demand for both electric and internal combustion engine buses as well as to increasing sales in other regions. This may also be attributable to the end of purchase subsidies for BEV (battery electric vehicle) and PHEV (plug-in hybrid electric vehicle) buses in China at End-CY22. However, Chinese manufacturers continue to export large volumes of electric buses, accounting for ~85.0% of electric city bus deployments in Latin America during CY23.
- Along with adoption of electric city buses, infrastructure developments can also support this transition. For instance, the all-electric BRT (bus rapid transit) system in Dakar, announced at End-CY23, is likely to cater ~320,000 passengers per day. Similarly, the European bus rapid transit of CY30 scheme aims to improve the urban transport environment by developing innovative solutions for electric BRTs.
- In India, NITI Aayog launched the Electric Freight Accelerator for Sustainable Transport, a platform to pioneer large-scale freight electrification vis-à-vis collaboration between the government and private sector. With policies such as European Union's CO_2 standards for HDVs, which target ~90.0% CO_2 emissions reduction by CY40, global electric truck sales are expected to increase further.

Source: IEA

Trucks & Buses

Local | Overview

- In FY24, Pakistan's GDP (nominal) stood at PKR~106.0trn (FY23: PKR~83.9trn), increasing, in real terms, by ~2.4% YoY (FY23: ~-0.21% growth). Industrial activities in FY24 held ~21.9% share in the GDP while the manufacturing activities made up ~62.9% of the value addition. In 3QFY24, Pakistan's GDP (nominal) stood at PKR~25.4trn (3QFY23: PKR~20.6trn), rising in real terms by ~2.1% YoY (2QFY24: ~1.8% YoY). Real GDP growth rate (~2.1%) for 3QFY24 signals a moderate improvement in the economic activity as compared to SPLY.
- Large Scale Manufacturing (LSM) in Pakistan is essential for the economic growth considering its linkages with other sectors, as it represented ~72.9% value of the manufacturing activities in FY24. Overall, the LSM fell by ~10.3% YoY in FY23 (FY22: ~11.7%), however, it inched up ~0.9% YoY in FY24.
- The automobile sector is classified as a Large-Scale Manufacturing (LSM) industrial component within the industrial sector. In FY24, its weight was recorded at ~3.1%, while sector's growth slowed down ~25.0% YoY during the year. Within the automobile sector, respective weights of trucks and buses were recorded at ~0.19% and ~0.15%. Additionally, the trucks and buses, respectively, recorded ~33.5% and ~30.8% YoY decline in the QIM during FY24.



Source: PBS, PES

Trucks & Buses

Local | Snapshot

- Pakistan, on average (FY20-24), produces ~2,057 trucks and buses per annum. Meanwhile, the number of trucks and buses on roads averaged ~246,140 units over the same period (FY20-24).
- In FY24, the sector posted a negative growth, in terms of both volumes produced and sold, of ~30.6% (FY23: ~40.3%) and ~30.6% (FY23: ~40.9%), respectively, which can be attributed to the economic slowdown as the use of trucks and buses is directly related to economic activities.
- The sector's revenue* clocked in at PKR~25.6bln in FY24 (FY23: PKR~37.8bln), down ~32.3% YoY. This can be linked to lower sales volumes during FY24, where both trucks and buses sold declined by ~30.6% each YoY, (covered later).
- As per the National Freight and Logistics Policy of 2020, one of the three strategic objectives pertaining to the country's logistics sector include improving and upgrading the local Trucking fleet, vis-à-vis modernization, duty structure revamping to encourage fleet renewal and improving Sector-relevant skills through training and talent retention.
- Moreover, FOAP was set up with the primary objective of implementing the Trucking Policy of 2007 (covered later).

Overview	Units	FY21	FY22	FY23	FY24
Gross Revenue* (PKR bln)	PKR bln	27.4	42.2	37.8	25.6
Trucks on Road	Nos.	313,300	317,000	320,400	321,900
Buses on Road	Nos.	164,600	166,700	168,500	169,700
Trucks Manufactured	Nos.	3,808	5,659	3,074	2,204
Buses Manufactured	Nos.	570	661	701	419
Trucks Sold	Nos.	3,695	5,802	3,182	2,210
Buses Sold	Nos.	652	696	654	454
Major Sector Players	6				
Sector Structure	Oligopoly				
Associations	**PAMA** (Pakistan Automotive Manufacturers Association) **FOAP** (Fleet Operators Association of Pakistan)				

**Data pertains to Ghandhara Industries, Ghandhara Nissan and Hino Pak.*

Source: PAMA, PES, ITC

Trucks & Buses

Local | Business Models

- **Original Equipment Manufacturers (OEMs):** These include entities that assemble and sell the trucks & buses. The OEMs have developed network of dealers to market their products to fleet service providers. Some of the buses are assembled in Pakistan for which the main parts are imported from abroad and assembled locally.

- **Fleet Service Providers:** These include entities that buy trucks and buses from either local OEMs or imported as Completely Built Units (CBUs) from different manufacturers around the world, like China, Korea etc. Fleet service providers offer logistics and fleet management services to both individuals and companies. The traditional logistics industry is highly fragmented and unstructured, with slow corporatization and small fleet sizes**.** The fleet service includes but is not limited to (i) long haul transportation trucks which carry bulk and containerized cargoes over long distances on contractual basis (ii) distribution vehicles for containerized cargoes over short and medium distances on contractual basis and (iii) buses that provide transportation services to humans on both long and short routes.

- **Rapid Bus Transit Service (RBT):** The Bus Rapid Tansit (BRT) system, based on the use of dedicated bus lanes with priority access at intersections and off-board fare collection, supports the establishment of high-capacity, efficient services for cities. In Pakistan, Punjab Metro Bus Service is an initiative of the Government of Punjab with fixed rates for each route. Metro Bus currently operates in Lahore, Rawalpindi and Multan. This Bus Rapid Transit system features barrier-controlled, automated fare collection off-board and maintains a service interval of under 2 minutes during peak hours. The Lahore Metrobus satisfies the standards set by the Institute for Transportation and Development Policy. In Budget 2024-25, the subsidy given to Metro Bus has been increased to PKR~3,000mln (Budget 2023-24: PKR~2,000mln).

Source: PACRA Database,

Trucks & Buses

Local | Bus Operators

- The sector is closely linked with the transportation services across the country. Some of the buses are assembled in Pakistan such as Yutong Master, ZhongTong, Daewoo and Hino Pak, for which the main parts are imported from abroad and assembled locally. However, majority of the Buses are imported as Completely Built Units (CBUs) from different manufacturers around the world, like China, Korea etc. Most of these Bus operators use Daewoo, Yutong, KingLong, ZhongTong, Volvo and Higer luxury buses.
- Leading providers of Bus transport services include companies like Daewoo Express, Hino, Faisal Movers, Niazi Express, Bilal Travels, and Kohistan Express. The sector comprises numerous small private operators, but only a few, like Daewoo and Faisal Movers, follow a corporate model, while others typically operate on a daily cash basis.
- Daewoo, with ~322 buses running intercity routes across Pakistan (excluding Baluchistan and Gilgit), had established Bus rapid transit routes, positioning itself with a corporate structure uncommon among its competitors. Moreover, local players like Hino are also involved in the manufacturing of Buses.
- Risks facing the sector include high fuel costs, potential market share reduction due to new entrants, and government regulations like high import duties.

