

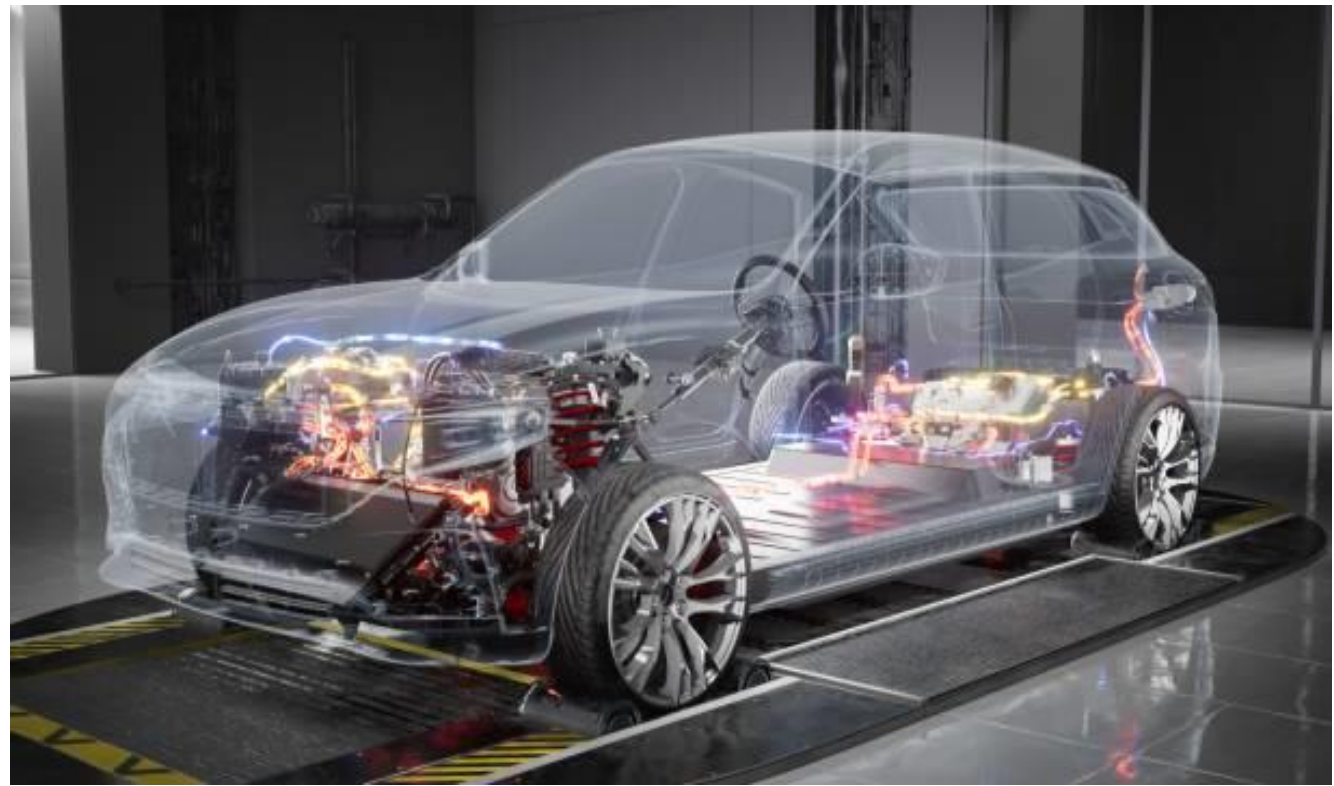


Passenger Cars

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Passenger Cars

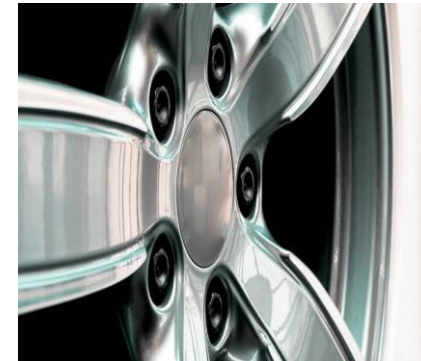
Contents	Page.
Global	
Critical Raw Materials Passenger Cars	1
Production	2
Sales	3
Electric Vehicles	4
Top Selling OEMs	5
Top Selling Brands	6
Outlook	7
Local	
Overview	8
Passenger Cars Supply	9
Supply	10
Passenger Cars Demand	11
Variant-wise Sales	12

