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Automotive Parts

Research Team

Aiza Khalid | Assistant Manager Research
Eman | Associate Research Analyst

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Automotive Parts

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Introduction

- Automotive Parts and Accessories are complex components that make up automobiles and ensure their ability for efficient and long-term functioning. They can be broadly categorized into several types:
  1. Engine Parts: These include components like pistons, cylinders, and crankshafts that are essential for the engine's operations.
  2. Transmission Parts: Such as gears, clutches, and torque converters, which facilitate the transfer of power from the engine to the wheels.
  3. Braking System Parts: Include brake pads, rotors, calipers, and master cylinders, crucial for vehicle safety.
  4. Suspension Parts: Components like shock absorbers, springs, and control arms that help maintain vehicle stability and comfort.
  5. Electrical Parts: Include batteries, alternators, starters, and wiring, which power various electrical systems in the vehicle.
  6. Cooling System Parts: Such as radiators, water pumps, and thermostats, which regulate engine temperature.
  7. Fuel System Parts: Include fuel pumps, injectors, and filters that manage fuel delivery and efficiency.
  8. Body Parts: Exterior components like doors, hoods, fenders, and bumpers form the vehicle's structure.
  9. Interior Parts: Include seats, dashboards, and various controls that enhance comfort and usability.





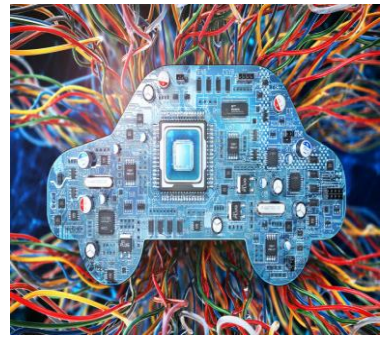



Raw Material

Steel	On average, each new car requires ~900Kg of steel for the chassis, body, roof, door panels, and beams between doors.
Plastics	On average, a new car requires ~200Kg of plastics. These include Polypropylene (e.g. interior flooring), Polyvinyl Chloride (e.g. dashboards), Polycarbonate (e.g. car bumpers) and Acrylonitrile Butadiene Styrene (e.g. steering wheel covers).
Aluminum	On average, a new car requires ~205Kg of the metal. It can be utilized to produce engines, transmissions, suspension, wheels, brake components etc.
Rubber	Used for tyres, belts, hoses, and seals for car engines. The automotive industry is the largest global consumer for rubber (~75.0% of the global rubber production is utilized to manufacture tyres).
Silica Sand	Key ingredients in the production of automotive glass, used for making windows and windshields etc. It is also used as a filler material and reinforcing agent in the production of tyres.
Semi-conductor Chips	A conventional car uses ~1,000 chips, and an electric vehicle roughly twice as many. They control functions such as engine sensors, safety systems and infotainment.



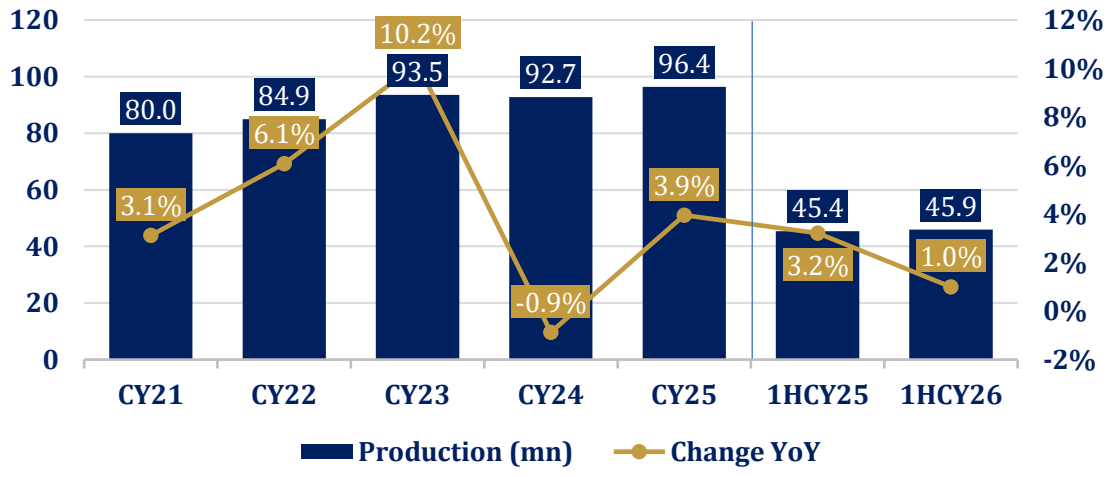


Global | Overview

- Global demand for automotive parts moves with vehicle output. In 1HCY26, global vehicle production rose ~1.0% YoY to ~45.9mn units, driven mainly by India. India's output rose ~15.0% YoY to ~3.7mn units, adding ~0.5mn units. That is roughly the whole net global increase and offset most of China's ~4.0% decline to ~15.0mn units. India's demand was lifted by cuts in its goods and services tax (GST) from Sep'25: small cars to 18.0% from 28.0%, with lower rates on two-wheelers, tractors and commercial vehicles. Four central bank (RBI) rate cuts in CY25 and income-tax relief in the Union Budget together raised household purchasing power.
- Global automobile production rose ~3.9% YoY to ~96.4mn units in CY25 (CY24: ~92.7mn units, down ~0.9% YoY). Growth came from Asia, where output rose ~7.6% YoY, while Europe (down ~0.8%) and the Americas (down ~2.1%) contracted. China produced a record ~34.5mn units, as new energy vehicle output rose ~29.0% YoY.
- Among the major players, Bosch remained the largest (USD~63.1bn); its Mobility sales were flat in euro terms (~0.3%), with the USD gain reflecting a stronger euro, while CATL grew fastest (~24.8% YoY to USD~44.3bn) on higher battery volumes. Hyundai Mobis posted record revenue on ~10.2% after-sales growth, and Magna was the only one to decline (~1.9% YoY), on weaker North American vehicle production.

Global Automobile Production (mn)



Major Players | Revenue (USD bn)

Company	CY24*	CY25*	YoY
Bosch (Germany)	60.4	63.1	4.5%
Denso (Japan)	46.1	49.0	6.3%
CATL (China)	35.5	44.3	24.8%
Hyundai Mobis (South Korea)	41.9	43.0	2.6%
Magna (Canada)	42.8	42.0	-1.9%

Note: *Global Automobile Production Includes Cars and Commercial Vehicles.*
**Automotive-segment revenue, USD; Denso fiscal year ends March. Estimated Values.*

Source: OICA, Marklines

Global | Imports

- In 7MCY26, imports of the reporting countries rose ~4.1% YoY to USD~210.0bn. US imports stayed subdued (down ~1.0% YoY) under continued tariffs, while Canada (up ~13.0%) and Spain (up ~12.7%) grew fastest. With Section 232 tariffs still in place and US vehicle sales expected to decline in CY26, US import demand is likely to stay subdued.
- Global imports of automotive parts were flat at USD~432.4bn in CY25 (CY24: USD~431.3bn). The top seven importers held ~54.0% of the total. These countries host large assembly bases that rely on cross-border component supply.
- US imports fell ~5.9% YoY to USD~84.7bn after a 25.0% tariff on key auto parts took effect on May 3, 2025. United States-Mexico-Canada Agreement (USMCA)-compliant parts remained exempt, and Mexico's share of US parts imports rose to a record ~43.7% (CY24: ~42.9%). China's imports fell ~21.8% YoY to USD~16.5bn as domestic suppliers replaced imported components. Germany's imports rose ~11.7% YoY to USD~49.7bn, with lower-cost Chinese components gaining share.

Global Imports (USD bn)

Countries	CY21	CY22	CY23	CY24	CY25	7MCY25	7MCY26
USA	74.1	86.2	87.8	90.0	84.7	50.0	49.5
Germany	38.7	40.4	47.2	44.5	49.7	29.7	29.4
Mexico	25.9	29.5	32.4	34.4	32.5	18.8	19.3
France	16.3	16.9	19.2	17.3	18.5	10.1	10.8
Canada	14.2	16.9	20.3	18.0	18.5	10.8	12.2
China	30.3	25.2	21.4	21.1	16.5	9.6	8.0
Spain	16.1	16.1	15.6	14.1	13.2	7.9	8.9
Rest of the World	189.9	183.6	190.4	191.9	198.8	64.9	71.9
Total	**405.6**	**414.9**	**434.3**	**431.3**	**432.4**	**201.8**	**210.0**

Note: *Import data pertains to HS code "8708". Import values for France and China for 7MCY25 and 7MCY26 are estimated. Global imports and exports are assumed to be equal.*

Source: UN Comtrade , S&P Global

Global | Exports

- In 7MCY26, exports of the reporting countries rose ~4.1% YoY to USD~210.0bn, led by China (up ~13.3% to USD~39.1bn, estimated). Germany, the US and Mexico gained ~1.3–2.2% YoY, while Japan's exports fell a further ~6.3% YoY.
- In CY25, Global exports of automotive parts remain concentrated, with the top seven exporters holding ~61.9%. Germany led at USD ~62.9 bn (up ~0.6% YoY), followed by China at USD ~59.1 bn (up ~4.4% YoY). China's exports have risen every year since CY21, supported by steady repair and maintenance demand in Europe and the US, while higher shipments to Europe offset weaker US demand in CY25.
- North American trade came under tariff pressure. US exports fell ~4.0% YoY to USD~43.3bn amid the US-Canada tariff dispute, and Mexico's fell ~2.7% YoY to USD~40.0bn as US tariff uncertainty weighed on output. Japan's exports fell for a fourth consecutive year to USD~24.3bn (down ~6.2% YoY), with the CY25 decline deepened by US tariffs on Japanese autos and parts rising to 15.0% from 2.5%. Poland (up ~6.3%) and Czechia (up ~7.3%) kept growing, supported by their integration into EU, mainly German, supply chains.