Source: PACRA Database

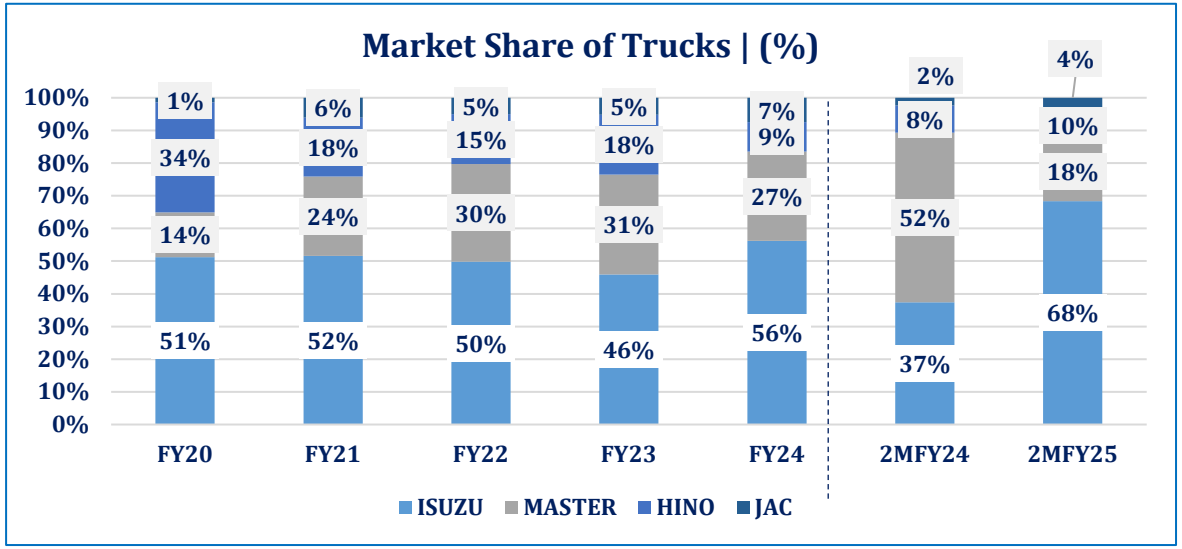
Trucks & Buses

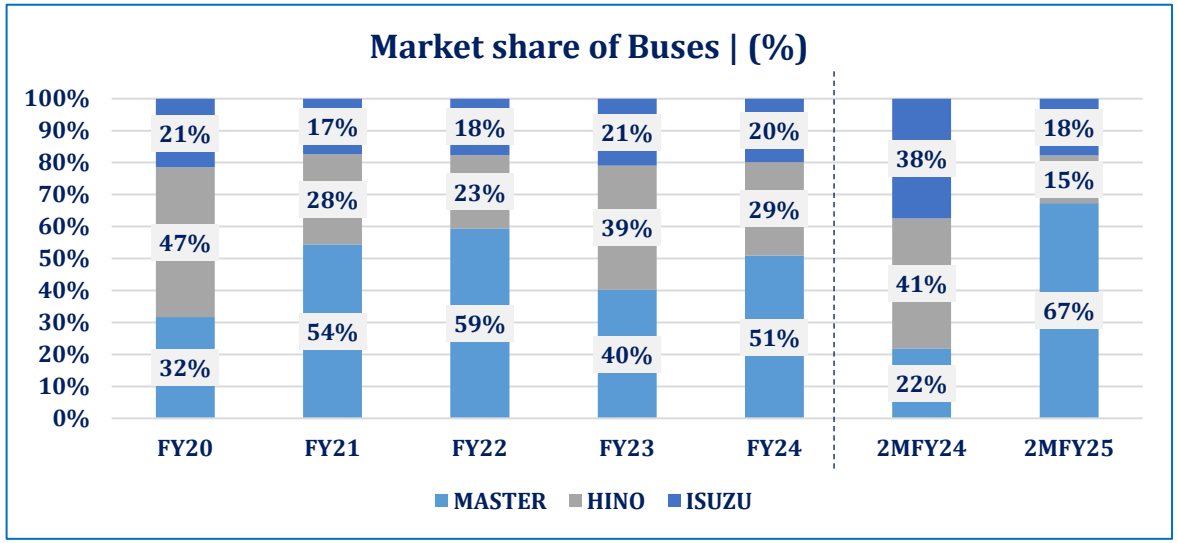
Local | Truck Companies

- **Hino Pakistan**: A prominent subsidiary of Hino Motors, Japan, Hino Pakistan stands as one of the leading manufacturers of trucks in Pakistan.
- **Isuzu Pakistan**: Isuzu Pakistan, another subsidiary of a Japanese corporation, specializes in crafting high-quality commercial vehicles within the Pakistani market.
- **Volvo Pakistan**: As a subsidiary of the renowned Swedish company Volvo Group, Volvo Pakistan focuses on manufacturing heavy-duty trucks and buses for various industries in Pakistan.
- **FAW Pakistan**: FAW Pakistan, a joint venture between FAW Group Corporation of China and Al-Haj Motors, offers a diverse range of commercial vehicles tailored to meet the market demands.
- **Hyundai Nishat Motors**: Hyundai Nishat Motors, a collaborative effort between Nishat Mills Limited and Hyundai Motor Company, specializes in the production of commercial vehicles, including trucks and buses, meeting diverse transportation needs.
- **Master Motors**: A reputable Pakistani automotive company, Master Motors specializes in producing an array of commercial vehicles, encompassing trucks, buses, and vans, catering to diverse transportation requirements.
- **JAC Pakistan**: JAC Pakistan, a joint venture between JAC Motors and the Pakistani company Ghandhara Industries, contributes to the automotive market by manufacturing commercial trucks and vans under the JAC Motors brand.

Trucks & Buses

Local | Production & Sales





Trucks Production (Units)	Company Name	FY20	FY21	FY22	FY23	FY24	2MFY24	2MFY25
ISUZU	Ghandhara Industries Ltd.	1,481	1,827	3,044	1,346	1,284	117	341
MASTER	Master Group of Industries	356	1,078	1,482	988	524	89	111
HINO	Hino Motors Ltd.	1,036	633	886	580	246	28	40
JAC	Ghandhara Automobile Ltd.	72	270	247	160	150	0	14
Total		2,945	3,808	5,659	3,074	2,204	234	506

Buses Production (Units)	Company Name	FY20	FY21	FY22	FY23	FY24	2MFY24	2MFY25
MASTER	Master Group of Industries	177	319	369	276	231	15	83
HINO	Hino Motors Ltd.	260	168	160	268	128	34	30
ISUZU	Ghandhara Industries Ltd.	95	83	132	157	60	6	18
Total		532	570	661	701	419	55	131