Contents	Page.
Supply & Demand	13
Business Risk Margins	14
Financial Risk Borrowings	15
Financial Risk Leverage & Coverage	16
Financial Risk Working Capital Management	17
Financial Risk Sector Borrowings (Overall)	18
Auto Policy 2021-26 Salient Features	19
Duty Structure	20
SWOT Analysis	21
Rating Chart	22
Outlook	23
Bibliography	24

Passenger Cars

Critical Raw Materials | Passenger Cars

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 ~150-200KG 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 ~250KG of metal, aluminum used is purely dependent on the type of vehicle. It can be utilized to produce engines, transmissions, suspension, wheels, brake components etc.
Rubber	Used for manufacture of tyres, belts, hoses, and seals for car engines. The automotive industry is the largest global consumer of rubber (~75.0% of the global rubber production is utilized to manufacture tyres).
Silica Sand	Serves as a key ingredient in the production of automotive glass, used for making windows and windshields. Also used as filler material and reinforcing agent in the production of tyres.
Semi-conductor Chips	Every vehicle contains at least ~2-3 dozen chips while in luxury and electric vehicles this is 2-3x more. Neon gas is an essential raw material for chips. These chips are used for sensors, temperature, pressure and other data collection, analysis and other functions.



Passenger Cars

Global | Production

- In CY25, global Passenger Car manufacturing recovered from a minor slowdown in CY24 (~-0.4% YoY) to register a growth of ~4.2% YoY, bringing total production to ~78.7mn units (CY24:~75.5mn).
- Production in China remained strong and dominant, growing from 26.8mn units in CY24 to 29.4mn units, in CY25. Resultantly, China's market share in global production increased from ~35.4% to ~37.4%. Volumetrically, the Chinese market was ~2.4x larger than Europe (combined) in CY25. Production in Europe, USA and Japan remained stable in CY25.
- Japanese Passenger Car production leveled off, standing at ~7.2mn units in CY25 (SPLY: ~7.1mn units) . Its market share globally remained at ~9.1%, down marginally from ~9.4% the prior year. The shift to Electric Vehicles (EVs) and changing technology has resulted in stagnant growth for Japanese car makers, who were slow to transition towards EVs. India recorded increased its production from ~4.9mn units in CY24 to ~5.3mn units in CY25 (~8.2% YoY growth), backed by robust domestic demand and the "Made in India" initiative.

Global Passenger Cars Production (mn Units)					
Period	CY21	CY22	CY23	CY24	CY25
China	20.2	21.7	25.4	26.8	29.4
Europe	12.8	12.3	14.6	13.6	13.7
India	11.9	10.8	7.7	7.4	7.3
Japan	3.7	3.5	7.8	7.1	7.2
USA	3.1	3.8	4.7	4.9	5.3
Brazil	1.5	1.4	3.9	3.8	3.8
S. Korea	1.6	1.6	1.8	1.9	2.0
Russia	1.5	0.6	0.5	0.8	0.7
R.O.W	10.0	10.6	9.5	9.2	9.3
World Total	66.2	66.2	75.8	75.5	78.7

Global Production Concentration (%)					
Period	CY21	CY22	CY23	CY24	CY25
China	30.5%	32.8%	33.5%	35.4%	37.4%
Europe	19.3%	18.5%	19.2%	18.1%	17.4%
India	17.9%	16.3%	10.1%	9.8%	9.3%
Japan	5.5%	5.3%	10.3%	9.4%	9.1%
USA	4.7%	5.8%	6.2%	6.5%	6.7%
Brazil	2.2%	2.2%	5.1%	5.1%	4.8%
S. Korea	2.4%	2.4%	2.3%	2.5%	2.5%
Russia	2.3%	0.9%	0.7%	1.0%	0.9%
R.O.W	15.1%	15.9%	12.6%	12.2%	11.9%
World Total	100.0%	100.0%	100.0%	100.0%	100.0%

Note: Data represents Passenger Cars only, including electric vehicles. Passenger Cars here exclude motor cycles and are defined as road motor vehicles designed to carry no more than 09 passengers, including the driver. These may also include pick-ups. Europe is inclusive of EU+UK+EFTA

Passenger Cars

Global | Sales

- Global Passenger Car sales registered a growth of ~4.0% YoY (SPLY: ~2.5%) during CY25 to inch up to ~77.6mn units. In China, car sales were recorded at ~24.2mn units, up ~5.7% YoY as the government provided tax incentives. Notably, the country accounted for ~32.4% of global car sales during the year (SPLY: ~30.7%) while market size, in terms of volumetric production, remained ~5.3x and ~1.9x larger than India and EU markets, respectively. Moreover, ~55.0% of all Passenger Car sales in China during CY25 comprised electric vehicles.
- Japanese Passenger Car sales registered a minor recovery of ~2.7% YoY to stand at ~3.8mn units, despite being impacted by the phased reduction of government subsidies and the persistent effects of a weak domestic currency. Meanwhile, India's Passenger Cars market grew by ~4.5% YoY, where total Passenger Cars sales increased to ~4.6mn units on the back of robust domestic demand and the broader momentum of industrial initiatives.
- Global passenger car sales are expected to grow modestly, constrained by affordability pressures and further headwinds from escalating trade tensions.