Global Exports (USD bn)

Countries	CY21	CY22	CY23	CY24	CY25	7MCY25	7MCY26
Germany	64.4	61.6	66.5	62.5	62.9	37.1	37.6
China	45.3	49.7	53.2	56.6	59.1	34.5	39.1
USA	35.6	40.7	47.5	45.1	43.3	26.0	26.4
Mexico	30.5	37.9	40.5	41.1	40.0	23.0	23.5
Japan	32.5	28.8	27.2	25.9	24.3	14.3	13.4
Poland	14.3	15.1	18.0	19.0	20.2	12.0	12.7
Czechia	14.7	14.5	16.9	16.5	17.7	10.4	10.7
Rest of the World	168.3	166.6	164.5	164.6	165.0	44.5	46.6
Total	**405.6**	**414.9**	**434.3**	**431.3**	**432.4**	**201.8**	**210.0**

Note: *Export data pertains to HS code "8708". Export values for China for 7MCY25 and 7MCY26 are estimated. Global imports and exports are assumed to be equal.*

Source: UN Comtrade

Global | Key Takeaways

Flat Vehicle Output Squeezes Suppliers; Tariffs Reshape Parts Trade

Vehicle Production & Demand

- Global vehicle production rose ~3.9% YoY to ~96.4mn units in CY25 (CY24: ~92.7mn units), led by Asia (up ~7.6%), while Europe and the Americas contracted. China produced a record ~34.5mn units.
- In 1HCY26, production rose ~1.0% YoY to ~45.9mn units, led by India (up ~15.0%), while China's output fell ~4.0% after purchase incentives were scaled back.
- Light vehicle production is projected to fall ~1.7% to ~91.6mn units in CY26* and remain broadly flat in CY27*, amid weaker demand in China and the Middle East conflict.
- Light vehicle sales are projected to fall ~2.7% to ~89.4mn units in CY26* (CY25: ~91.9mn units) before recovering to ~91.6mn units in CY27*. New energy vehicles made up ~20.2% of global sales in 1QCY26.

Suppliers & Parts Trade

- Bosch remained the largest supplier (revenue: USD~63.1bn in CY25, up ~4.5%), though its group operating margin fell to ~1.9% (CY24: ~3.5%). CATL grew fastest (up ~24.8%) on higher battery volumes.
- Global parts imports were flat at USD~432.4bn in CY25. US imports fell ~5.9% to USD~84.7bn after a 25.0% tariff on key parts took effect in May 2025, while Mexico's share of US parts imports rose to a record ~43.7%.
- China's parts imports fell ~21.8% to USD~16.5bn as local suppliers replaced imported components, while its exports rose ~4.4% to USD~59.1bn, close to Germany's USD~62.9bn.
- European suppliers announced ~104,000 job cuts in CY24-25, and the Middle East conflict raised energy and freight costs. Global growth is projected at ~3.1% in CY26* and ~3.4% in CY27*.

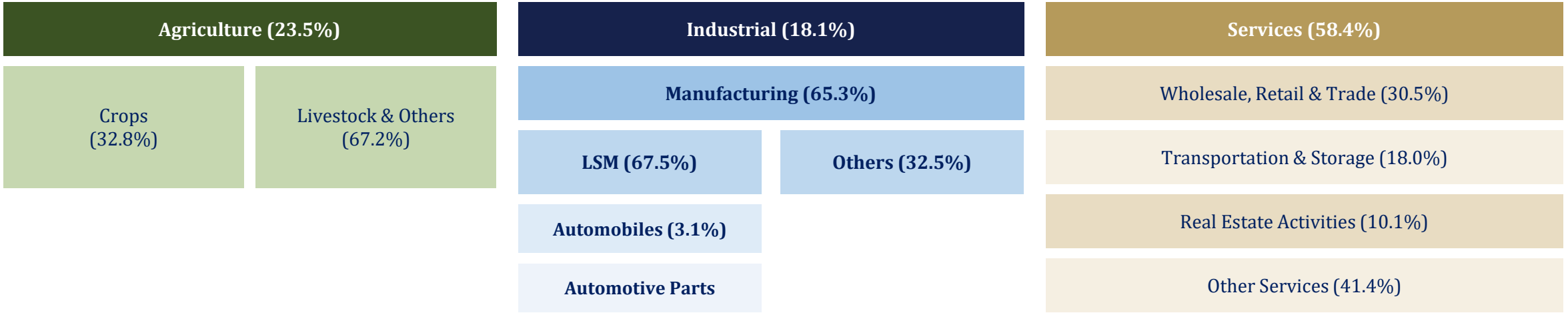
**Forecast. Production includes cars and commercial vehicles. Trade: HS code 8708.*

Source: OICA,UN Comtrade, IMF

Local | Overview

- In FY26, Pakistan's GDP (nominal) stood at PKR~126.4trn, up ~10.0% YoY in nominal terms (FY25: ~8.3%). In real terms, the economy grew ~3.7% YoY (FY25: ~3.1%), the fastest in four years. Agriculture accounted for ~23.5% of GDP, industry ~18.1%, and services ~58.4%.
- LSM grew ~4.9% YoY in FY26 (FY25: ~-0.7%), on monetary easing and stronger consumer demand. The Automobile sector, with a ~3.1% weight in LSM, was the largest contributor, adding ~1.6% points to Large-Scale Manufacturing (LSM) growth (Food: ~1.2% points), after expanding ~57.8% YoY in FY26. Automotive parts vendors supply this assembly base, so their volumes move with vehicle output.
- GDP growth is projected at ~3.5% in FY27 with inflation of ~9.9% (FY26: ~7.1%), while the SBP expects growth of 3.5-4.5%. LSM grew only ~1.9% YoY in 2MFY27, which points to a more moderate pace of industrial growth in FY27.

Pakistan Economy | FY26



Source: PBS, PES

Local | Snapshot

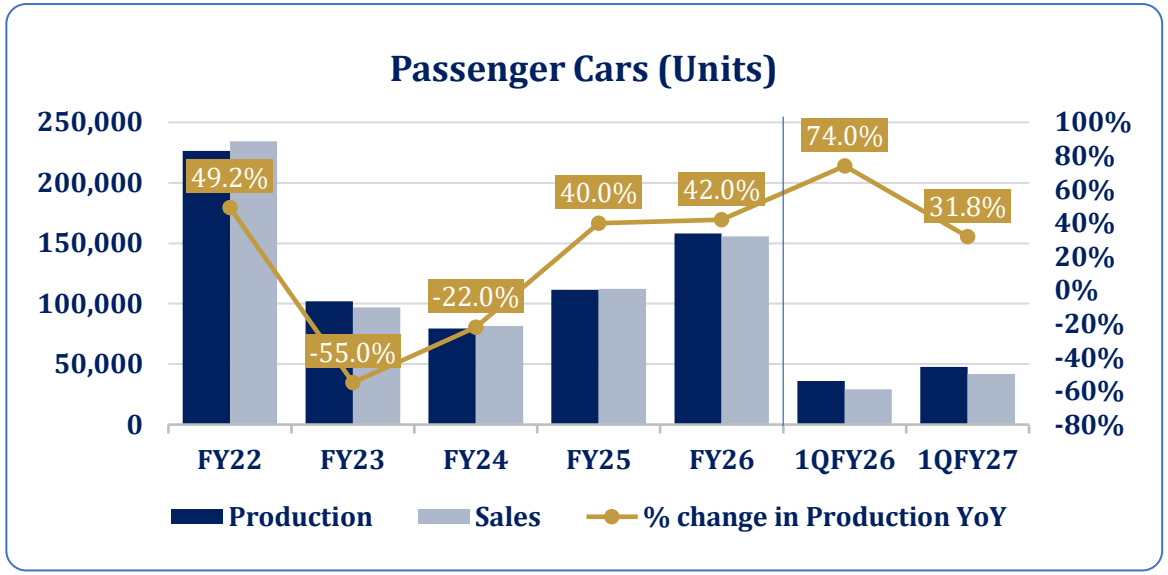
- Pakistan's Automotive Parts Sector is fragmented, with over ~1,200 Tier-1 to Tier-3 suppliers (PAAPAM), supporting ~300,000 direct jobs and over PKR~300bn of localised production a year.
- Demand for the sector emanates from:
- **Original Equipment Manufacturers (OEMs):** Local assemblers of bikes, cars, Light Commercial Vehicles(LCVs), buses, trucks and tractors, including Pak Suzuki, Indus Motor, Honda Atlas, Hyundai Nishat, Lucky Motor (Kia) and Millat Tractors. Legacy models are up to ~65.0% localised by part count, but powertrains and electronics are mostly imported.
- **Replacement Market:** Distributors, wholesalers and retailers of parts and accessories.
- **Export Market:** Limited, owing to a lack of local testing and homologation facilities and a ~34.0% cost disadvantage (energy, financing, taxation, freight and logistics).
- In FY26, parts imports rose ~23.9% YoY to USD~408.7mn (FY25: USD~329.9mn) on higher vehicle production, while exports rose ~7.5% to USD~24.3mn, only ~5.9% of imports.
- Imports are likely to stay high in FY27 on strong vehicle output and a cut in customs duty on parts to 25.0% (FY26: 35.0%).