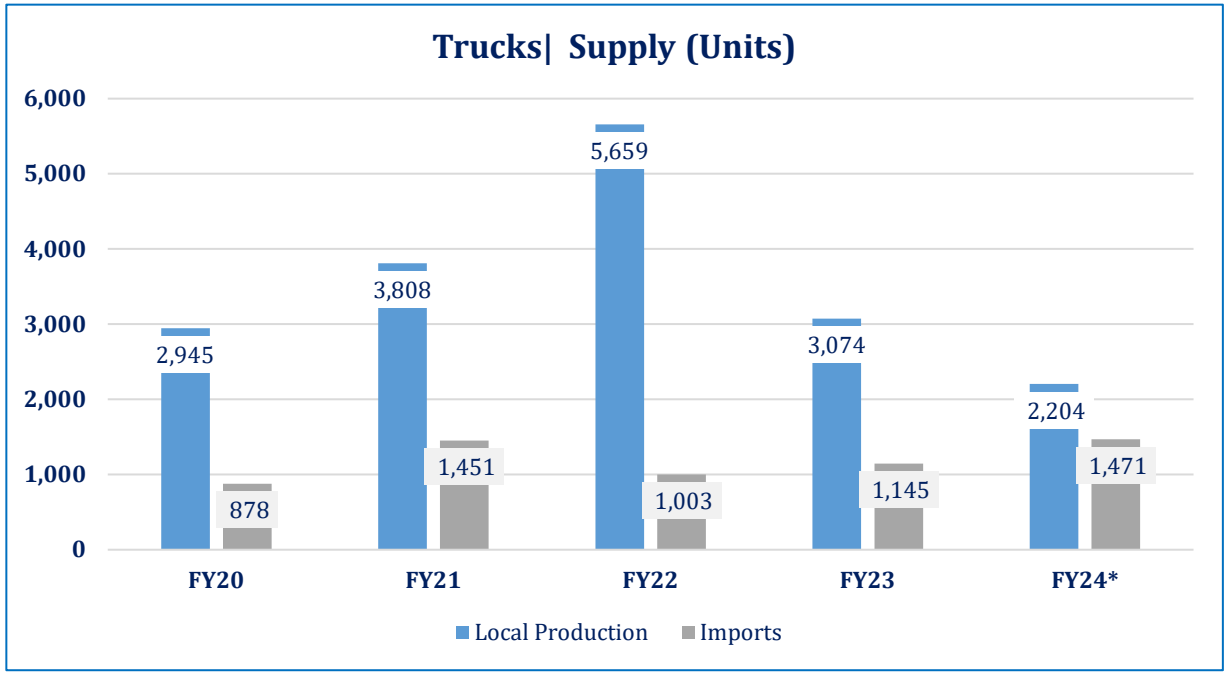
Note: *Markets Shares are based on the number of units sold*

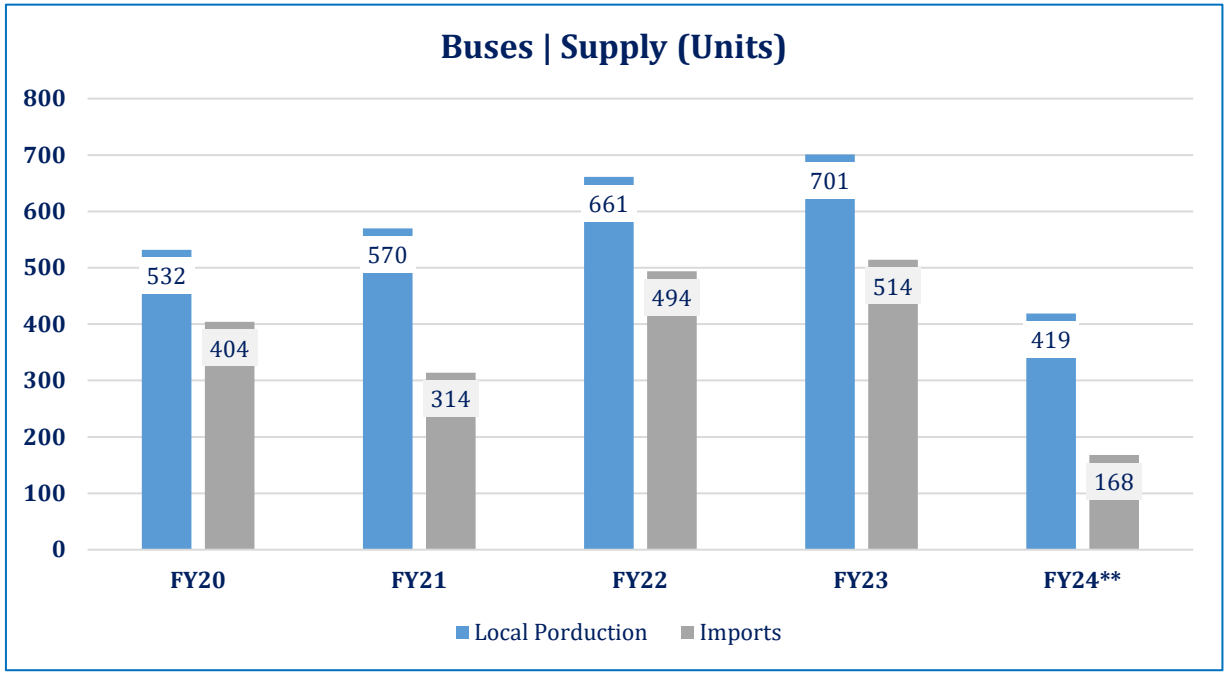
Source: PAMA, PES, ITC

Trucks & Buses

Local | Supply

- In FY24, ~2,204 (FY23: ~3,074) trucks were locally assembled, down 28.3% YoY. While ~1,471 trucks (FY23: ~1,145) were imported as Completely-Built Units (CBUs), bringing the local assembly at 1.5x to that of the CBU imports in FY24 (FY23: ~2.7x).
- Similarly, in FY24, ~419 (FY22: ~701) buses were locally assembled, down ~40.2% YoY. While ~168 (FY23: ~514) buses were imported as CBUs, bringing the local assembly at ~2.5x to that of the CBU imports in FY24 (FY23: ~1.4x).
- A significant decline in the total supply of trucks and buses was observed in FY24 due to a mix of factors including reduced demand amid high inflation and policy rates (~22.0% for 11MFY24) and overall challenging economic conditions in the country. However, the policy rate was initially lowered to ~ 20.5% on June 10, 2024 which was then reduced to ~19.5% effective July 29, 2024. The interest rates now stands at ~17.5% w.e.f September 12, 2024.