Global Passenger Car Sales (USD mn)					
Period	CY21	CY22	CY23	CY24	CY25
China	20.21	21.75	22.36	22.93	24.20
Europe	12.78	12.25	14.47	14.60	15.02
India	3.12	3.84	4.16	4.36	4.60
Japan	3.67	3.49	3.99	3.71	3.80
USA	11.86	10.76	12.32	12.70	12.80
Brazil	1.56	1.56	1.72	1.93	1.99
S. Korea	1.48	1.44	1.49	1.41	1.50
Russia	1.55	0.58	1.03	1.51	1.30
R.O.W	9.99	10.55	11.27	11.43	12.39
World Total	66.2	66.2	72.8	74.6	77.6

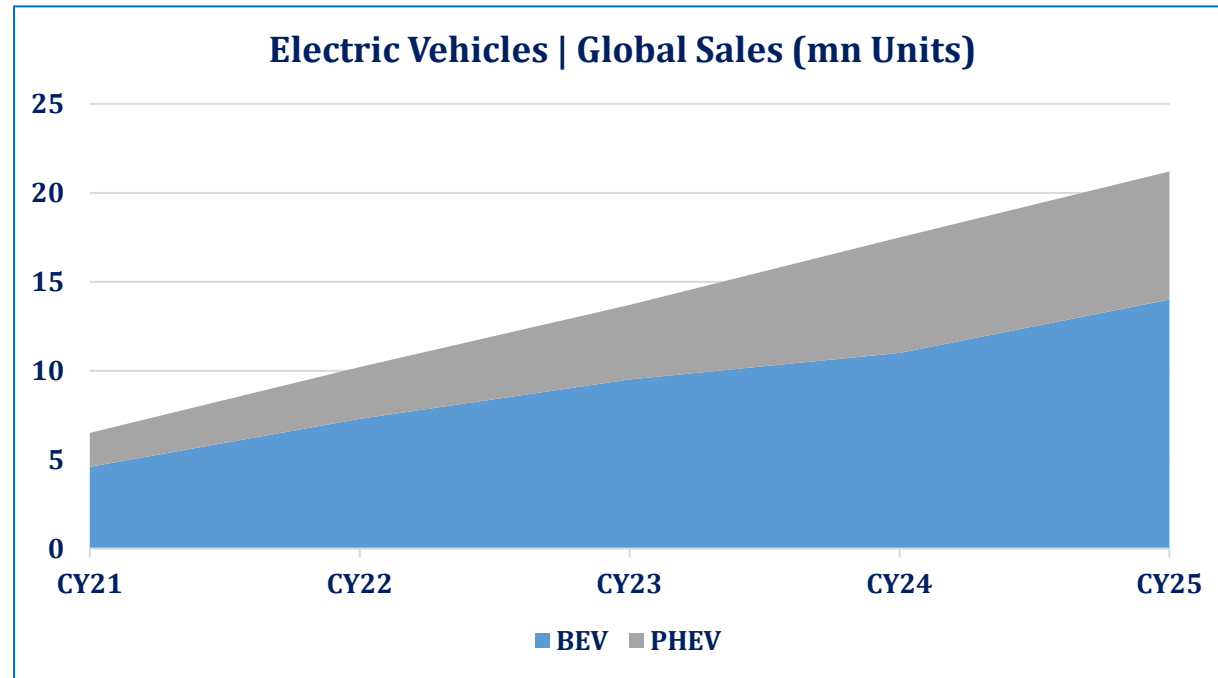
Global Sales Concentration (%)					
Period	CY21	CY22	CY23	CY24	CY25
China	30.5%	32.8%	30.7%	30.7%	32.4%
Europe	19.3%	18.5%	19.9%	19.6%	20.1%
India	4.7%	5.8%	5.7%	5.8%	6.2%
Japan	5.5%	5.3%	5.5%	5.0%	5.1%
USA	17.9%	16.3%	16.9%	17.0%	17.2%
Brazil	2.4%	2.4%	2.4%	2.6%	2.7%
S. Korea	2.2%	2.2%	2.0%	1.9%	2.0%
Russia	2.3%	0.9%	1.4%	2.0%	1.7%
R.O.W	15.1%	15.9%	15.5%	15.3%	16.6%
World Total	100.0%	100.0%	100.0%	100.0%	100.0%

Note: Data represents Passenger Cars only, including electric vehicles. Passenger Cars here exclude motor cycles and are defined as road motor vehicles designed to carry no more than 09 passengers, including the driver. These may also include pick-ups.