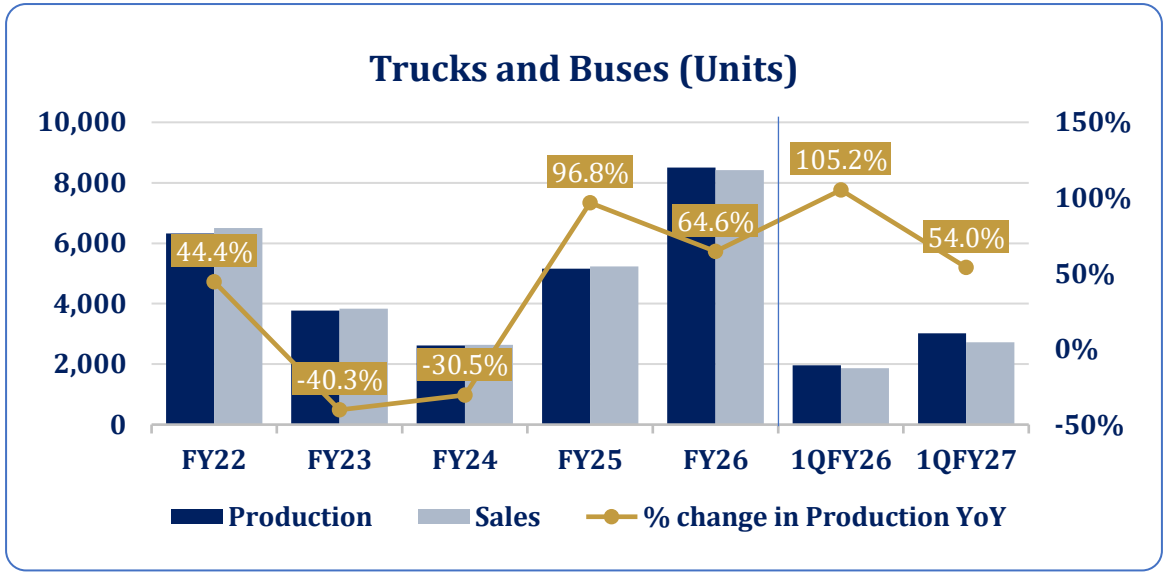
Particulars	FY22	FY23	FY24	FY25	FY26
Est. No. of Players	>1,200				
Workforce Employed	>300,000				
Import Value (USD mn)	526.9	282.3	259.9	329.9	408.7
Export Value (USD mn)	27.5	22.5	23.7	22.6	24.3
Industry Association	Pakistan Association of Automotive Parts & Accessories Manufacturers (PAAPAM)				

Source: PBS, PES,PAAPAM

Local | Demand

- In 1QFY27, car sales rose ~42.8% YoY to ~41,872 units (1QFY26: ~29,318) and production rose ~31.8% YoY to ~47,614 units (1QFY26: ~36,114). Momentum slowed within the quarter, as September sales fell ~9.8% YoY to ~10,939 units amid uncertainty over the auto policy and the sales tax on hybrids.
- Passenger car production rose ~42.0% YoY to ~158,190 units in FY26 (FY25: ~111,402 units), and sales rose ~38.7% YoY to ~155,631 units (FY25: ~112,203 units). Demand was supported by low borrowing costs, with the SBP policy rate at 10.5-11.5% through the year, which lifted outstanding auto financing to a record PKR~381.7bn by June 2026 (up ~38.0% YoY). New entrants and new model launches, including hybrids, also widened buyers' choice.
- In 1QFY27, truck and bus sales rose ~46.3% YoY to ~2,727 units (1QFY26: ~1,864) and production rose ~54.0% YoY to ~3,021 units (1QFY26: ~1,962). Lower financing costs made fleet purchases more affordable, while stronger economic activity and a revival in construction lifted demand for goods transport. In FY26, truck and bus production rose ~64.6% YoY to ~8,499 units (FY25: ~5,162), and sales rose ~61.0% YoY to ~8,424 units (FY25: ~5,232). Freight activity should support demand, though higher fuel and financing costs may slow fleet purchases.

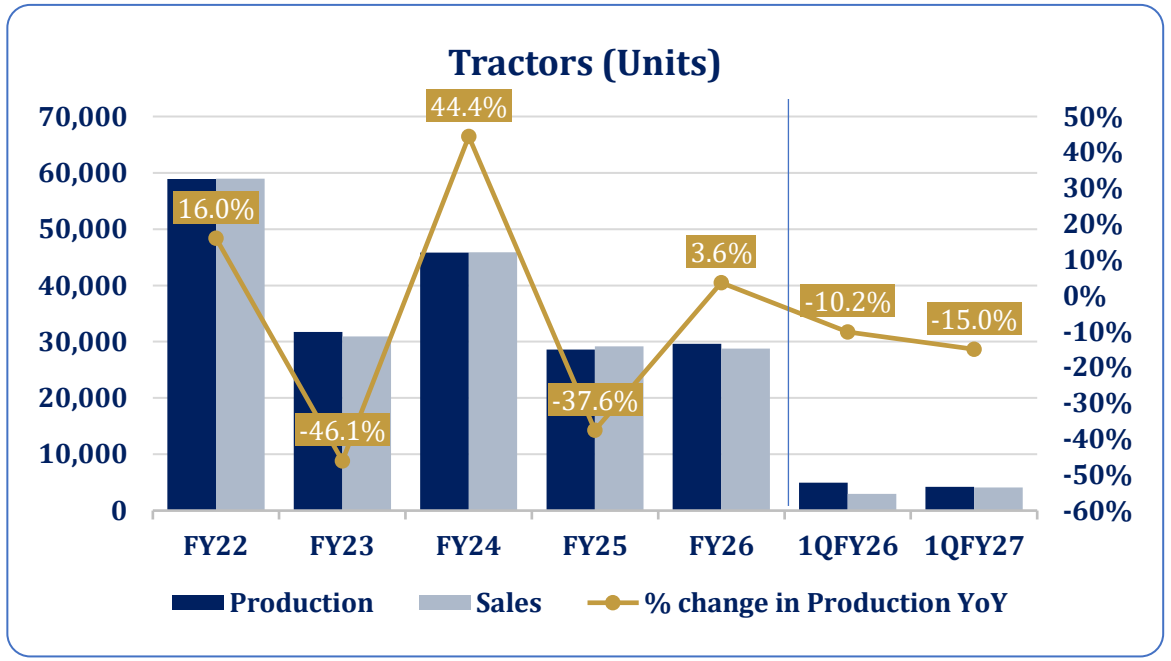


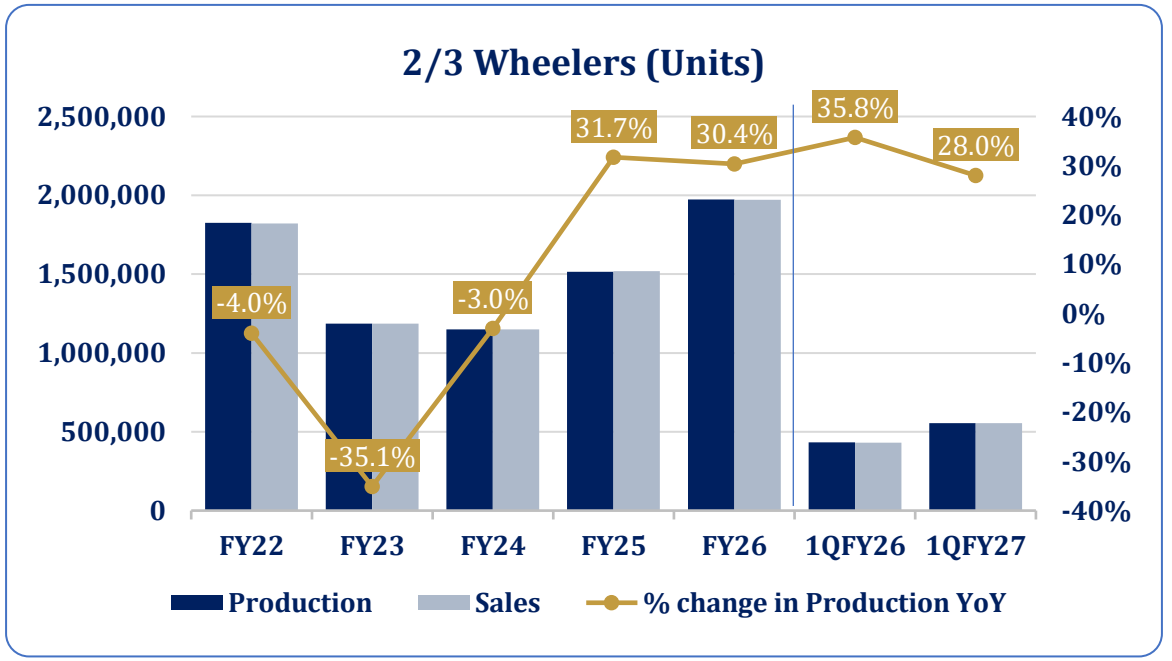


Source: PAMA, PES

Local | Demand

- In 1QFY27, Tractors sales rose ~37.8% YoY to ~4,109 units (1QFY26: ~2,981) from a low base, as 1QFY26 sales had fallen ~42.7%, while production fell ~15.0% as assemblers drew down stock built in 1QFY26. Tractor production rose ~3.6% YoY to ~29,633 units in FY26 (FY25: ~28,602 units), while sales slipped ~1.4% YoY to ~28,791 units (FY25: ~29,192 units). Demand was weak at the start of FY26, as wheat prices had fallen ~21.0% in FY25 and squeezed farm incomes. Sales recovered from October 2025 as deliveries under the Punjab Green Tractor Scheme began.
- In 1QFY27, 2/3 wheeler production rose ~28.0% YoY to ~554,758 units (1QFY26: ~433,405 units), and sales rose ~28.4% YoY to ~553,994 units (1QFY26: ~431,542 units). Demand recovered as a more stable economy, lower borrowing costs, and remittance incomes improved consumer purchasing power. In FY26, production rose ~30.4% YoY to ~1,974,667 units (FY25: ~1,514,718 units), and sales rose ~29.8% YoY to a record ~1,971,997 units (FY25: ~1,518,752 units).