FY24 import figures for trucks pertain to 6MFY24 data and includes HS Codes: 8427.20, 8427.90, 8709.19
***FY24 import figures for buses pertain to 6MFY24 data and include HS Code: 8702.90. Imports refer to CBUs only.*

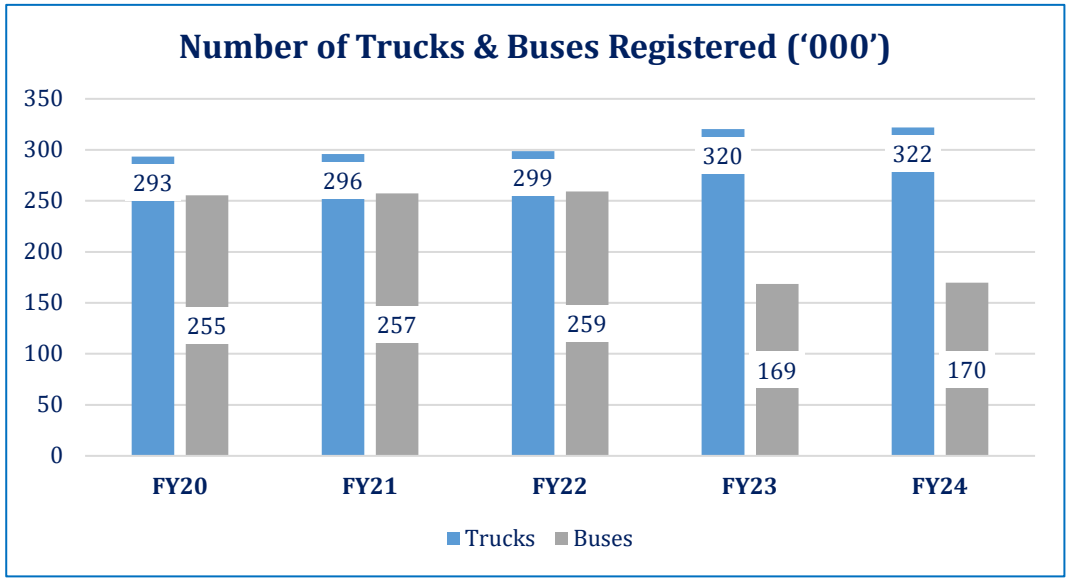
Source: PAMA, PES, UN Comtrade

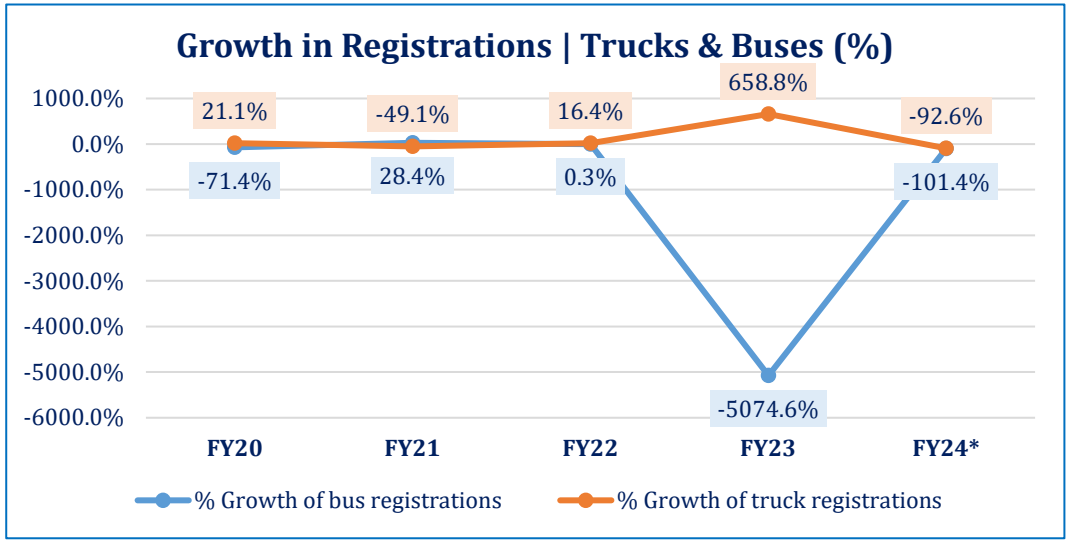
Trucks & Buses

Local | Demand

- During FY24, the number of registered trucks were recorded at ~322,000 (FY23: ~320,000), up ~0.6% YoY, whereas registered buses stood at ~170,000 (FY23: ~169,000) and grew by ~0.6% YoY.
- In terms of sales, both segments exhibited a downward trend and sales in FY24 dipped by ~30.6% YoY each (FY23: trucks ~-45.2%, buses: ~-6.0%), The massive decline in truck sales can be attributed to the slowdown in the economic activity, along with overall inflationary pressures and high interest rates that made the vehicle financing expensive. During FY24, a negative growth of ~92.6% and ~101.4% was observed in the registration of trucks and buses, respectively.

Player-wise Sales (Units)		FY20	FY21	FY22	FY23	FY24	2MFY24	2MFY25
ISUZU	Trucks	1,582	1,907	2,893	1,463	1,243	109	342
	Buses	120	113	123	137	90	24	19
	Total	**1,702**	**2,020**	**3,016**	**1,600**	**1,333**	**133**	**361**
MASTER	Trucks	424	897	1,731	971	604	151	91
	Buses	177	355	413	263	231	14	72
	Total	**601**	**1,252**	**2,144**	**1,234**	**835**	**165**	**163**
HINO	Trucks	1,038	668	889	584	199	24	49
	Buses	262	184	160	254	133	26	16
	Total	**1,300**	**852**	**1,049**	**838**	**332**	**50**	**65**
JAC	Trucks	44	223	289	164	164	7	18
	Buses	0	0	0	0	0	0	0
	Total	**44**	**223**	**289**	**164**	**164**	**7**	**18**
Total	Trucks	3,088	3,695	5,802	3,182	2,210	291	500
	Buses	559	652	696	654	454	64	107
	Sector	**3,647**	**4,347**	**6,498**	**3,836**	**2,664**	**355**	**607**