Passenger Cars

Global | Electric Vehicles

- The global Electric Vehicles/ Passenger Cars (EVs) segment has experienced tremendous growth over the past five years, with aggregate new sales rising significantly to reach ~21.2mn units by End-CY25 (SPLY: ~17.5mn Units). EVs accounted for ~28.4% of overall Passenger Cars sold globally during CY25, up from ~24.5% in CY24. Within the segment, Battery Electric Vehicles (BEVs) continued to lead the volume mix at 14.0mn units, while Plug-in Hybrid Electric Vehicles (PHEVs) stood at 7.2mn units.
- Region-wise distribution reveals that the market remains highly consolidated, with China expanding its overwhelming dominance to account for ~62.7% of global EV sales in CY25 (CY24: ~64.6%). Europe followed as the second-largest region capturing ~20.3% of the global EV sales share (SPLY: ~18.2%), whereas the USA and Latin America accounted for ~7.2% and ~0.8%, respectively, during the year. Environmental concerns, rising energy costs are likely to further accelerate EV adoption, especially in developing countries.



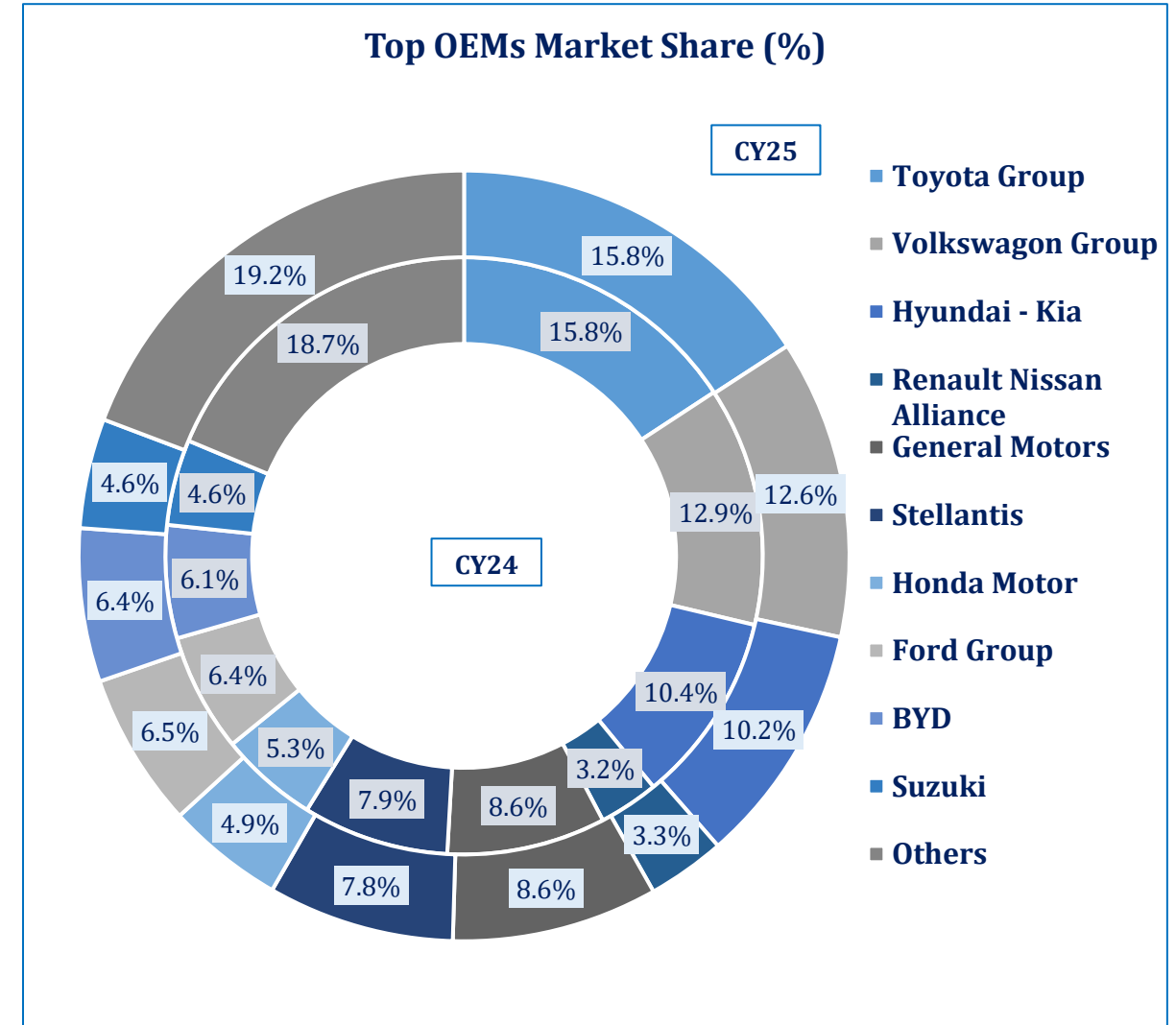
Continent/ Region (CY25)	Approx. Electric Passenger Car Sales (mn units)	Approx. Share of Electric to New Passenger Car Sales	Market Share (Electric Passenger Car Sales)
China	13.3	55.0%	62.7%
Europe	4.3	33.6%	20.3%
Latin America	0.2	5.0%	0.8%
U.S.	1.5	12.0%	7.2%
Rest of the World	1.9	13.0%	9.0%
Total	21.2	27.3%	100%