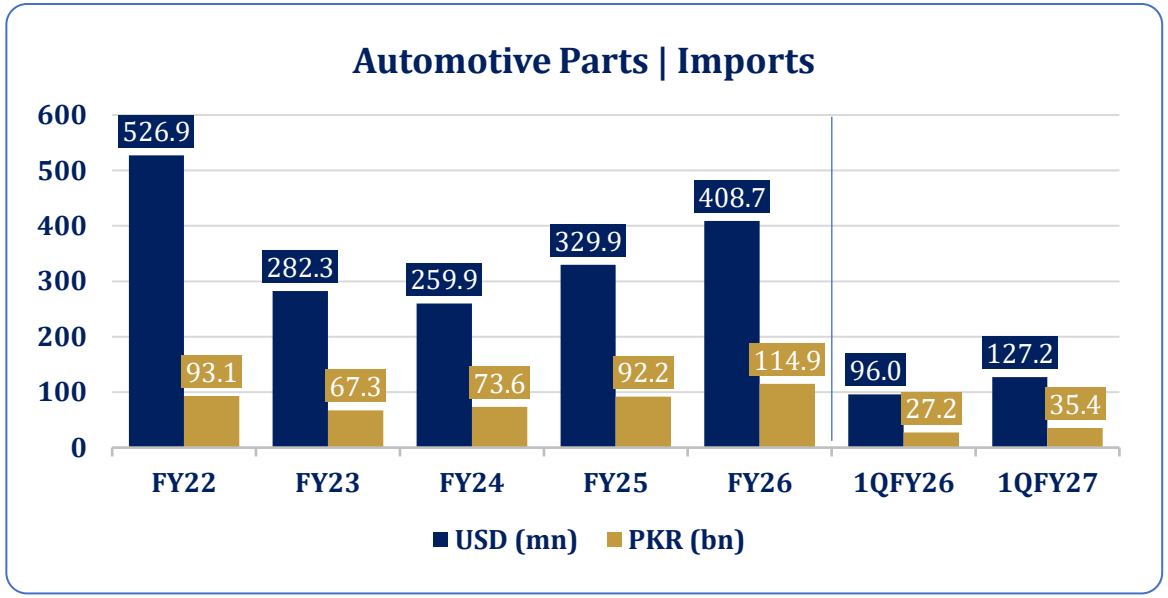


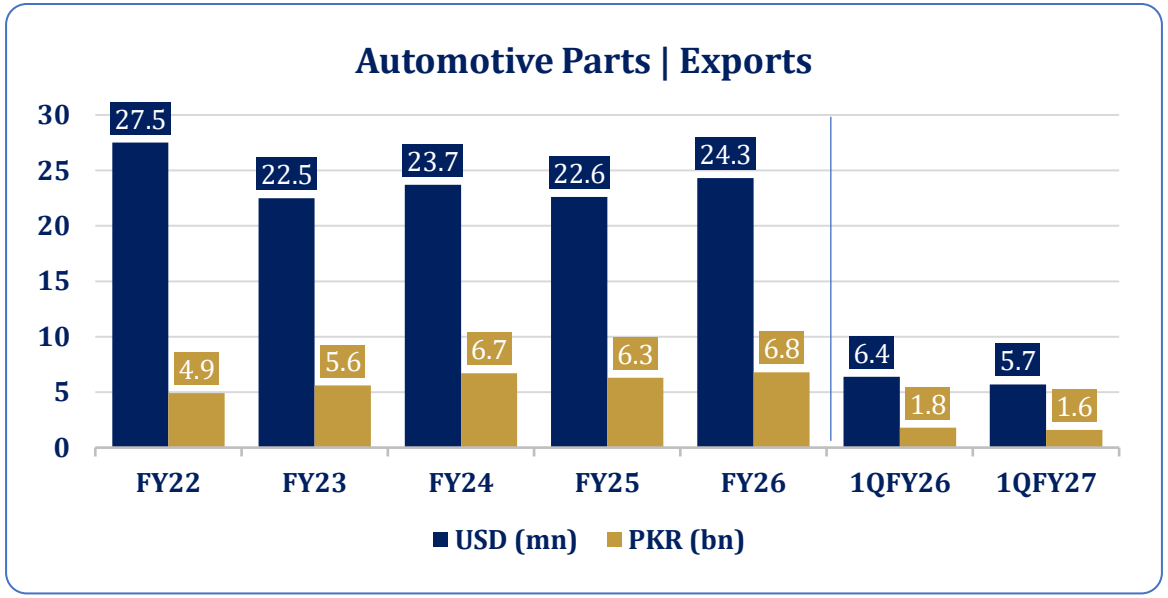


Source: PAMA, PES

Local | Trade

- Pakistan's imports of automotive parts rose ~23.9% YoY to USD~408.7mn in FY26 (FY25: USD~329.9mn), in rupee terms, imports rose ~24.6% YoY to PKR~114.9bn (FY25: PKR~92.2bn). The increase tracked vehicle assembly, as car production rose ~42.0% and truck and bus production ~64.6%. Separately, assemblers' imports of completely knocked down (CKD) and semi-knocked down (SKD) kits rose ~92.0% YoY to a record USD~2.1bn (FY25: USD~1.1bn), indicating that a large share of vehicle components is still sourced from abroad rather than from local vendors. In 1QFY27, parts imports rose a further ~32.5% YoY to USD~127.2mn (1QFY26: USD~96.0mn).
- Exports remain small and are mostly spare parts sold for repairs, such as engine components, gaskets, and tractor and motorcycle parts. They rose ~7.5% YoY to USD~24.3mn in FY26 (FY25: USD~22.6mn) but fell ~10.9% YoY to USD~5.7mn in 1QFY27 (1QFY26: USD~6.4mn). Exports covered only ~5.9% of imports, as high energy, tax, and logistics costs make local parts more expensive than those from regional competitors.
- Imports are likely to stay high in FY27 on growing vehicle production and a cut in parts duty to 25.0% (FY26: 35.0%). The Auto Policy 2026-31 offers exporters a cash rebate, but high production costs remain the main hurdle to parts exports.



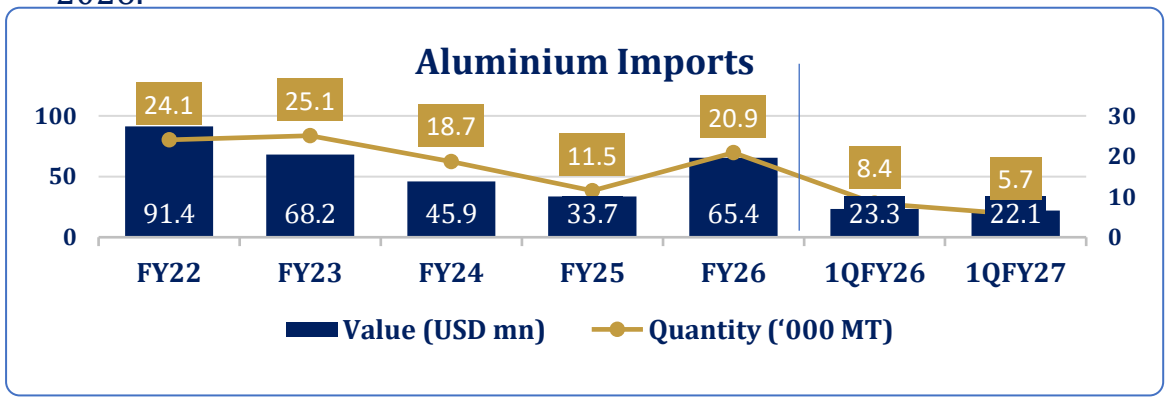


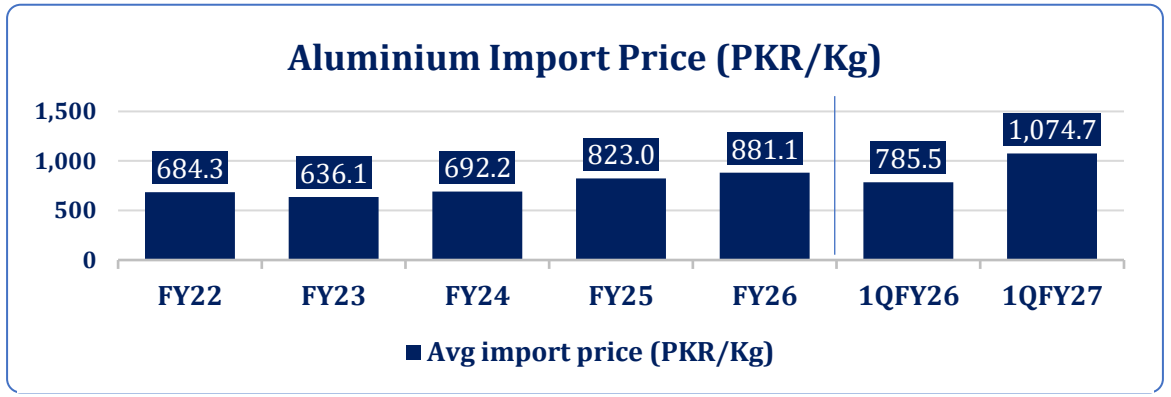
Note: *Trade data pertains to HS code "8708"*