**FY24 registrations pertain to 9MFY24 data.*

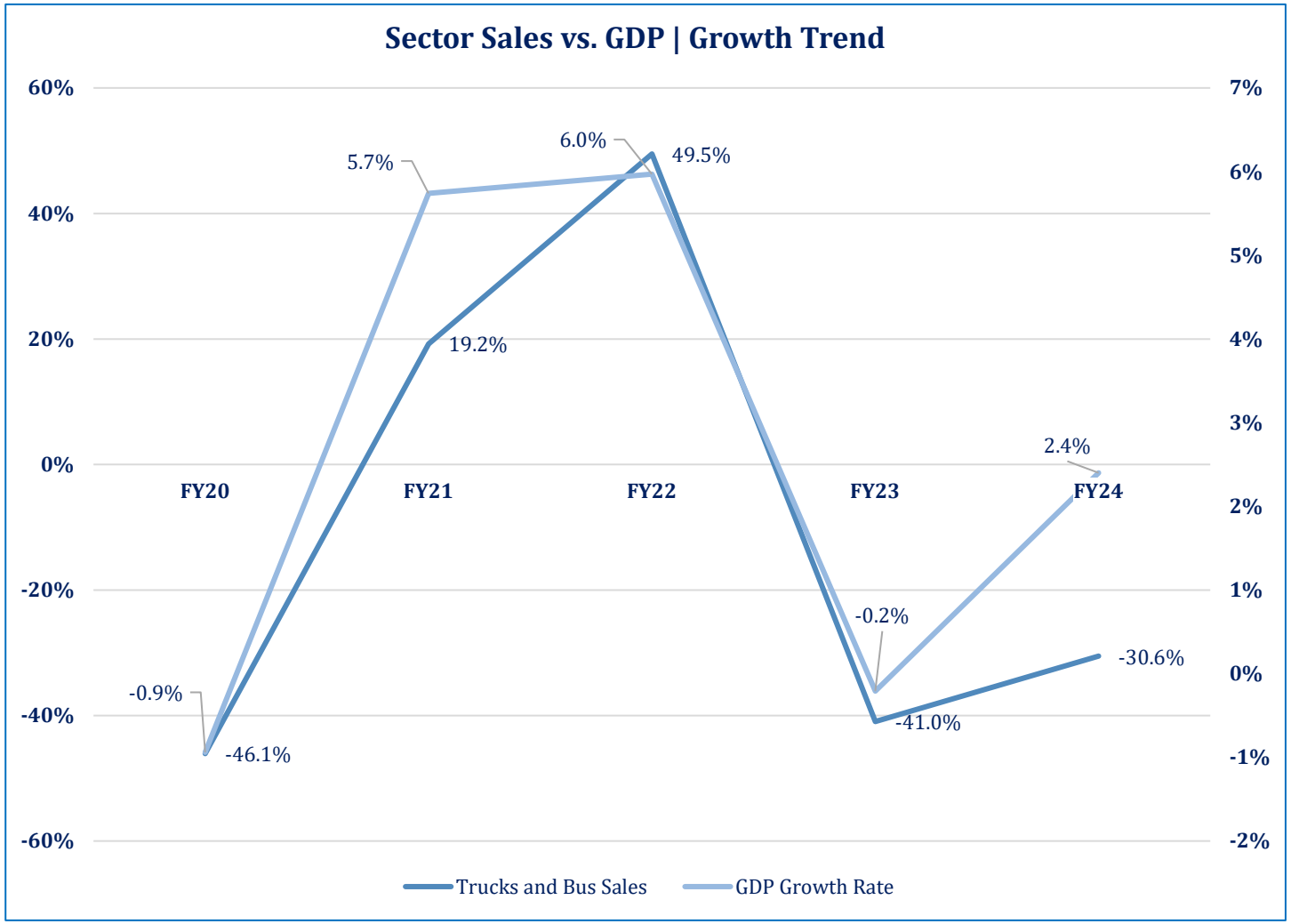
Source: PAMA, PES

Trucks & Buses

Local | Demand

- In FY24, while the economy showed signs of improvement, sales of trucks and buses dropped. The country's GDP exhibited a growth of ~2.4% (FY23: ~-0.2%), while sales of trucks and buses registered a decline of ~30.6% YoY (FY23: ~-41.0%). In contrast to FY23, the decline in sales was less steep in FY24, however, a turnaround towards positive growth still remains a far-off target.

- Moreover, during the year, the Industrial segment of the economy contributed ~21.9% to the country's GDP, QIM also increased by ~0.9% YoY. For FY25, the SBP forecasts a GDP growth in the range of ~2.5-3.5%. Considering these factors, sectoral sales are likely to pick up pace, albeit with a low-base effect in place.



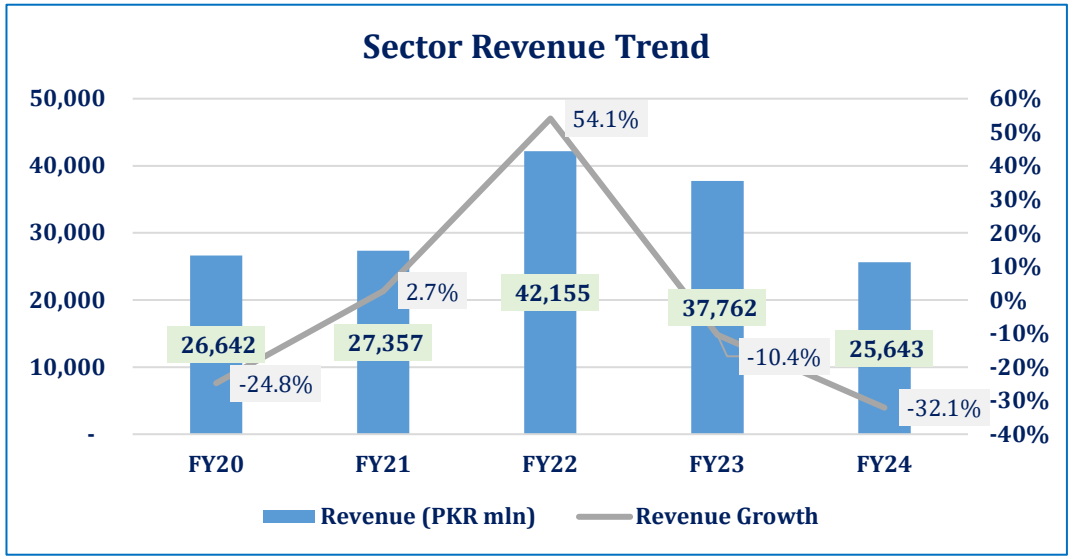
Note: *Sector sales (%) is calculated using trucks and buses sold during each fiscal year as stated by PAMA*

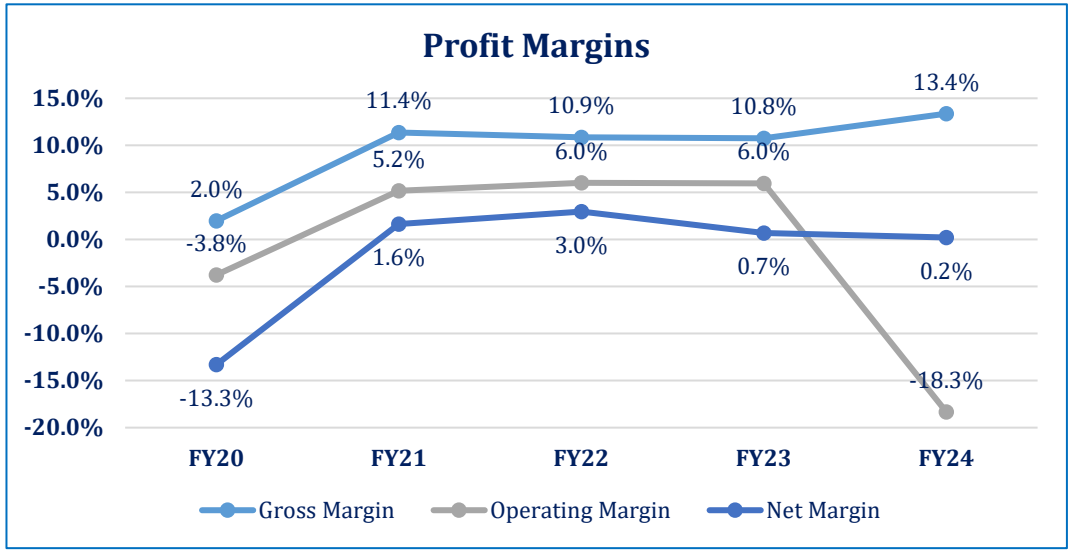
Source: PAMA, PBS, PES

Trucks & Buses

Business Risk | Margins

- The sector's revenue exhibited a negative CAGR of ~-0.8% during FY20-24. In FY24, the sector's revenue slowed down by ~32.1% (FY23: ~-10.4%). FY24 also posed considerable challenges in the form of (i) high interest rates (~22.0%) during 11MFY24, interest rates were slightly reduced to ~20.5% w.e.f. June 10, 2024 (interest rates now stand at ~17.5% effective September 12, 2024), (ii) PKR devaluation of ~14.2%, (iii) persistently high inflation (~23.9%) and, (iv) increasing fuel prices, all of which served to hamper demand.
- Despite the decline in revenue, average gross margin increased to ~13.4% during FY24 (FY23: ~10.8%), indicating the sector players' ability to manage costs effectively, as these dipped by ~27.2% YoY. However, due to ~348.0% YoY higher operating expenses (selling and administrative expenses), operating profit fell in to the negative zone and declined by ~294.1%. Resultantly, average operating margin clocked in at ~-18.3% (FY22: ~6.0%).
- Meanwhile, despite of high interest rates during FY24, the sector's average net margin only declined marginally and was recorded at ~0.2% (FY23: ~0.7%). This was because the finance costs of the sector only increased by ~2.8% during FY24 on the back of lower borrowings.





