



The Pakistan Credit Rating Agency Limited

PRESS RELEASE

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PACRA SECTORWATCH | CORONAVIRUS | HOUSEHOLD APPLIANCES

Since the start of 2020, the novel coronavirus (COVID-19) outbreak has quickly spread across the world and caused disruptions in economies worldwide. Starting in China – itself a global manufacturing hub – and moving to more than 200 countries and territories, virtually all major economies and markets have been adversely impacted. The full impact of such an outbreak on Pakistan’s economy is difficult to ascertain at present and will depend on the severity and duration of the outbreak as well as Government’s response. However, it is clear that credit conditions are under stress and this will impact credit quality of many entities and sectors. In this context, PACRA aims to provide analysis on how the ongoing outbreak of COVID-19 may impact various sectors in Pakistan.

SECTOR	SUB-SECTOR
CONSUMER GOODS & SERVICES	HOUSEHOLD APPLIANCES
SIZE	<ul style="list-style-type: none"> - Estimated Revenue ~ PKR 200bln (\$1.3bln) in FY19, mainly local sales (over 90%) - Contribution towards GDP: 2.1% - Major Products: Refrigerators, ACs, Deep Freezers, Washing Machines, TVs etc. - Growth in Production: 23.7% (FY19) driven by ACs and Deep Freezers
NUMBER OF PLAYERS	<ul style="list-style-type: none"> - 13 Players in the formal segment (<i>Source: Pakistan Electronics Manufacturers Association</i>)
PACRA PENETRATION	<ul style="list-style-type: none"> - PACRA rates one player in the sector having ~ 10% market share in terms of revenue
IMPACT	<ul style="list-style-type: none"> - Sales: Household appliance industry focused on domestic sales with limited exports. Sales made primarily through retail shops. Closure of Malls/shop to result in significant dip in sales as alternate sales channel (online, direct sales) have limited contribution. Expected time lag in demand pickup even after markets open - Supply side: Key components/parts comprising 20%-30% of raw material and certain CKD kits (ACs) imported from China. Sufficient inventories available - Piled up inventory of finished goods as production facilities are closing down - Sales expected to remain depressed in the short-term. Even higher competition expected once markets open (as players will try to reduce inventory level and makeup loss of sales) resulting in lower margins and profitability - Leveraged financial profile for industry players. Pressure on cash flows and liquidity crunch expected to persist, impacting ability to meet financial obligations. Recent 225bps rate cut and SBP’s decision to defer loan payments to provide much needed relief

DISCLAIMER

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