Note: BEV stands for Battery Electric Vehicle; PHEV for Plug-in Hybrid Electric Vehicle

Passenger Cars

Global | Top Selling OEMs

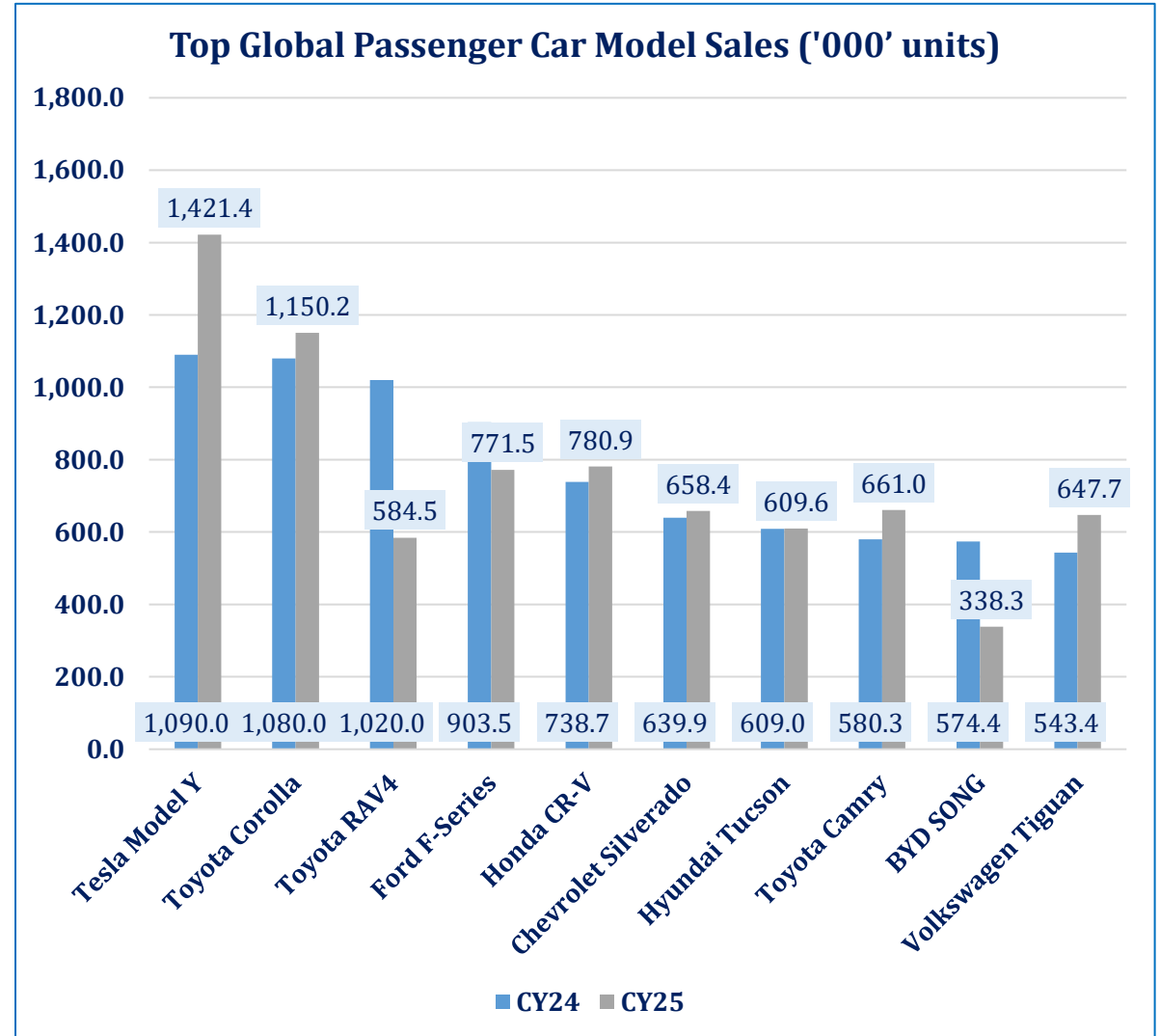
- In CY25, Toyota Group maintained its position as the market leader amongst Original Equipment Manufacturers (OEMs) and held the highest market share remaining stable at ~15.8% in terms of global Passenger Car sales. Notably, the group successfully sustained its leadership status despite dealing with significant production and shipment halts resulting from certification test non-compliance issues in Japan.
- Toyota Group was followed by Volkswagen Group, Hyundai-Kia, and General Motors with CY25 market shares of ~12.6%, ~10.2%, and ~8.6%, respectively (SPLY: ~12.9%, ~10.4%, and ~8.6%). Overall, the top 10 OEMs consolidated their dominance, forming ~80.8% of the global market share in CY25 compared to ~81.3% in CY24.
- Total electrified vehicle sales (Hybrids, PHEVs, BEVs) accounted for ~42.5% of all Toyota Group sales, ~15.7% of Volkswagen Group, ~23% of Hyundai-Kia and ~5.0% of General Motors.
- Build Your Dream (BYD) recorded noticeable improvement during the period, expanding its global market share to ~6.4% in CY25 from ~6.1% in CY24. Backed by surging electric vehicle demand, this rapid expansion allowed BYD to register a ~7.7% YoY growth rate and enabling itself to secure a spot as one of the top selling OEMs.