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

Source: PAMA, Financial Statements

Trucks & Buses

Business Risk | Fleet Management

- As mentioned earlier, majority of the trucks in Pakistan carry ~40-50% greater payload than the permissible weight allowed by the GoP. This leads to extra cost borne by the truck drivers, truck owners, transport industry and infrastructure authorities (such as the National Highway Authority).
- Thus, there is a need to implement an axle load regime so that a formal legislation on legal axle load limits for trucks could be enforced. If such a policy is implemented, it would lead to increased costs for the manufacturers in the short-term, especially since there is already a shortfall in the supply of trucks as opposed to industries' demand. However, in the medium-term, this regime could encourage investments for purchasing higher-quality, technologically-efficient trucks which would likely cover the incurred losses.
- **Axle Load Regime was implemented from Nov'23** onwards which envisions offloading extra cargo on national highway under careful supervision of Motorway Police, along with imposition of heavy fines on vehicles exceeding the prescribed weight, accompanied by strict legal action.

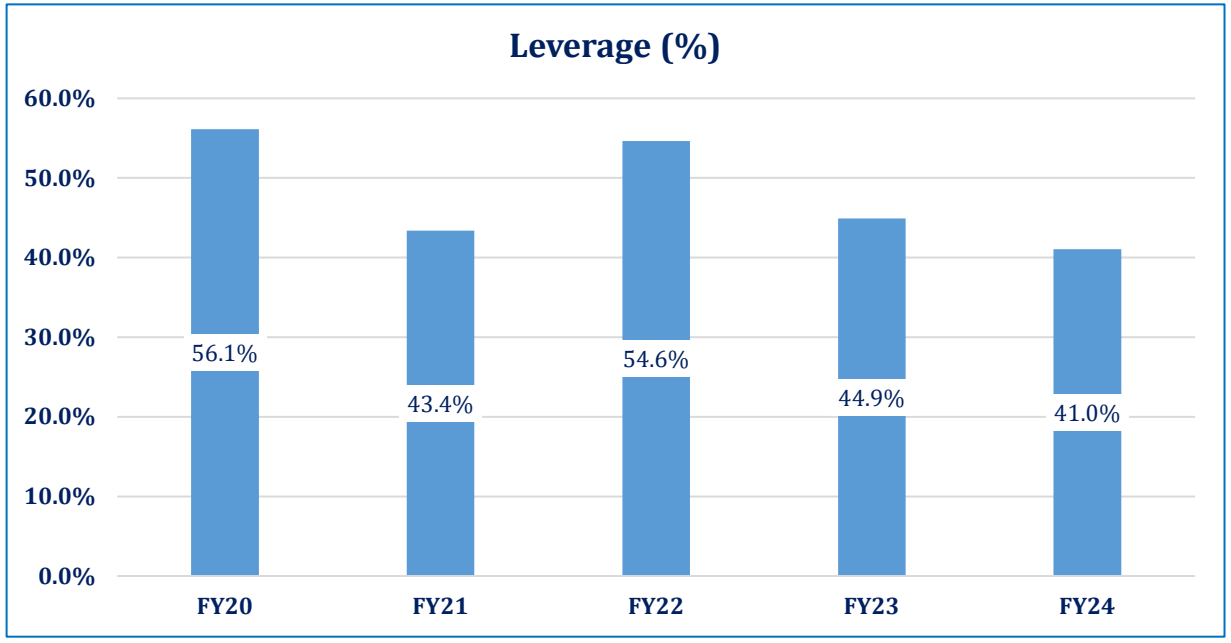
Permissible Axle Loads (By Truck Type)	Permissible GWV (MT)	45% Overload (MT)
2-axle single (Bedford)	17.5	25.38
2-axle single (Hino/Nissan)	17.5	25.38
3-axle tandem	27.5	39.88
5-axle single tandem	48.5	70.33
6-axle single tridem	58.5	84.83
6-axle tandem, single tandem	61.5	89.18

