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PAKISTAN AUTOS

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MARKET VISTA

Volumes decline amid policy ambiguity

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- **Auto sales declined 5%YoY during Sep'26, primarily driven by lower passenger car and LCV sales.**
- **Volumes were impacted by uncertainty surrounding the upcoming auto policy, coupled with transportation disruptions amid strike calls.**
- **We expect autos growth to continue, supported by lower financing rates, stable prices amid rising competition, and improving macro conditions.**
- **INDU stands out as our recommended pick with Dec'26 target price of PkR3,966/sh, offering FY26 DY of 11.5%.**

Passenger cars drag industry sales: Auto Industry sales declined by 5%YoY to 17,850 units in Sep'26, primarily driven by lower passenger car and LCV sales. The aforesaid decline is attributable to uncertainty surrounding the upcoming auto policy, coupled with transportation disruptions amid strike calls. Passenger car sales fell by 10%YoY to 10,939 units, while LCV and Pickup volumes declined by 18%YoY. In contrast, truck sales continued robust growth amid improving economic activity and axle load restrictions, increasing 18%YoY to 860 units. Meanwhile, tractor sales jumped by 2.3x YoY to 1,815 units during the month, mainly due to a low base in SPLY when sales were affected by weak farm economics and monsoon related flooding. Additionally, two-wheeler also maintained their growth momentum, rising 25%YoY to 195,626 units in Sep'26.

INDU sustains growth: INDU sales increased by 31%YoY to 4,142 units from 3,152 units in SPLY. Corolla, Cross & Yaris sales rose by 34%YoY to 3,563 units, mainly driven by sustained demand in mid-level sedans, i.e, Yaris, despite weaker demand for Cross HEV following its price increase after the GST hike. Meanwhile, Fortuner & IMV sales also improved by 16%YoY to 579 units, supported by promotional offer on the petrol variant of Fortuner.

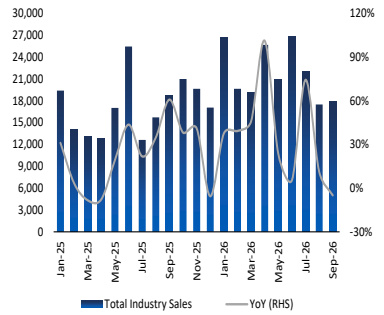
HCAR sales drop on higher base: HCAR's volumetric sales fell by 8%YoY to 2,128 units. Wherein, City and Civic volumes increased by 2%YoY to 2,021 units, despite a high base in SPLY following City facelift launch, supported by sustained demand of 'City'. On the contrary, crossover sales (HR-V & BR-V) dropped by 68%YoY to 107 units, attributed to the weaker demand for HR-V due to increased prices post GST hike, and the discontinuation of BR-V.

SAZEW sales stabilizing amid unchanged prices: SAZEW posted its two-month 4W volumetric sales of 2,474 units for Aug-Sept'26, flat YoY compared to 2,478 in SPLY. Notably, the company's absorption of the GST hike on hybrids, offsets the impact of earlier halt in hybrid/PHEV bookings in Aug'26.

Investment Perspective: We expect auto sector growth to maintain its trajectory, with FY27 industry volumes projected to increase by 20%YoY, supported by i) expected ease in financing rates, ii) stable prices amid rising competition, and iii) improving macro conditions. Nonetheless, we expect the launch of new variants in the NEV category to remain constrained until the announcement of upcoming auto policy. In addition, policy uncertainty is also likely to continue weighing on PHEV sales.

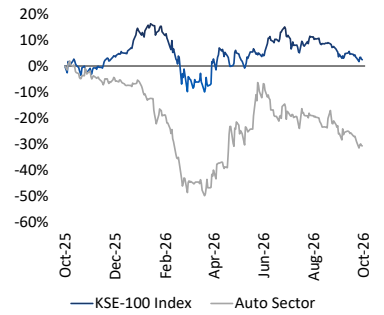
INDU remains our top pick in the sector, with a Dec'26 target price of PkR3,966/sh. Our positive stance is underpinned by i) volume-led growth amid economic recovery, strong brand equity, and an extensive dealership network, ii) higher localization supporting margins, and iii) strong liquidity with favorable working capital management.

