25 September 2026
Pakistan Auto Sector
KSE100 Index: Closing 170,498.95 ↓ (1,733.57)

Auto Sector: Strong sales leading record profitability

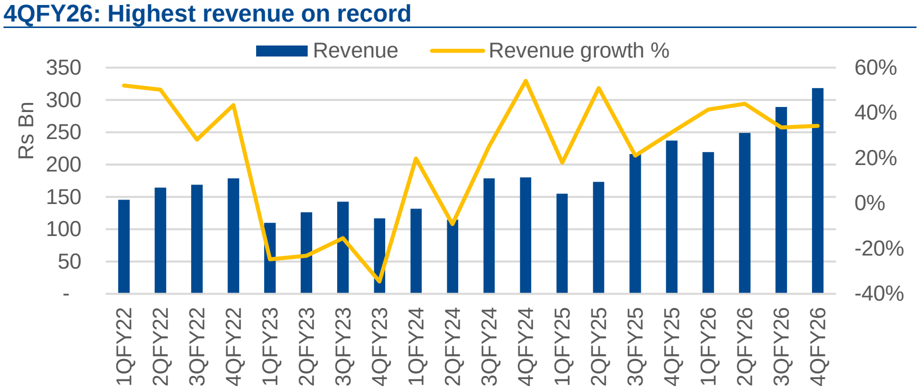
- We review Auto sector's profitability for Jun-2026 quarter based on cumulative figures of eight listed Auto companies.
- The sector recorded its most profitable quarter in Jun-2026, with earnings rising 44% YoY, driven by 34% YoY topline growth on 29% higher volumes (PAMA) alongside healthy pricing and stronger other income (+54% YoY) from SIDC gains.
- On a QoQ basis, earnings growth remained subdued at around 4%, as a 3ppts decline in gross margins, mainly due to higher shipping and freight costs amid the Middle East conflict, more than offset the impact of a 10% QoQ increase in net sales.
- The draft Auto policy has been finalized, though IMF consultation expected in October, and subsequent Cabinet approval remain pending. The draft policy seems to favor NEV producers through reduced duties, sales tax etc, while gradually reducing protection for local manufacturers by lowering tariffs on imported vehicles.

4QFY26 Review: Strong sales supporting growth

Our selected sample of 8 auto companies, representing 98% of the sector's total market capitalization, reported topline of Rs318bn in 4QFY26, up 34% YoY, marking the highest quarterly sales on record. Growth was driven by a 29% YoY increase in volumes, alongside healthy pricing. SAZEW remained the strongest performer, with topline surging 181% YoY, supported by a sharp increase in SUV sales and the addition of Tank 500 sales during the quarter. In contrast, GAL bucked the industry trend, with topline declining 33% YoY, primarily due to a high base in 4QFY25 following strong demand and market hype surrounding its T9 pickup truck.

Collectively, our sample recorded net sales of Rs1.075trn in FY26, marking the industry's highest-ever annual sales, supported by strong volumes, new model launches, an improved macroeconomic environment and exchange rate stability.

4QFY26: Highest revenue on record



Source: Company accounts, JS Research

Margins stable YoY, decline QoQ in 4QFY26

The sector's average gross margins remained largely flat YoY at ~15.7% in 4QFY26, but declined by a sizable 3ppts QoQ, primarily due to higher shipping and freight costs amid the Middle East conflict. Furthermore, intensifying competition following the entry of new players has limited the industry's pricing power, with

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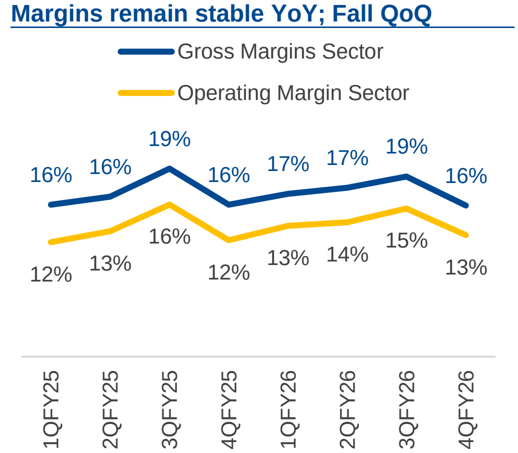
Company-wise YoY topline trend

	4QFY26	4Q trailing
GAL	-33%	36%
GHNI	14%	62%
INDU	-4%	20%
MTL	47%	20%
SAZEW	181%	77%
ATLH	31%	34%
HCAR	41%	50%
AGTL	69%	7%
Sector	**34%**	**38%**

Source: Company accounts, JS Research

Margins remain stable YoY; Fall QoQ



Source: Company accounts, JS Research

automakers yet to announce any major price increases to pass on higher costs. This could keep margins under pressure in 1QFY27.