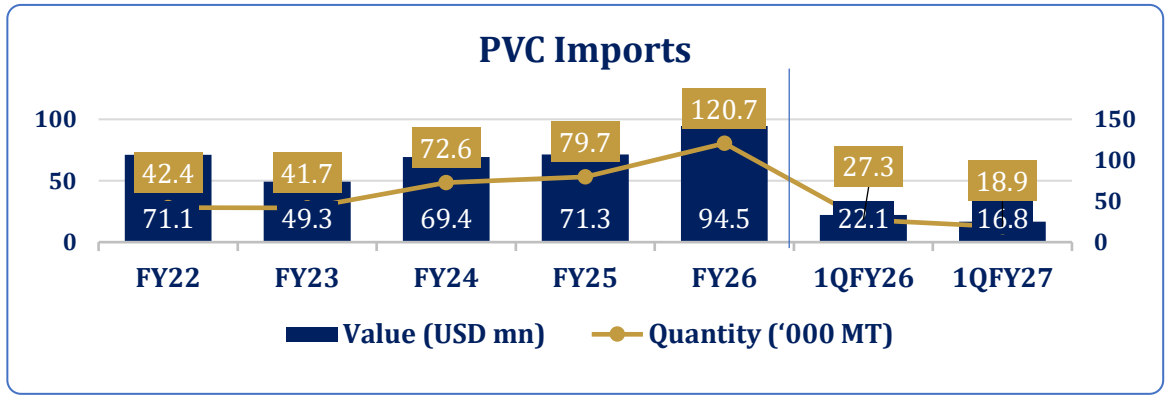
Source: PBS

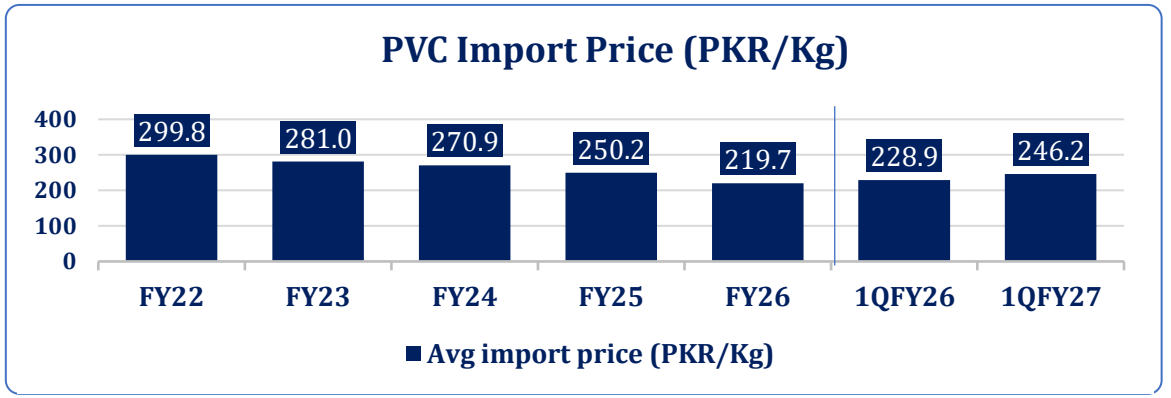
Raw Material Imports & Prices

- Aluminium imports rose ~94.1% YoY to USD~65.4mn in FY26 (FY25: USD~33.7mn), as volumes rose ~81.7% to ~20,900 MT with the recovery in industrial activity, including a ~42.0% rise in car production. Buying was front-loaded; 1QFY26 alone accounted for ~8,400 MT, ~40.0% of the year's volume. In 1QFY27, volumes fell ~31.9% YoY to ~5,700 MT, mainly because of that high base. They were still above the ~4,200 MT quarterly average of 2Q–4QFY26. Meanwhile, the import price rose ~36.8% YoY to PKR~1,074.7/Kg after Middle East supply disruptions, which is likely to have curbed fresh buying.
- PVC volumes fell ~30.8% YoY to ~18,900 MT in 1QFY27, well below the ~31,100 MT quarterly average of 2Q–4QFY26, as the price rose ~7.5% to PKR~246.2/Kg, following the imposition of provisional anti-dumping duties of 17.7–37.3% on PVC resin imports from the US and Indonesia in July 2026.





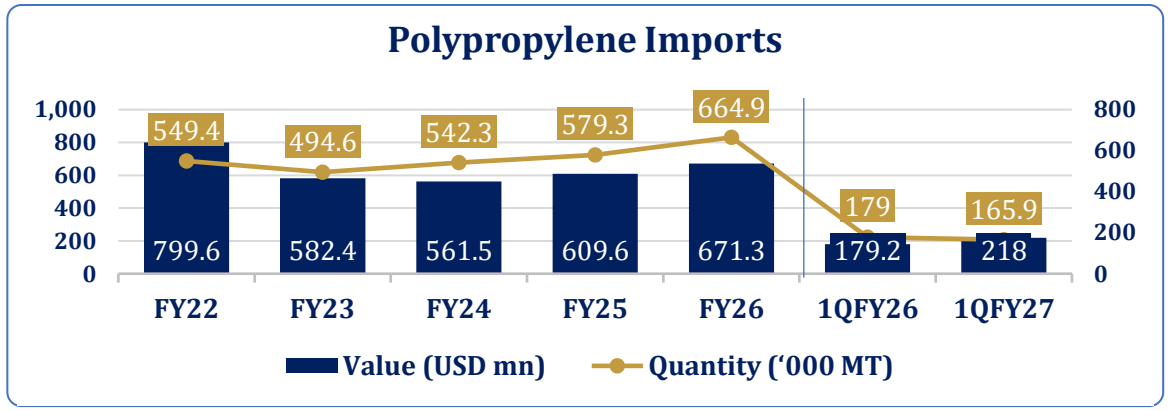


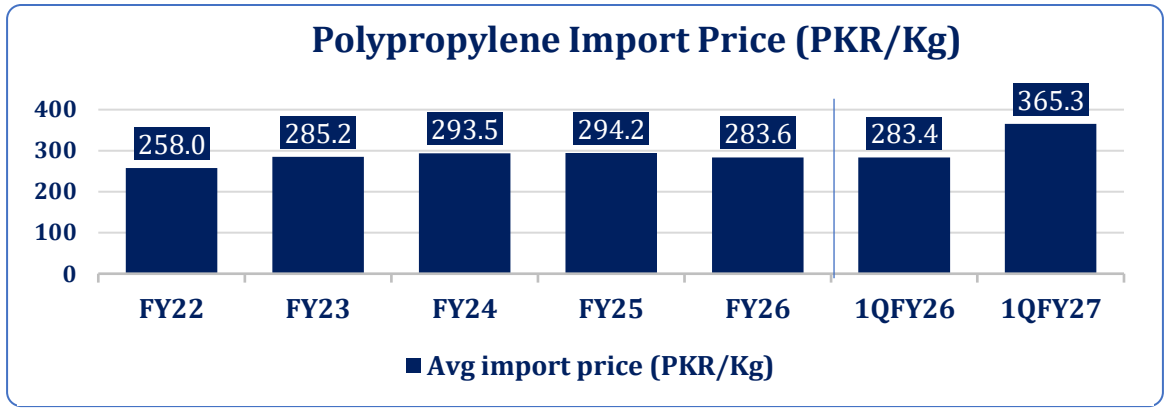


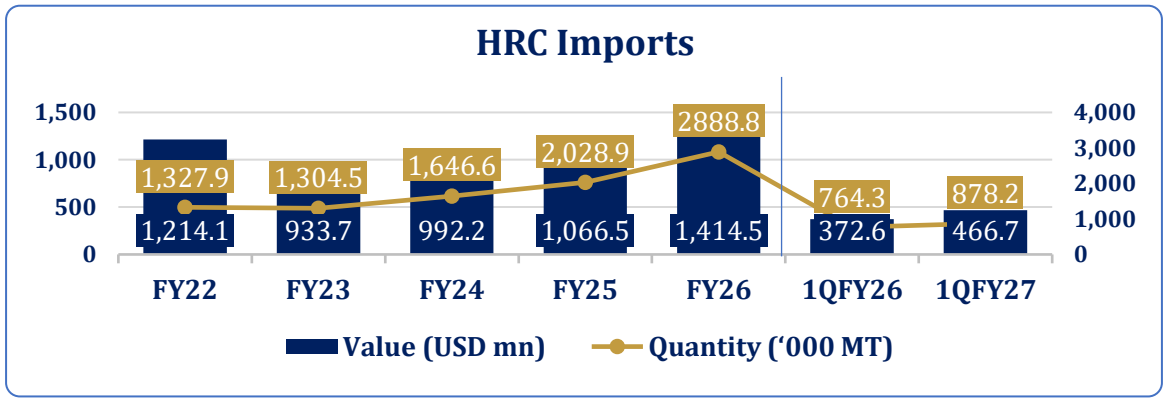
Note: *HS 7601 = Aluminium, HS 3904 = PVC. Avg import price = import value (PKR) / quantity.* *Source: PBS*

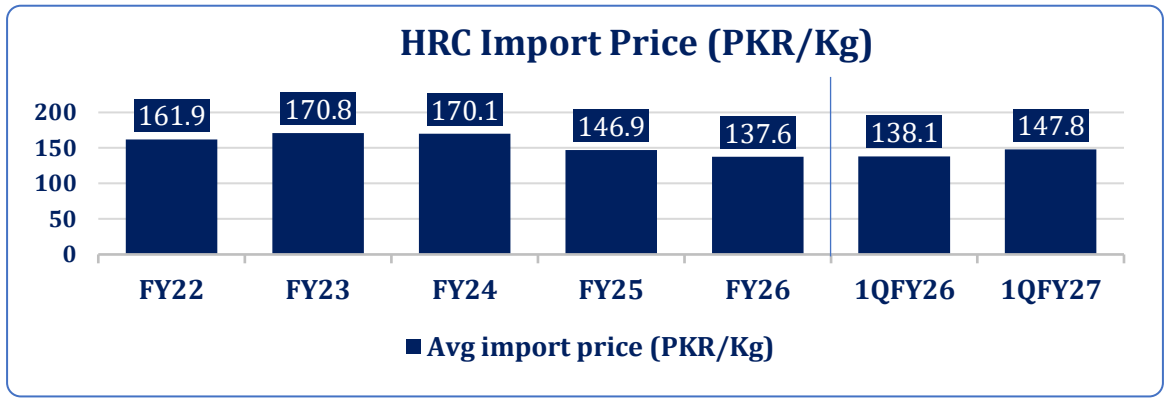
Raw Material Import & Prices

- Polypropylene imports rose ~10.1% YoY to USD~671.3mn in FY26, as volumes rose ~14.8% to ~664,900 MT while the price eased ~3.6% to PKR~283.6/Kg (FY25: PKR~294.2/Kg) on ample Chinese supply. In 1QFY27, the price jumped ~28.9% YoY to PKR~365.3/Kg (1QFY26: PKR~283.4/Kg) as the Middle East conflict cut supply and raised feedstock costs, and is likely to stay firm while supply remains constrained.
- Hot-Rolled Coil(HRC) imports rose ~32.6% YoY to USD~1,414.5mn in FY26, as volumes rose ~42.4% to ~2.9mn MT while the price fell ~6.3% to PKR~137.6/Kg (FY25: PKR~146.9/Kg) on record Chinese steel exports. In 1QFY27, volumes rose ~14.9% and the price firmed ~7.0% YoY to PKR~147.8/Kg as Chinese export prices strengthened, though ample Chinese supply should limit further gains.