Passenger Cars

Global | Top Selling Models

- Tesla Model Y was the market leader with sales reaching ~1.4mn units in CY25 (SPLY: ~1.1mn units), a YoY growth of ~30.4%. Toyota Corolla followed, with ~1.2mn units sold during CY25, an increase of ~6.5% YoY.
- Five of the top ten models are electric Passenger Cars, more specifically, Tesla Model Y, being the only Battery Electric Vehicle (BEV), BYD Song, RAV4, Tucson, and CR-V classified under Plug-in Hybrid Electric Vehicles (PHEVs).
- Toyota RAV4 sales declined sharply by 57.3% YoY in CY25, while Ford F-Series sales fell by 14.6%. In contrast, Honda CR-V sales increased by 5.7% YoY during the same period.
- Notable performances among electric Passenger Cars, were the Xiaomi YU7, securing a ~3.8% share, followed by the Geely Xingyuan, Tesla Model 3, and the Aito M7, which had a ~167.8% surge in sales.



Passenger Cars

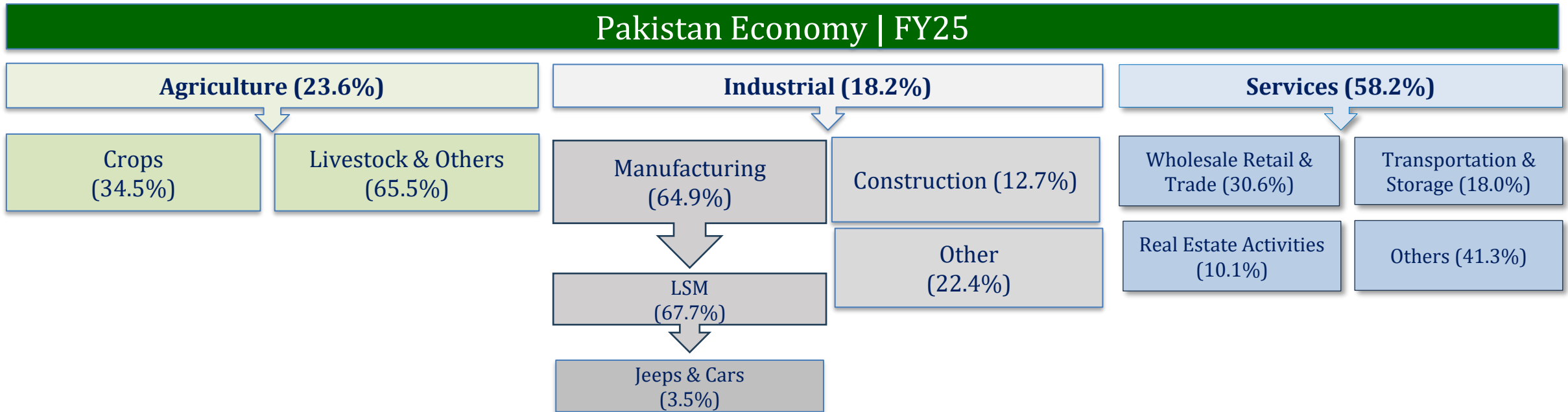
Global | Outlook

- Major factors impacting the automobile Sector in CY25 included shift in consumer demands, government EV subsidy rollbacks, and evolving industrial localization. However, challenges like geopolitical tensions,, high fuel costs and supply chain disruptions continued to prove significant headwinds. Global Passenger Car sales climbed by ~17.2% over the past five years, from USD ~66.2mn in CY21 to USD ~77.6mn.
- Given the tariffs expectations, regional supply chains faced significant adjustments, prompting distinct production and sales patterns across major hubs.
- In China, Passenger Car sales expanded by ~5.7% YoY to reach ~24.2mn units, keeping its domestic market size ~1.9x larger than the European market and ~5.3x larger than India.
- Globally, CY25 was indicated a consistent trend of growth in electric vehicles by ~21.2%, which, was largely driven by consumers' belief that it will substantially decrease maintenance costs of vehicles compared with cars fuels as well as a growing awareness on climate change driving eco-conscious purchasing decisions. Governments across the world are offering incentives to boost the production of low-emission vehicles. Incentives within various industrial frameworks, like the US IRA, the EU Net zero Industry Act, China's 14th Five-Year Plan, and India's PLI scheme, further