# Pakistan Equity | Autos | Earnings Preview

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## Auto profitability likely to rise 52% YoY and 7% QoQ

### Volumes up 30% YoY and 2% QoQ



**Myesha Sohail**

myesha@topline.com.pk

Tel: +9221-35303330 Ext:133

**Topline Securities, Pakistan**

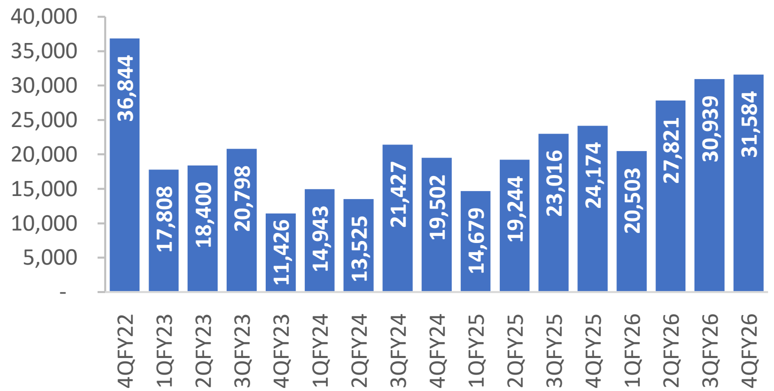
# Profitability improves due to change in sales mix and launch of TANK

**Pakistan Auto Profitability**

| Rsmn | 4QFY26E | 4QFY25 | YoY | 3QFY26 | QoQ |
|---|---|---|---|---|---|
| INDU | 6,816 | 6,455 | 6% | 6,697 | 2% |
| HCAR | 932 | 829 | 12% | 1,007 | -7% |
| SAZEW | 7,562 | 3,481 | 117% | 6,438 | 17% |
| MTL | 3,117 | 1,335 | 133% | 3,056 | 2% |
| **Total** | **18,426** | **12,101** | **52%** | **17,199** | **7%** |

Source: Company Accounts, Topline Research

**Topline Auto Universe Sales Trend**




Source: Company Accounts, Topline Research

- Topline Auto Universe is expected to post profitability of Rs18.4bn in 4QFY26, compared to Rs12.1bn in 4QFY25, reflecting a 52% YoY increase, primarily driven by increase in volumes by 30% YoY and change in sales mix.
- On a QoQ basis, profitability is projected to rise by 7%, mainly due to increase in sales of Sazgar Engineering (SAZEW) as delivery of TANK 500 started this quarter. SAZEW saw a 2.3x YoY and 21% QoQ increase in units to 6,549 units in 4QFY26.
- Net sales are anticipated to increase 38% YoY and 8% QoQ to Rs188bn in 4QFY26, mainly due to higher volumes and improved sales mix led by a greater contribution from the higher-priced Fortuner, and the addition of the new TANK model.
- To highlight, volumes across the Topline universe rose 30% YoY and 2% QoQ to 31,584 units in 4QFY26.
- Gross margins for the Topline Auto Universe are expected to clock in at 20.2% in 4QFY26, compared to 18.08% in 4QFY25 and 21.94% in 3QFY26. The compression in gross margins QoQ is due to higher share of lower-margin variants, and cost pressures. While a rise in gross margins on a YoY basis is mainly led by MTL as after consolidation MTL's margins have improved in recent quarters.
- Other income of the Topline Auto Universe is likely to clock in at Rs4.7bn, down by 9% YoY but up 4% QoQ in 4QFY26. Effective tax rate (ETR) of Topline Universe is likely to clock in at 37.02% in 4QFY26 vs. 14.17% in 4QFY25 and 35.28% in 3QFY26.
- Atlas Honda Limited (ATLH), a Topline's Alpha Pick, continues to maintain a strong foothold in the 2-wheeler segment. Company's sales has reached to 465,212 in 1QMY27, up 29% YoY and 7% QoQ.

# Company wise estimates

- **Indus Motor Company (INDU):** We expect INDU's earnings to rise 6% YoY and 2% QoQ to Rs86.72/share in 4QFY26. The YoY rise is majorly due to lower effective tax rate (ETR). ETR in 4QFY26 is expected at 31% as compared to 38% in 4QFY25 and 42% in 3QFY26. Net sales is expected to fall 4% YoY and 8% QoQ to Rs67bn mainly due to a fall in volume of 4% YoY and 11% QoQ to 11,333 units. Along with the result, we expect a cash dividend of Rs52/share in 4QFY26 (Payout ratio: 60%).
- For full year FY26, company is expected to report EPS of Rs333.5/share, up 14% YoY, and Dividend of Rs200/share (Payout ratio: 60%).
- **Honda Atlas Car (HCAR):** HCAR is expected to post EPS of Rs6.52 in 1QMY27, up 12% YoY but down 7% QoQ mainly due to volumetric changes. HCAR volumes rose 39% YoY but fell 2% QoQ. Gross margins for 1QMY27 are projected at ~7.3%, down 134bps YoY and 22bps QoQ. We do not expect the company to announce a cash dividend, in line with its historical practice of paying a year-end dividend.
- **Sazgar Engineering Works (SAZEW):** We expect SAZEW's earnings to clock in at Rs125.08/share, up 2.2x YoY and 17% QoQ. The rise is majorly due to an uptick in sales seen this quarter as the new TANK 500 model deliveries began in April. SAZEW volumes in 4QFY26 clocked in at 6,549 units up 2.3x YoY and 21% QoQ. Net sales are expected to rise 2.4x YoY and 35% QoQ to Rs64bn, due to higher volumes. Along with the results, we expect the company to announce a cash dividend of Rs25/share in 4QFY26 (Payout ratio: 20%).
- For FY26, we expect company record EPS of Rs271.2/share, up 37% YoY and dividend of Rs75/share (Payout 20%).
- **Millat Tractors Limited (MTL):** We expect MTL's earnings to rise 2.3x YoY and 2% QoQ to an EPS of Rs15.62 in 4QFY26. The YoY rise is due to a rise in gross margins after multiple factors including amalgamation of Millat Equipment (MEL) into MTL, cost optimization and some price increase. Gross margins are projected at ~35% in 4QFY26, compared with 25.34% in 4QFY25 and 37.94% in 3QFY26. Along with the results, we expect the company to announce a cash dividend of Rs26/share in 4QFY26 (Payout ratio: 84%).
- For FY26, we expect company to report EPS of Rs46.05/share, up 45% YoY and dividend of Rs46/share (payout ratio: 100%).
- **Atlas Honda Bikes (ATLH):** ATLH, one of our Alpha Stocks, is expected to post EPS of Rs44.13 during 1QMY27, up 14% YoY while down 7% QoQ. The company is recording all-time high quarterly sales, and with a market share of ~86%, it continues to dominate the 2-wheeler segment.

**Topline Auto Universe Estimated EPS**

| Rs | 4QFY26E | 4QFY25 | YoY | 3QFY26 | QoQ |
|---|---|---|---|---|---|
| INDU | 86.72 | 82.13 | 6% | 85.21 | 2% |
| HCAR | 6.52 | 5.81 | 12% | 7.05 | -7% |
| SAZEW | 125.08 | 57.58 | 117% | 106.50 | 17% |
| MTL | 15.62 | 6.69 | 133% | 15.32 | 2% |
| ATLH* | 44.13 | 38.73 | 14% | 47.28 | -7% |

**Source: Topline Research *Alpha Stock**

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|---|---|
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