Industry sales (monthly trend)



Source: PAMA & AKD Research

KSE100 Index vs. Autos Sector

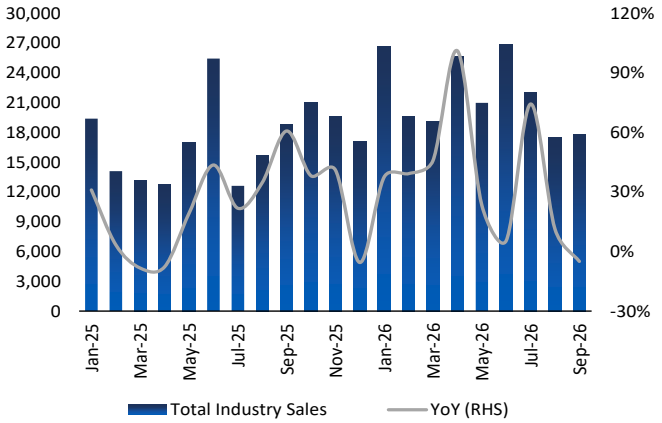


Source: PSX & AKD Research

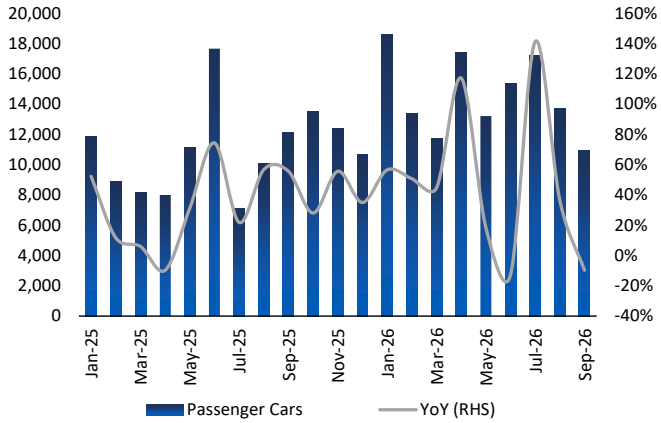
AKD Securities Limited

Auto sector faced volumetric pressure in Sep'26

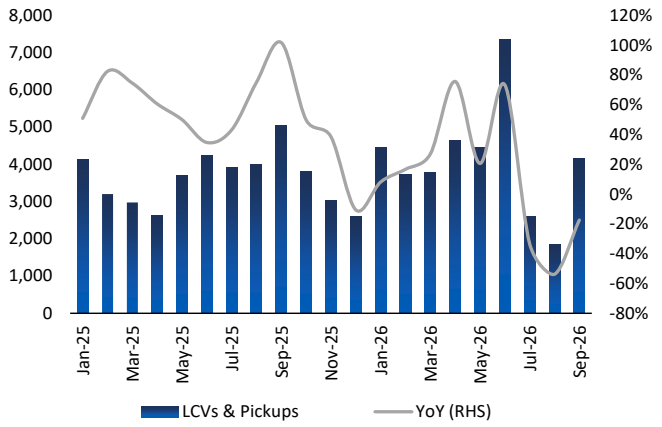
Industry sales declined by 5%YoY during Sep'26...



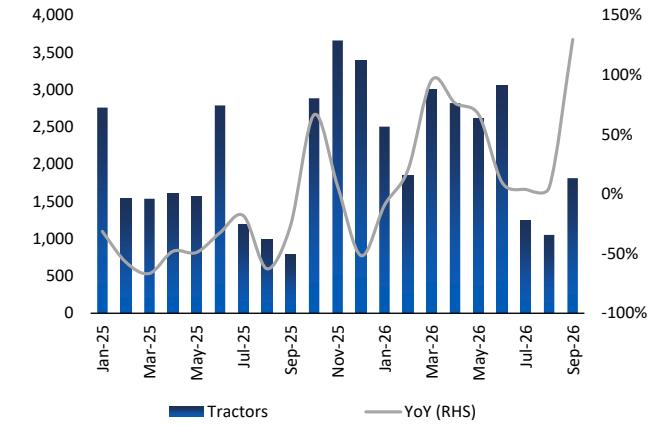
...mainly impacted by 10%YoY drop in passenger car sales