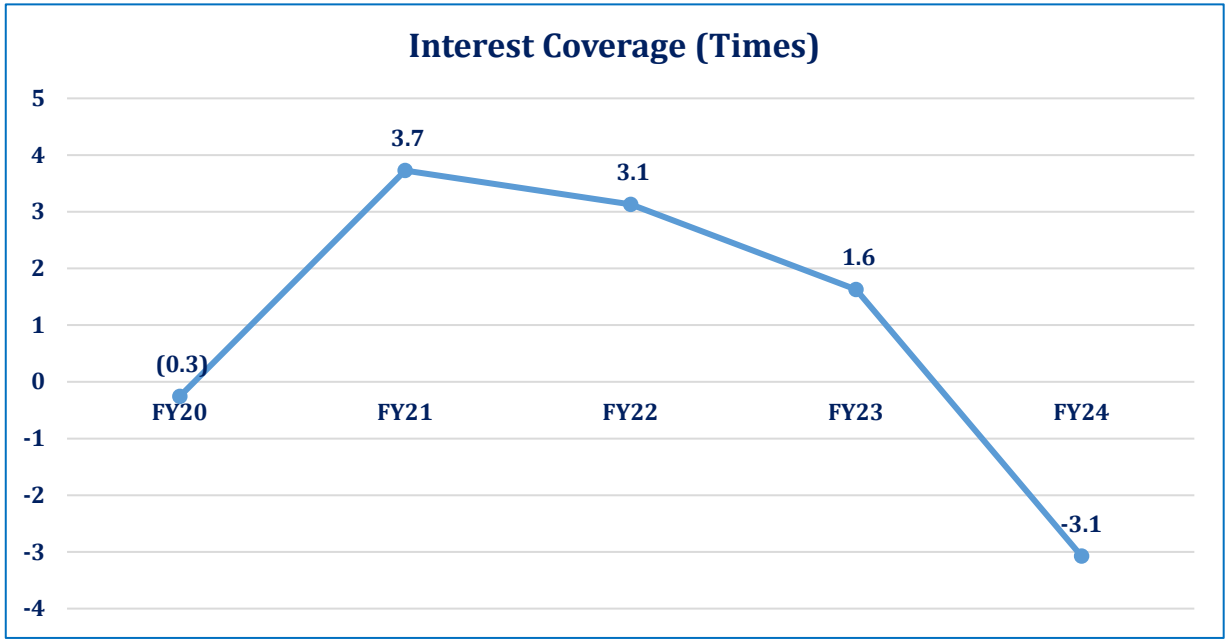
Source: ITC, FOAP

Trucks & Buses

Financial Risk | Borrowing and Coverage

- The sector's total borrowings in FY24 stood at PKR~13,153mln, (FY23: PKR~14,144mln), down ~7.0% YoY. Short-term borrowings, accounting for ~89.4% of the total borrowings declined by PKR~760mln (or ~35.3% YoY). Long-term borrowings accounted for ~10.6% of the total borrowing in FY24 and stood at ~1,394mln (FY23: ~2,155mln). The decline in leverage to ~41.0% in FY24 from ~44.9% in FY23 may partially be attributable to lower borrowings during FY24.
- During FY24, the sector's average interest coverage dipped to ~-3.1x (FY23: ~1.6x), signifying lower ability of the sector players to cover their interest expenses against earnings. In addition to SBP's contractionary monetary policy during FY24 that resulted in ~2.8% higher finance costs, higher operating expenses and negative operating profit caused the coverage to fall in the negative zone (~-3.1x).





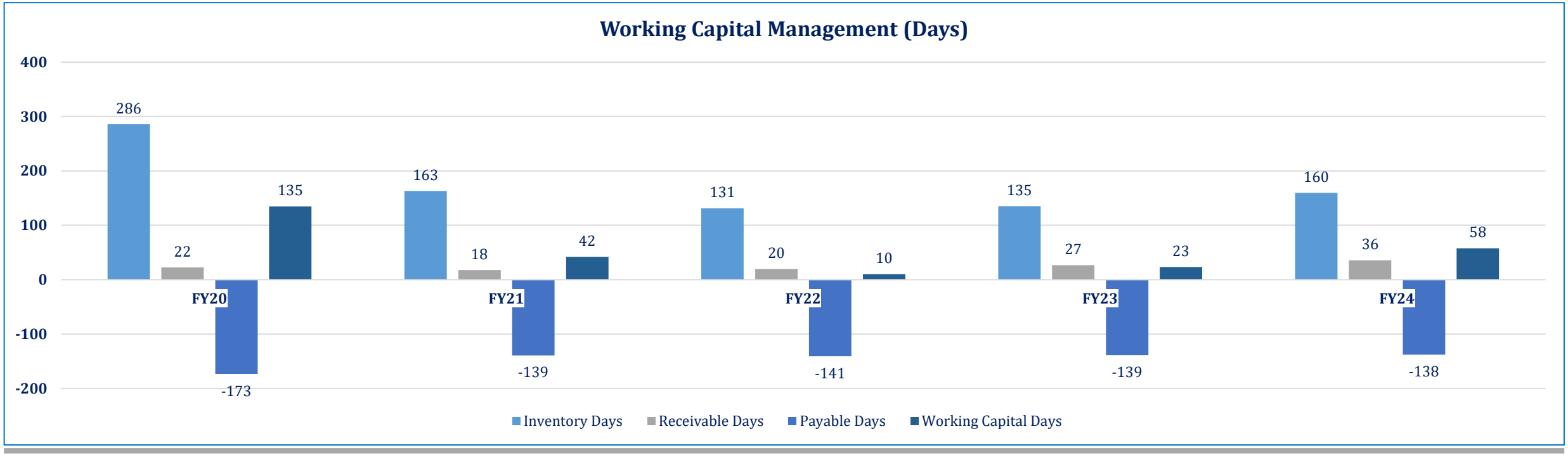
Note: *Data is representative of ~3 PACRA rated/Listed players.*

Source: PACRA Database, PSX

Trucks & Buses

Financial Risk | Working Capital Management

- The working capital requirement of the sector emanates from financing inventories and trade receivables for which it relies on internal cashflows and short-term borrowings. In FY24, the sector experienced a decline in demand, leading to increased financial strain. This was evident as inventories accumulated, causing inventory days to rise to ~160 days by the end of FY24, compared to ~135 days in FY23.
- Simultaneously, the period it took to collect receivables also extended, reaching ~36 days in FY24 as opposed to ~27 days in FY23. Conversely during FY24, the time taken to pay off payables remained almost the same as SPLY. These metrics directly impacted the net working capital days, which surged to ~58 days in FY24 from ~23 days in FY23.
- The increase in net working capital days implies that the sector is struggling to manage its cash flows efficiently vis-à-vis liquidity issues, which could potentially strain the sector's financial health.



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

Source: PACRA Database, PSX

Trucks & Buses

National Trucking Policy

- Pakistan's NTCIP (National Trade Corridor Improvement Programme) sponsored by Asian Development Bank (ADB), aims to upgrade trade logistics and cut annual business costs by PKR~150bln. The focus is on modernizing the road freight sector, engaging stakeholders, and resolving overloading, registration, and examination issues. The goal is to enhance efficiency and replace outdated trucks for better fuel economy, making Pakistan a significant trade hub.

- The trucking segment faces a core issue with financial institutions not considering it credit-worthy for lending, despite having ~322,000 registered trucks as of 9MFY24, predominantly consisting of old, fuel-inefficient, double-axle rigid trucks prone to overloading. There's a rising need for Prime Movers and Multi Axle trucks/trailers to ensure efficient transportation, positively impacting the modernization of related industries.

- Under the policy, the World Bank estimates pertaining to Pakistan's transportation sector are as follows -

    - Extra Fuel Cost (PKR~60-90bln/year), due to outdated vehicles or overloading, leading to higher fuel expenses.
    - Additional Road User Cost (PKR~30-35bln/year), resulting from inefficiencies like longer travel times and increased vehicle wear, raising road maintenance costs.
    - Contribution to Infrastructure Deficit (PKR~25bln/year): Funds impacting maintenance deficits due to overloading or poor road care.

- The trucking sector's official recognition as an "Industry" by the Government of Pakistan offers benefits like easier access to financing, improved insurance coverage, tax incentives, lower utility rates, and potential foreign investment, aiming to boost sector growth and efficiency.

- Illegal truck mods and fierce competition lead to overloading, damaging roads. ~30% of 2-3 axle trucks and ~40% of 4-6 axle trucks overload, hiking costs and slowing travel. Enforcing load limits under the "Axle Overload Control Regime" per safety ordinances aims to tackle this.