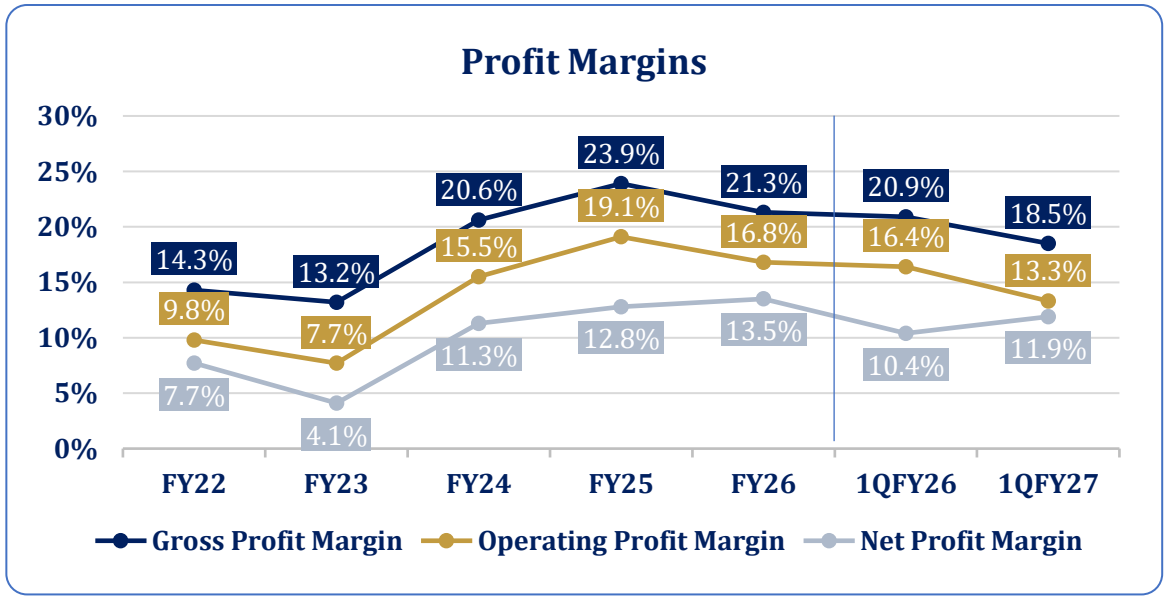


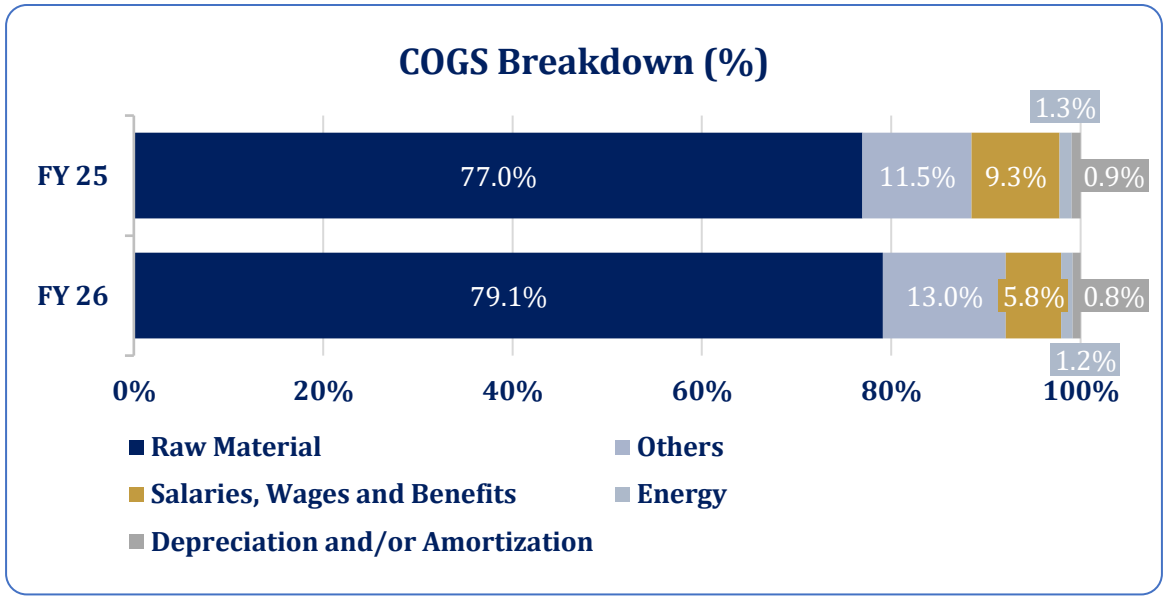


Note: *HS 3902.10 = Polypropylene, HS 7208 = HRC. Avg import price = import value (PKR) / quantity.* *Source: PBS*

Business Risk | Margins

- In 1QFY27, gross profit rose ~4.7% YoY to PKR~10.5bn, but the gross margin fell to ~18.5% (1QFY26: ~20.9%) and operating profit dipped ~3.9% to PKR~7.5bn (margin: ~13.3%; 1QFY26: ~16.4%), as aluminium prices stayed elevated. Net profit rose ~36.2% to PKR~6.7bn (margin: ~11.9%; 1QFY26: ~10.4%), as non-operating income rose, mainly on higher dividends from group companies and higher profit on bank deposits.
- The Sector's gross profit rose ~44.4% YoY to PKR~52.5bn in FY26 (FY25: PKR~36.4bn), but the gross margin declined to ~21.3% (FY25: ~23.9%) as higher aluminium prices raised input costs. Operating profit rose ~41.9% to PKR~41.3bn, with the margin easing to ~16.8% (FY25: ~19.1%). Net profit rose ~70.5% to PKR~33.2bn, lifting the net margin to ~13.5% (FY25: ~12.8%), as non-operating income rose to PKR~10.9bn (FY25: PKR~3.4bn).
- Raw materials, mainly imported aluminium, steel sheet, polypropylene and PVC, rose to ~79.1% of cost of sales in FY26 (FY25: ~77.0%), while salaries fell to ~5.8% (FY25: ~9.3%) as fixed labour costs were spread over higher volumes. Margins are expected to stay under pressure in FY27, with relief possible in CY27 as aluminium prices ease.