For FY26, the sector's average gross margins remained relatively stable YoY at ~17%, supported by improved fixed cost absorption amid higher volumes and a stable exchange rate.

SIDC gains propelled other income during 4QFY26

The sector's other income surged 54%/75% YoY/QoQ, largely driven by one-off gains related to Sindh Infrastructure Development Cess (SIDC), recorded by three Japanese manufacturers, HCAR, ATLH and INDU, amounting to Rs1.59bn, Rs2.12bn and Rs3.20bn, respectively.

Record profitability amid strong sales and healthy pricing

Our sample recorded its highest-ever quarterly profitability in 4QFY26, with cumulative PAT rising 44% YoY to ~Rs30bn, largely driven by strong volumes. SAZEW emerged as the top performer, with PAT surging 151% YoY, supported by robust SUV sales (+133% YoY). Similarly, HCAR recorded a threefold YoY increase in PAT, driven by higher volumes, a one-off SIDC gain and a lower effective tax rate.

Auto sector: Company-wise YoY PAT trend

	4QFY26	4Q trailing
GAL	-15%	57%
GHNI	1%	51%
INDU	-5%	11%
MTL	55%	28%
SAZEW	151%	44%
ATLH	25%	35%
HCAR	200%	47%
AGTL	NM	48%
Sector cumulative	**44%**	**32%**

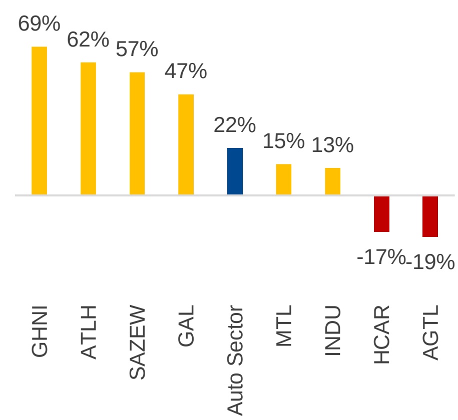
Source: Company accounts, JS Research

Auto policy remains key to unlocking sector valuations

The auto sector has underperformed the KSE100 index, posting a gain of 22% FY26TD, compared to KSE100's 36% for the same period. Consequently, the sector's average trailing 4Q P/E has fallen to 7.31x (6.24x excluding MTL), trading below KSE100's FY26 PE of 7.61x. We attribute the sector's underperformance to uncertainty surrounding its outlook, further exacerbated by delays in the announcement of the new Auto Policy.

The draft Auto Policy has been approved by the Prime Minister, though IMF consultations expected in October, and subsequent Cabinet approval remain pending. The proposed policy offers incentives to NEV manufacturers through reduced duties and sales tax, while gradually lowering protection for local assemblers through reduced tariffs on CBUs. For further details, please refer to our recent report '[Auto policy: Key proposals](#)'.

Auto Companies FY26TD performance



Source: PSX, JS Research

Ghandhara Automobiles Ltd (GAL) is our top pick within the sector with a TP of Rs900.

Auto sector: Key valuations

(Rs mn)	Mkt Cap	4Qs Trailing*					
		Revenue	PAT	Equity	P/S (x)	P/E (x)	ROE (%)
GAL	31,119	47,048	6,417	17,739	0.66	4.85	36%
GHNI	46,407	60,658	6,927	17,954	0.77	6.70	39%
INDU	139,750	258,755	25,505	81,925	0.54	5.48	31%
MTL	119,127	64,239	8,071	10,080	1.85	14.76	80%
SAZEW	104,630	191,715	23,605	33,354	0.55	4.43	71%
ATLH	194,760	293,182	22,329	40,770	0.66	8.72	55%
HCAR	31,543	133,023	4891	24,882	0.24	6.45	20%
AGTL	19,769	26,584	2,794	10,553	0.74	7.08	26%
Sector	**687,104**	**1,075,204**	**100,539**	**237,255**	**0.75**	**7.31**	**47%**

*Source: Company accounts, PSX, JS research I * Based on 4Q trailing financials ending Jun-2026*

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