promote the development of value and job opportunities throughout the EV supply chains within these economies. Additionally, renewed pledges continue to be taken to achieve net-zero emission targets by CY50. However, even with price reductions from automakers and government incentives aimed at enhancing affordability, several hurdles persist, such as charging duration and the accessibility of charging infrastructure.
- Looking forward, the Passenger Car market is expected to continue to grow at a steady rate of ~4.1%, driven by electrification, digitalization, and evolving consumer preferences. Global EV sales are projected to reach a historic ~23.0mn units, capturing nearly ~28.0% of the global Passenger Car market by End-CY26, by CY38 it is projected that EV sales will surpass sale of traditional vehicles. The surge in electric vehicle adoption will be propelled by further improvements in battery technology, the expansion of charging infrastructure, and stricter emissions regulations, particularly in China, the EU, and North America, despite near-term trade policy shifts, volatile oil prices, and escalating tariff barriers that compel automakers to localize their supply chains.

Passenger Cars

Local | Overview

- In FY25, Pakistan's GDP (real) stood at PKR ~41.0tn, increasing, in real terms, by ~3.2% YoY (FY24: ~2.6% growth). In 3QFY26, the GDP (Real) was registered at PKR ~31.8Tn and is projected to increase to PKR ~42.6Tn, with Large Scale Manufacturing (LSM) comprising ~8.3% of the total GDP at PKR ~2.6tn. Passenger Cars fall under the Automotive Sector in the LSM category, and currently contributes ~3.5% to the LSM in Pakistan and ~0.3% in the total GDP, LSM in 3QFY26 has experienced a ~9.5% growth YoY at PKR ~954.2bn (SPLY: PKR ~871.2bn).
- Macroeconomic dependencies heavily dictated domestic automotive volumes, where despite tighter fiscal measures and ongoing economic adjustments, cumulative Passenger Cars sales across the country showed a notable recovery to reach 165,428 units over the July–April FY26 window (SPLY: 111,246 units). This volume rebound was primarily supported by stabilizing foreign exchange reserves and the easing of CKD import restrictions highlighting robust underlying consumer demand.