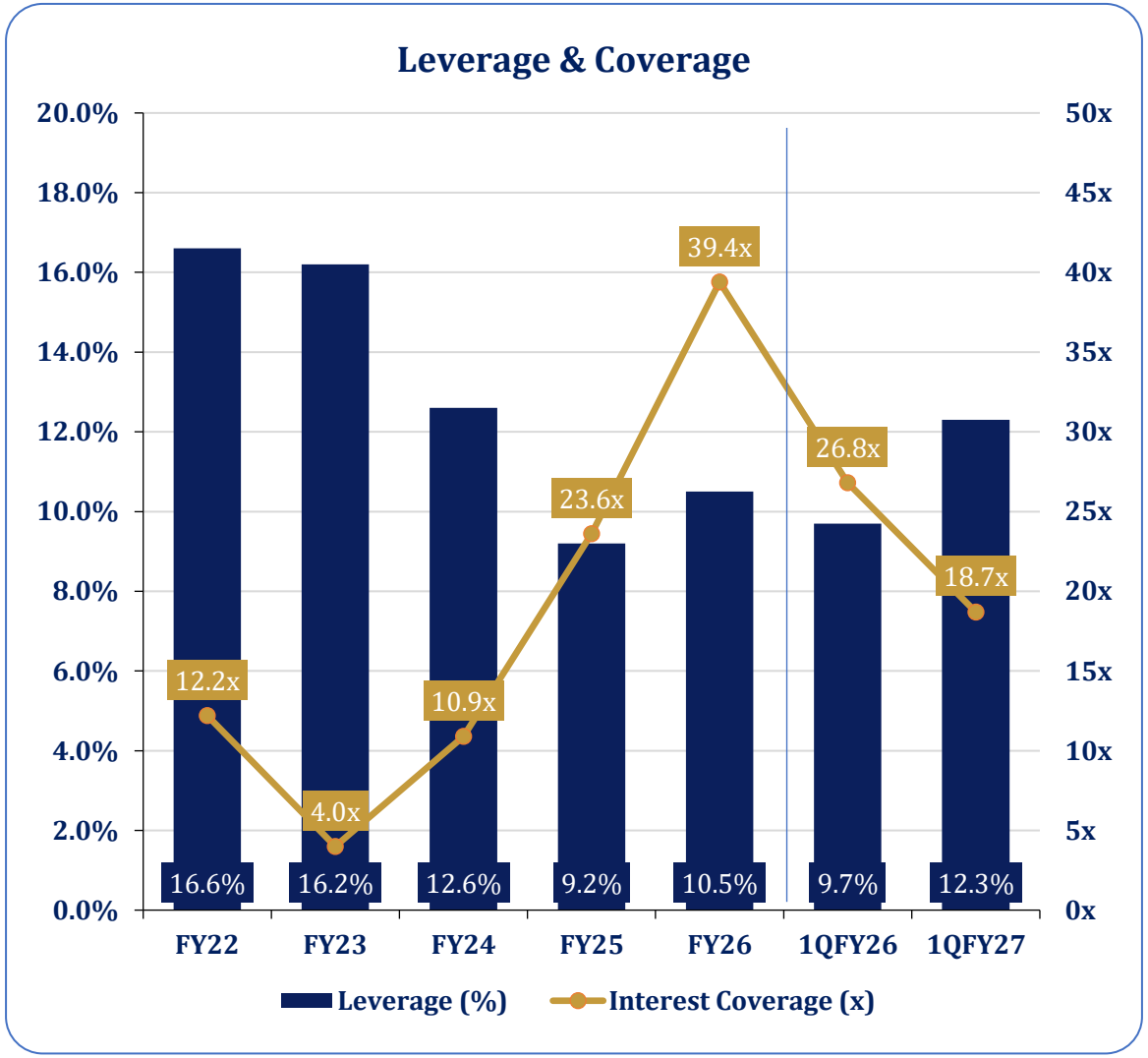


Note: *Data is reflective of ~4 PACRA rated/Listed sector players.*

Source: PACRA Database

Financial Risk | Leverage and Coverage

- The Sector remains lowly leveraged. Leverage rose to ~10.5% in FY26 (FY25: ~9.2%), as borrowings increased ~67.5% YoY to PKR~11.0bn to fund higher volumes, with car production up ~42.0%. Equity grew ~43.7% to PKR~94.0bn on retained profits. In 1QFY27, leverage rose to ~12.3% (1QFY26: ~9.7%), as borrowings increased ~86.7% YoY to PKR~13.9bn.
- Interest coverage improved to ~39.4x in FY26 (FY25: ~23.6x), as Profit before Interest and Tax (PBIT) rose ~60.3% YoY to PKR~52.2bn on higher vehicle volumes, while finance costs eased after the SBP cut the policy rate to 10.5% by December 2025.
- In 1QFY27, coverage fell to ~18.7x (1QFY26: ~26.8x), as finance costs rose on higher borrowings and the rate increased to 11.5% in April 2026. Coverage is likely to moderate further in FY27, as the policy rate was raised to 12.0% in October 2026.

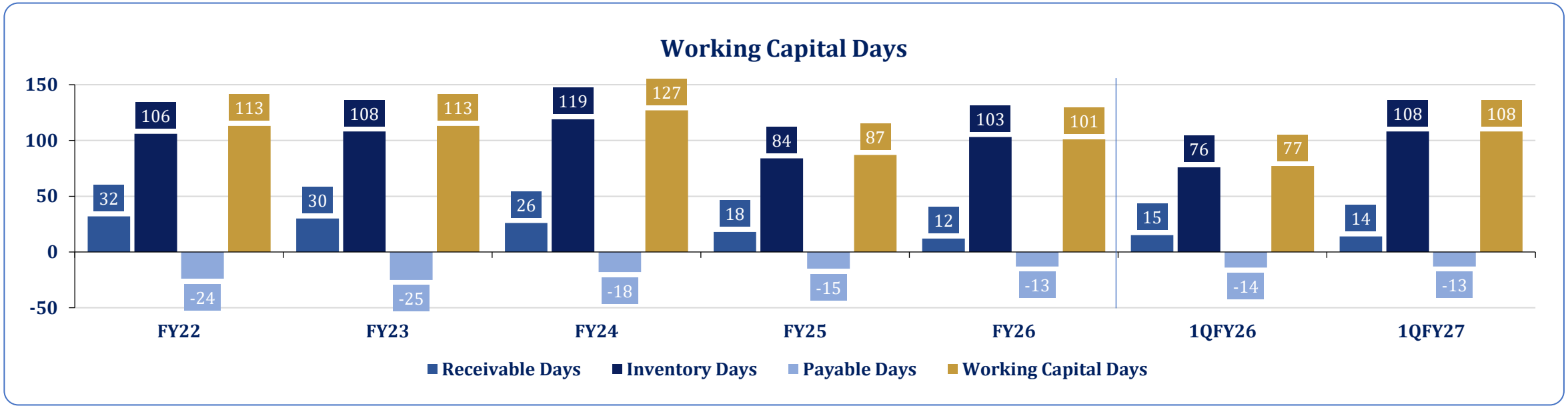


Note: *Data is reflective of ~4 PACRA rated/Listed sector players.*

Source: PACRA Database

Financial Risk | Working Capital Management

- In 1QFY27, the net working capital cycle lengthened to ~108 days (1QFY26: ~77 days). Stock-in-trade rose ~71.7% YoY to PKR~54.4bn, broadly unchanged from end-Jun'26 (PKR~54.3bn), lifting inventory days to ~108 (1QFY26: ~76). Vendors held larger buffer stocks, as Middle East–related shipping disruptions lengthened lead times on imported inputs.
- In FY26, the cycle lengthened to ~101 days (FY25: ~87 days). Stock-in-trade more than doubled to PKR~54.3bn (FY25: PKR~26.5bn), outpacing ~67.2% growth in cost of sales. Vendors built inventory to meet higher OEM production schedules (car production: up ~42.0%) and stocked imported raw material after supply disruptions began in March 2026. Receivable days improved to ~12 (FY25: ~18), as sales grew ~61.7% while trade debts rose only ~4.6%, reflecting prompt settlement by OEM customers. Payable days stayed short at ~13 (FY25: ~15), as most raw materials are imported against letters of credit or advance payment, leaving little supplier credit.
- Going forward, working capital needs are likely to stay high while vendors hold larger buffer stocks. This will add to short-term borrowing at a time of rising interest rates (policy rate: 12.0%).

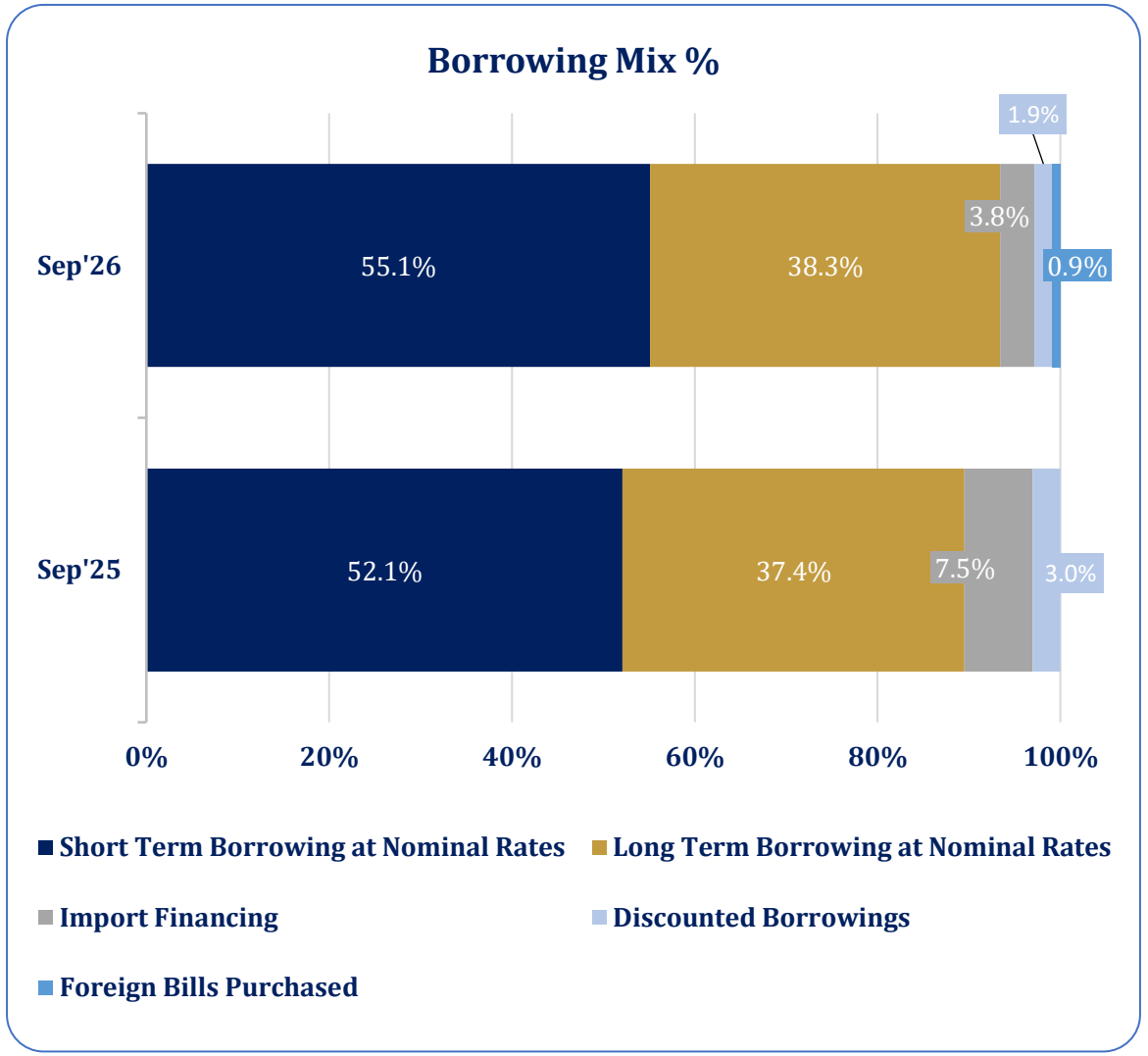


Note: *Data is reflective of ~4 PACRA rated/Listed sector players.*

Source: PACRA Database

Borrowing Mix

- As of end-Sep'26, the Sector's total borrowings rose ~64.3% YoY to PKR~24.7bn (Sep'25: PKR~15.0bn). Short-term borrowings at nominal rates remained the largest component, rising ~73.8% YoY to PKR~13.6bn and lifting their share to ~55.1% (Sep'25: ~52.1%), as higher vehicle production raised working capital needs.
- Long-term borrowings at nominal rates rose ~68.1% YoY to PKR~9.5bn, keeping their share broadly stable at ~38.3% (Sep'25: ~37.4%).
- Import financing fell ~16.1% YoY to PKR~0.9bn, halving its share to ~3.8% (Sep'25: ~7.5%). Discounted borrowings were broadly flat at PKR~0.5bn, but their share fell to ~1.9% (Sep'25: ~3.0%) as total borrowings grew faster. Foreign bills purchased rose to ~0.9% of borrowings (Sep'25: ~0.0%).
- The policy rate was raised by 100bps to 11.5% in April 2026 and by a further 50bps to 12.0% in October 2026. With short-term borrowings at ~55.1% of the total and FY27 inflation projected at ~9.9%, leaving little room for rate cuts, the Sector's finance costs are likely to stay elevated.