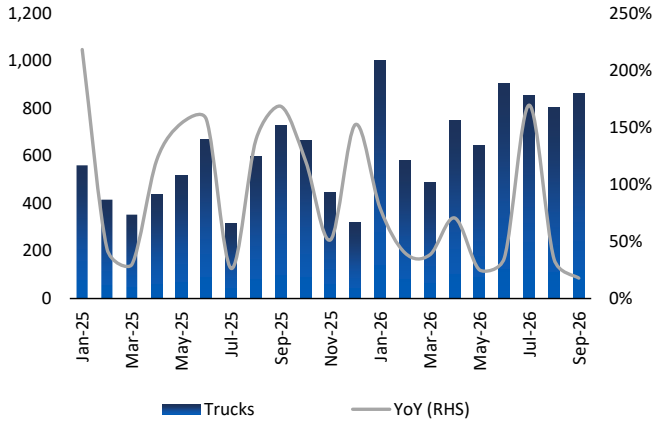
Meanwhile, LCVs & Pickup sales dropped on lower hybrid sales



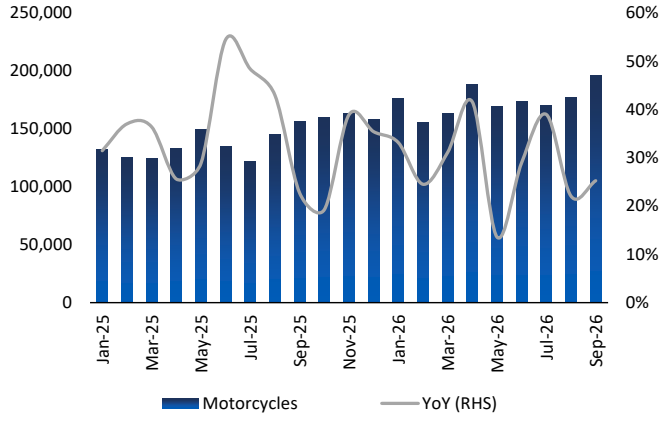
In contrast, tractor sales posted 2.3x YoY growth on low base



Truck sales also remained strong during Sep'26....



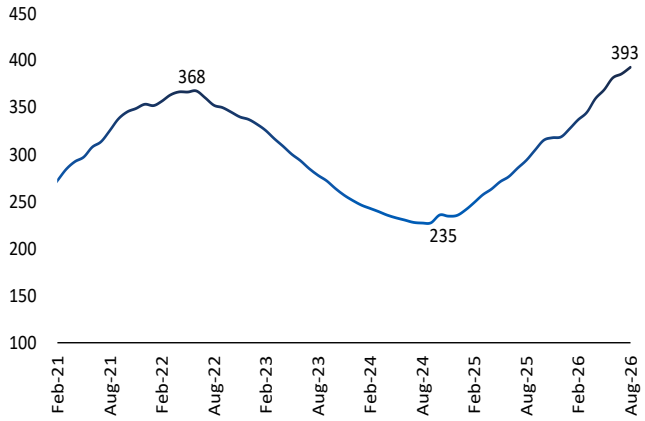
...while motorbike sales also rose by 25%YoY basis