Source: FOAP

Trucks & Buses

Duty Structure

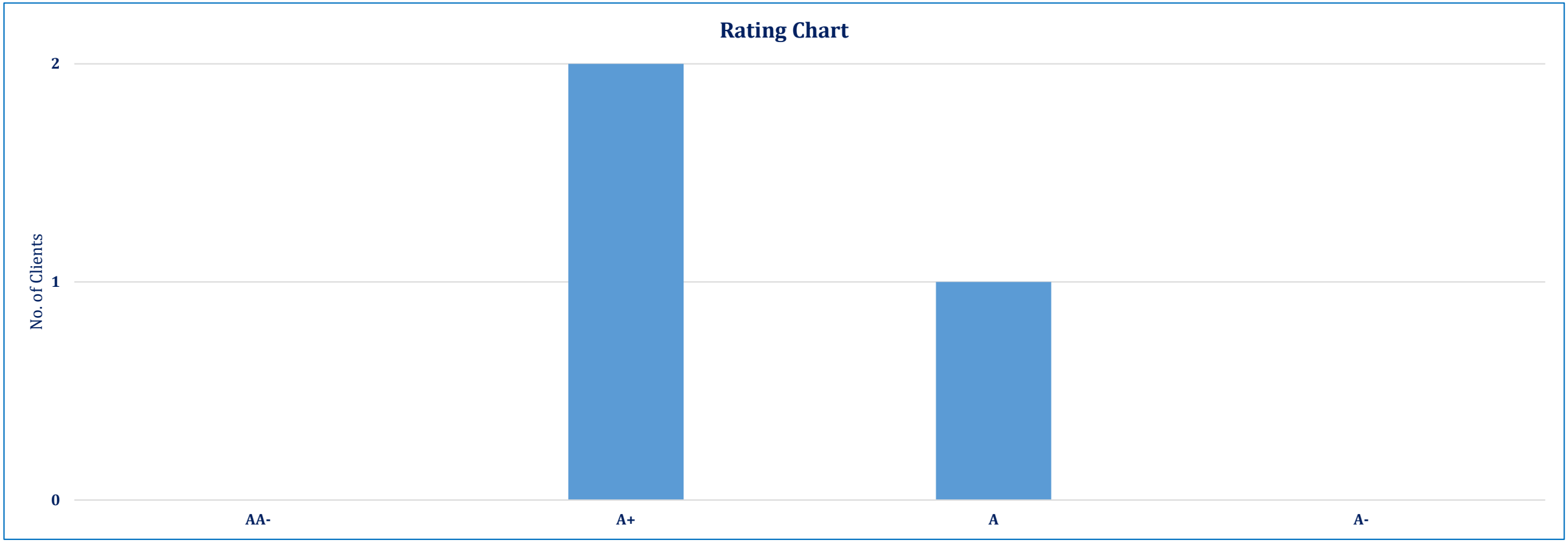
PCT Code	Description	Additional Duty		Custom duty		Regulatory Duty		Total	
		FY24	FY25	FY24	FY25	FY24	FY25	FY24	FY25
Trucks									
4011.1	New pneumatic tires	4%	6%	16%	20%	0%	0%	**24%**	**26%**
4013.1	Inner Tubes	2%	2%	3%	3%	0%	0%	**5%**	**5%**
8426.1	Works trucks fitted with a crane (Not Exceeding 400 MT)	2%	2%	11%	11%	0%	0 %	**13%**	**13%**
8427.1	Self- propelled trucks powered by an electric motor	2%	2%	0%	0%	0%	0%	**2%**	**2%**
8704.1	Components for assembly/manufacture of Dump trucks designed for off highway use	7%	7%	30%	30%	0%	0%	**37%**	**37%**
Buses									
8702.9	Components for assembly/manufacture of Fully dedicated LNG/ LPG or CNG buses	6%	6%	20%	20%	0%	0%	**26%**	**26%**
8702.9	Fully dedicated LNG buses (CBU)	6%	6%	20%	20%	0%	0%	**26%**	**26%**
8702.9	Fully dedicated LPG buses (CBU)	6%	6%	20%	20%	0%	0%	**26%**	**26%**
8702.9	Fully dedicated CNG buses (CBU)	6%	6%	20%	20%	0%	0%	**26%**	**26%**
8708.29	Long members for frame	7%	7%	35%	35%	0%	0%	**42%**	**42%**

Source: FBR

Trucks & Buses

Rating Curve

PACRA rates 3 players in the truck & buses sector, with a long-term rating bandwidth ranging between A and A+.



Source: PACRA Database

Trucks & Buses

SWOT Analysis

- Introduction of New Product Line by existing players.
- Strong ties with international parent companies/suppliers.
- Lower restrictions on intercity travel.

- Majority of Cost of Sales dependent on imports
- Recent devaluation of rupee led to financial distress on margins
- Higher gearing ratio

- Exchange Rate volatility
- Development of ML-1 under CPEC will provide an alternative for freight and transport
- Increase in policy rate may discourage vehicle financing.

- Resumption CPEC related activities
- Contracts with strategic industry and government partners.
- Electric trucks and buses

Trucks & Buses

Outlook: Watch

- In FY24, Pakistan's GDP (nominal) stood at PKR~106.0trn (FY23: PKR~83.9trn), increasing, in real terms, by ~2.4% YoY (FY23: ~-0.21% decline). Industrial activities in FY24 held ~21.9% share in the GDP while the manufacturing activities made up ~62.9% of the value addition. In 3QFY24, Pakistan's GDP (nominal) stood at PKR~25.4trn (3QFY23: PKR~20.6trn), rising in real terms by ~2.1% YoY (2QFY24: ~1.8% YoY). Real GDP growth rate (~2.1%) for 3QFY24 signals a moderate improvement in the economic activity as compared to SPLY. The automobile sector is classified as a Large-Scale Manufacturing (LSM) industrial component within the industrial sector. In FY24, its weight was recorded at ~3.1%, while the sector's growth slowed down ~25.0% YoY during the year. Trucks and buses, respectively, recorded ~33.5% and ~30.8% YoY decline in the QIM during FY24.

- During FY24, the automobile sector witnessed a decline of ~1.8% and ~1.2% in production and sales volume, respectively. While, the trucks and buses each experienced a decline of ~30.6% both in production and sales, respectively. This reflects that the trucks and buses sector has been among the most intensely impacted sectors of the automobile cluster.

- During FY24, even though the trucks and buses composed of ~0.2% of the total automobile sales in Pakistan but the dip in the volumetric sales of this segment (decline of ~30.6%) dragged down the overall performance of the automobile sector.

- Moreover, although, during FY24 both GDP (~2.4%) and LSM (~0.9%) showed signs of recovery but the sales growth rate (in volumetric terms) for the trucks and buses sector remained in the negative zone (~30.6% each). Hence, in FY24, the sector's revenue dipped by ~32.1% (FY23: ~-10.4%). Additionally, due to ~348.0% YoY higher operating expenses (selling and administrative expenses), operating profit fell in to the negative zone and declined by ~294.1%. Resultantly, average operating margin clocked in at ~-18.3% (FY22: ~6.0%). This suggests that while broader economic indicators are improving, the specific sector of trucks and buses is facing a substantial decline in sales, indicating challenges within this industry segment. Also, despite of increase in population, rise in inter-city commuting, better road infrastructure and road security, the trucks and buses sector has not shown encouraging performance specially over the last 2 years (FY23 and FY24).

- Although during 2MFY25, both the production and sales of trucks and buses cumulatively increased by ~120.4% YoY and ~70.9% YoY, respectively, this short term performance improvement does not warrant a sustainable growth in the coming periods. A major anchor to the growth in the sector is an uptick in the Industrial activity, which has although started to recover, yet it still remains slow. Hence, the outlook assigned to the sector remains on "Watch".

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- World Bank (WB)
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- Organisation Internationale des Constructeurs d'Automobiles (OICA)
- IBIS World
- International Monetary Fund (IMF)
- The Business Research Company

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