Note: *Data pertain to SBP Classification "Manufacture of parts and accessories for motor vehicles*

Source: SBP

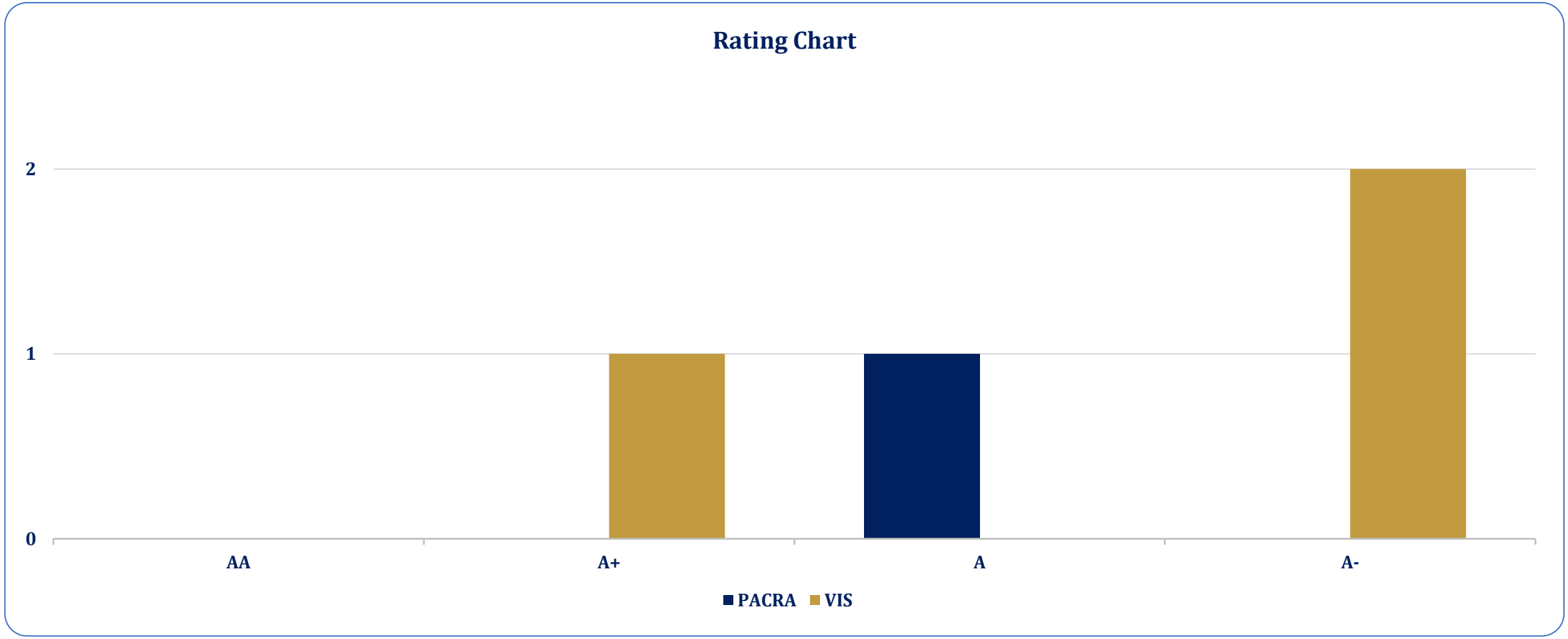
Duty Structure

PCT Code	Description	Additional Duty		Customs Duty		Regulatory Duty		Total	
		FY26	FY27	FY26	FY27	FY26	FY27	FY26	FY27
	Raw Material								
7609.0000	Aluminium Tube/Pipe Fittings	4.0%	2.0%	20.0%	20.0%	0.0%	0.0%	24.0%	22.0%
7604.1010	Aluminium Bars & Rods (non-alloy)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
7606.9110	Aluminium Sheet (anodised/PU-coated)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
3902.1000	Polypropylene	2.0%	2.0%	0.0%	0.0%	0.0%	0.0%	2.0%	2.0%
7208.1010	HRC	0.0%	0.0%	0.0%	0.0%	2.5%	0.0%	2.5%	0.0%
3904.2100	PVC (non-plasticised)	0.0%	0.0%	10.0%	10.0%	0.0%	0.0%	10.0%	10.0%
	Finished Goods								
8708.1090	Bumper & Parts	6.0%	4.0%	35.0%	25.0%	0.0%	0.0%	41.0%	29.0%
8708.9190	Radiators	6.0%	4.0%	35.0%	25.0%	0.0%	0.0%	41.0%	29.0%
8708.2939	Body Parts of Other Vehicle	6.0%	4.0%	35.0%	25.0%	0.0%	0.0%	41.0%	29.0%
8708.4010	Gear Box Tractor	6.0%	4.0%	35.0%	25.0%	0.0%	0.0%	41.0%	29.0%
8708.2931	Body Parts Cars	6.0%	4.0%	35.0%	25.0%	0.0%	0.0%	41.0%	29.0%

Source: FBR

Rating Chart

- PACRA rates 1 player from the Automotive Parts sector with a long-term rating of A. VIS rates 3 players, with long-term ratings of A+ (1 player) and A- (2 players).



Source: PACRA Database

SWOT Analysis

Strengths

- High localisation in motorcycle and tractor parts, and ~65.0% by part count on legacy car models, built over decades of Original Equipment Manufacturer (OEM) supply.
- Low leverage (~10.5% in FY26) and healthy margins (gross margin: ~21.3% in FY26).
- Strong industry association (PAAPAM) with active policy engagement.
- Diversified demand from OEM, replacement and export markets.

Weaknesses

- Heavy reliance on imported inputs; raw material makes up ~79.1% of cost of sales.
- Exposure to exchange rate and global commodity price movements.
- Negligible exports (USD~24mn vs. imports of USD~409mn in FY26).
- ~34.0% structural cost disadvantage (energy, financing, logistics) and limited capability in high-value and electronic components.

Opportunities

- Volume recovery across cars, trucks, and 2/3 wheelers lifts OEM parts demand.
- Auto Policy 2026-31: mandatory OEM localisation lifts local parts demand; Drawback of Local Taxes and Levies (DLTL) rebates of 5.0% on exports plus 10.0% on incremental exports.
- New OEM entrants and Electric Vehicle (EV)/ New Energy Vehicle (NEV) models create room for new components.
- Growing global aftermarket for replacement parts and a USD~3.3bn parts export target over 2026-31.

Threats

- Tariff rationalisation: customs duty on finished parts cut to 25.0% from 35.0% in FY27, heading to a 0.0-15.0% structure by 2030.
- Commercial import of used vehicles, with the age limit removed and the 30.0% additional duty phasing out by FY30.
- Rising interest rates (policy rate: 12.0%) and inflation (~9.6% in Oct'26).
- Elevated aluminium and energy costs amid the Middle East conflict.
- Parts makers warn that proposed EV tariff incentives could reverse decades of localization

Outlook: Stable

- In FY26, LSM grew ~4.9% (FY25: ~-0.7%), with automobiles the largest contributor (~1.6% points). Car production rose ~42.0%, truck and bus production rose ~64.6%, and 2/3 wheelers rose ~30.4%, driven by lower interest rates and record auto financing of PKR~381.7bn (up ~38.0% YoY). However, much of this demand went to imports. Parts imports rose ~23.9% to USD~408.7mn and CKD/SKD kit imports rose ~92.0% to USD~2.1bn, while parts exports equalled only ~5.9% of parts imports. Parts imports rose a further ~32.5% YoY in 1QFY27.
- Margins are under pressure. Raw materials rose to ~79.1% of cost of sales, and the gross margin narrowed to ~21.3% in FY26 (FY25: ~23.9%) and ~18.5% in 1QFY27 (1QFY26: ~20.9%) as aluminium stayed high after Middle East supply disruptions. Some relief is expected in 2027, when the aluminium market is forecast to move into surplus, while polymer prices have firmed since the Middle East conflict and ample Chinese supply should limit HRC price gains. Financing costs are rising: the policy rate is up a cumulative 150bps to 12.0% since April 2026, and FY27 inflation is projected at ~9.9%, leaving little room for cuts. With short-term borrowings at ~55.1% of the total, finance costs are likely to rise in FY27.
- Demand remains supportive in the near term. In 1QFY27, car sales rose ~42.8% YoY, 2/3 wheelers ~28.4% and tractors ~37.8% from a low base. Brokerage forecasts point to double-digit growth in auto sales in FY27 on new variants and brands, and the indicative wheat price of PKR~4,500/40kg for 2027 (2026: PKR~3,500) should support tractor demand. However, assemblers expect growth to moderate because of policy delays, higher taxes, and used vehicle imports, which made up ~19.0% of the market in FY26.
- The Auto Policy 2026-31, approved by the Prime Minister in November 2026 and pending cabinet approval, targets cumulative parts exports of USD~3.3bn over 2026-31 and plans to cut the average auto tariff to ~6.0% by 2030. Lower tariffs will expose local vendors to more import competition, while export growth will depend on vendors overcoming a ~34.0% cost disadvantage against regional competitors.
- In PACRA's view, vendor volumes are expected to keep growing in FY27 but at a slower pace, as higher rates and falling tariff protection weigh on the Sector. FY27 duty on finished parts fell to ~29.0% from ~41.0%. Vendors supplying high-volume small cars and motorcycles are best placed, while smaller vendors that rely on tariff protection face growing import competition. The outlook is maintained at Stable. It could be revised to Negative if tariff cuts sharply raise parts imports or higher rates materially weaken vehicle demand.

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Research Team

Aiza Khalid
aiza.khalid@pacra.com
Assistant Manager Research

Eman
Eman@pacra.com
Associate Research Analyst

Contact Number: +92 42 35869504

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