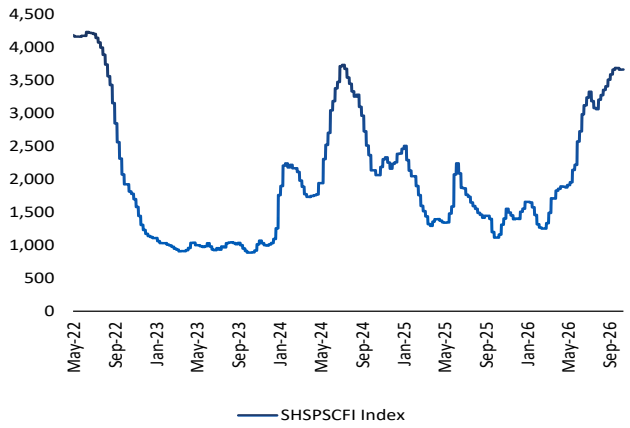
Source: PAMA & AKD Research

Macroeconomic factors to support volumetric growth going ahead

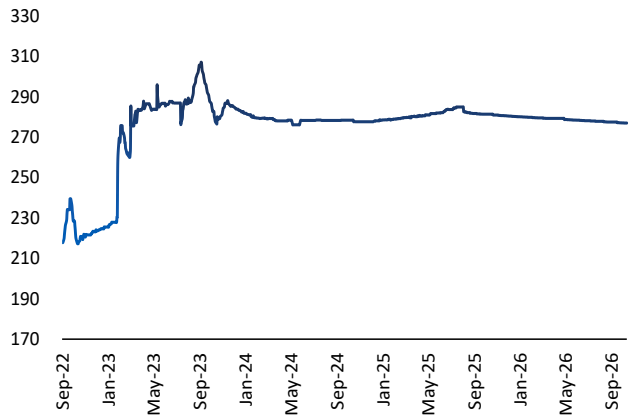
Auto financing continues to surge for consecutive 20th month (PkRbn)



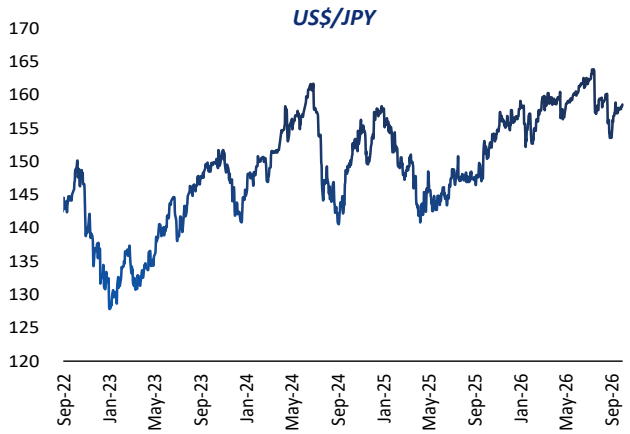
Freight cargo prices surge recently amid middle-east conflict



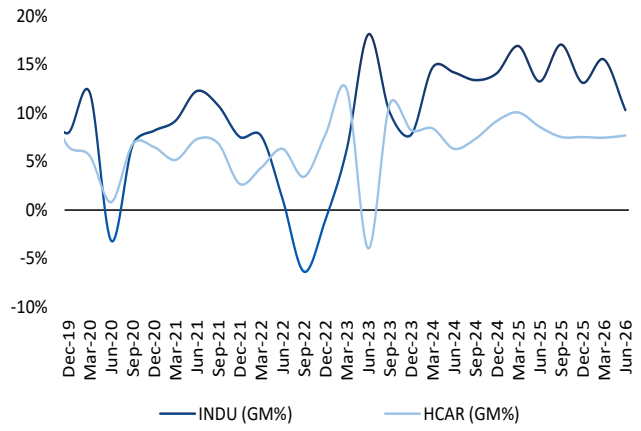
Firm currency to underpin stable car pricing (US$/PkR)



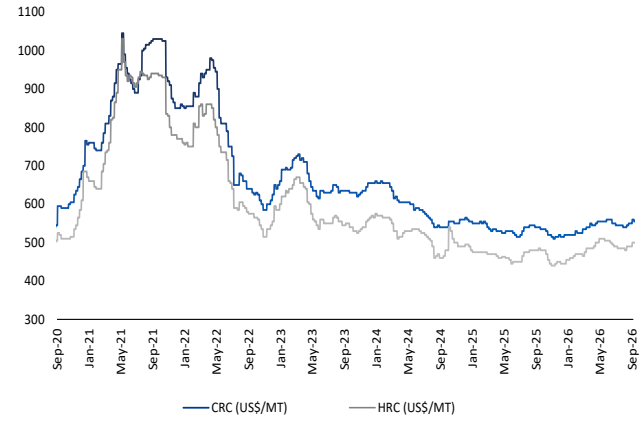
....while stronger JPY, further fueled by rate hike, to rise input cost



OEM gross margins remained stable on increasing sales...



...though moderating intl' steel prices cushioned some impact



Source: SBP, Bloomberg, PSX & AKD Research

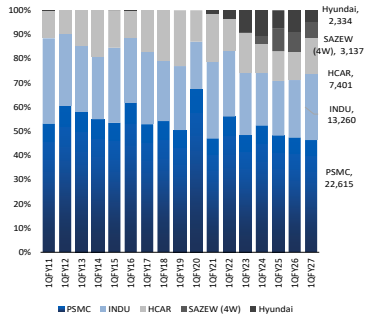
Pakistan Automotive Industry Sales Snapshot Sep'26

(Units)	Sep-26	Sep-25	YoY	Aug-26	MoM	1QFY27	2QFY26	YoY
Ind. Perform.								
Total Industry Sales	17,850	18,788	-5%	17,485	2%	57,314	47,112	22%
Passenger Cars + LCV	15,104	17,174	-12%	15,558	-3%	50,478	42,267	19%
Passenger Cars	10,939	12,126	-10%	13,717	-20%	41,872	29,318	43%
LCVs & Pickups	4,165	5,048	-18%	1,841	126%	8,606	12,949	-34%
Trucks	860	730	18%	802	7%	2,516	1,643	53%
Buses	73	94	-22%	73	0%	211	221	-5%
Tractors	1,815	790	130%	1,052	73%	4,109	2,981	38%
Company-Wise								
PSMC	4,862	8,997	-46%	7,633	-36%	22,615	19,831	14%
INDU	4,142	3,152	31%	4,029	3%	13,260	9,889	34%
HCAR	2,128	2,307	-8%	2,633	-19%	7,401	4,880	52%
DFML	63	50	26%	75	-16%	200	175	14%
SAZEW (4W)	2,474	1,429	73%	-	-	3,137	3,557	-12%
Hyundai	884	1,175	-25%	742	19%	2,334	3,612	-35%
MTL	1,252	620	102%	809	55%	2,889	2,177	33%
AGTL	563	170	231%	243	132%	1,220	804	52%
Segment-Wise								
Above 1000cc	6,947	6,224	12%	7,592	-8%	23,605	15,442	53%
800-1000cc	138	433	-68%	296	-53%	826	1,216	-32%
Below 800cc	3,812	5,439	-30%	5,754	-34%	17,276	12,565	37%
Motorcycles	195,626	156,162	25%	176,815	11%	542,158	423,124	28%
3 Wheel	6,876	2,779	147%	1,304	427%	11,836	8,418	41%
PSMC								
Swift	852	1,403	-39%	1,472	-42%	4,342	3,398	28%
Cultus	138	427	-68%	296	-53%	826	1,163	-29%
Wagon R	0	6	-100%	0	n.m	0	53	-100%
Alto	3,354	4,718	-29%	5,339	-37%	15,910	11,238	42%
Fronx	60	0	n.m	111	-46%	171	0	n.m
Ravi	0	1,722	-100%	0	n.m	0	2,652	-100%
Every	458	721	-36%	415	10%	1,366	1,327	3%
INDU								
Corolla, Cross & Yaris	3,563	2,655	34%	3,079	16%	10,925	7,626	43%
Fortuner & IMVs	579	497	16%	950	-39%	2,335	2,263	3%
HCAR								
Civic & City	2,021	1,977	2%	2,553	-21%	7,103	3,819	86%
BR-V & HR-V	107	330	-68%	80	34%	298	1,061	-72%
SAZEW								
4 Wheel	2,474	1,429	73%	0	n.m	3,137	3,557	-12%
3 Wheel	5,173	1,864	178%	0	n.m	7,735	5,346	45%
DFML								
Shehzore	21	20	5%	0	n.m	35	80	-56%
Honri	42	30	40%	75	-44%	165	95	74%

SAZEW figures covered the combined period of Aug-Sep'26.

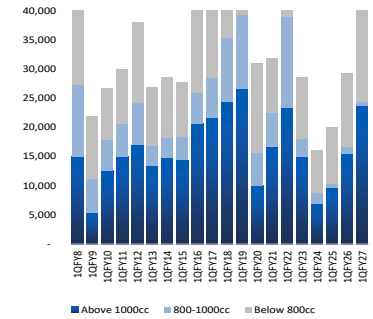
Source: PAMA & AKD Research

OEMs market share in 1QFY27



Source: PAMA & AKD Research

Segment Wise 1Q trend



Source: PAMA & AKD Research

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

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BUY > 15% expected total return

NEUTRAL > 0% to < 15% expected total return

SELL < 0% expected total return

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