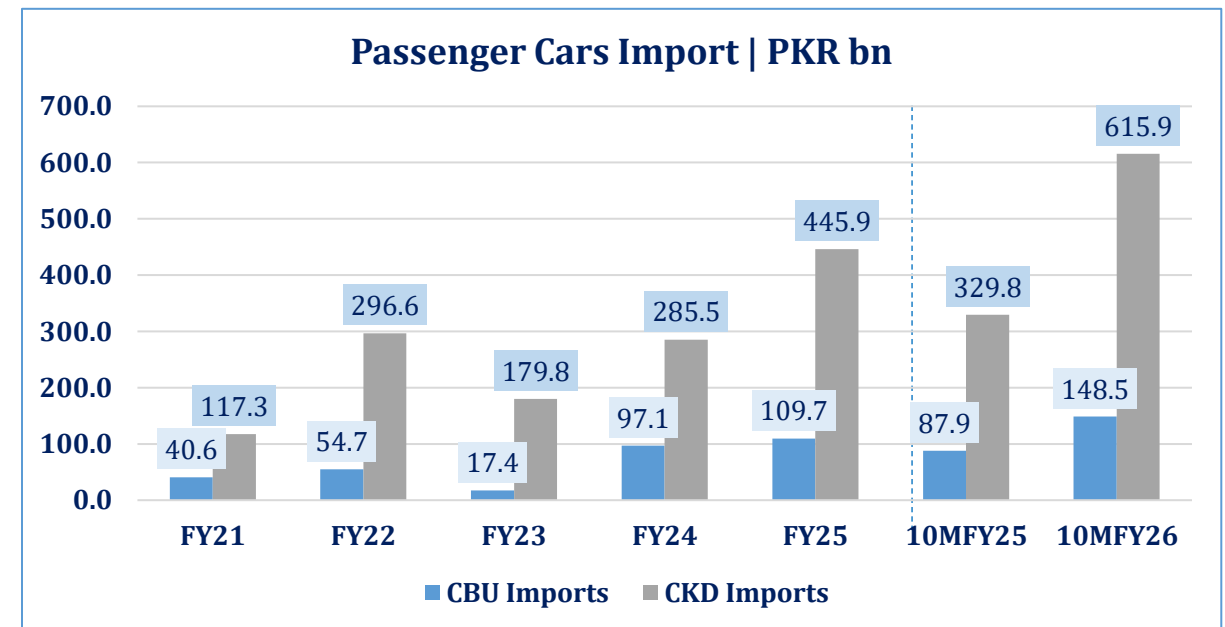


Passenger Cars

Local | Passenger Cars Supply

- Honda Atlas Cars and Toyota Indus Motors are largely involved in the production of high-niche Passenger Car models (more than 1300cc engines). These include Honda City, Honda Civic, Toyota Corolla and Toyota Yaris. On the other hand, Pak Suzuki Motors (PSM) produces a diverse range of models from Suzuki Swift (above 1000cc) and Alto (660cc) to cater the demand of middle-income and lower middle-income group.
- During 10MFY26, total Passenger Car production by major OEMs reached ~130,8000 units, compared to ~86,300 units in 10MFY25, reflecting robust YoY growth. Suzuki remained the dominant producer with ~77,000 units in 10MFY26 versus ~52,100 units in 10MFY25, up ~47.8% YoY. Toyota posted production of ~30,700 units in 10MFY26 compared to ~19,100 units in 10MFY25, a growth of ~60.7% YoY. Honda similarly recovered strongly, recording ~20,100 units in 10MFY26 versus ~12,600 units in 10MFY25, up ~59.5% YoY. Hyundai contributed ~3,000 units in 10MFY26 against ~2,500 units in 10MFY25.
- During 10MFY26, total Passenger Car imports surged to PKR ~764.4bn, comprising CBU imports of PKR ~148.5bn and CKD imports of PKR ~615.9bn, compared to PKR ~417.7bn in 10MFY25. CBU imports grew ~91.1% YoY while CKD imports rose ~99.9% YoY during the period. CBUs and CKDs stood at PKR ~109.7bn and PKR ~445.9bn, respectively in FY25 (SPLY: PKR ~97.1 and ~285.5 bn).

Passenger Cars Production Major OEMs ('000 Units)							
OEM	FY21	FY22	FY23	FY24	FY25	10MFY25	10MFY26
Pak-Suzuki	77.2	129.3	65.6	50.2	66.9	52.1	77.0
Toyota-Indus	47.7	55.4	19.7	15.7	25.1	19.1	30.7
Honda-Atlas	25.1	35.1	12.8	12.2	16.2	12.6	20.1
Hyundai	1.1	6.7	4.0	1.5	2.9	2.5	3.0
Total	151.0	226.4	102.0	79.6	111.2	86.3	130.8



Passenger Cars

Local | Supply

- The Sector remains highly concentrated among established players like Pak Suzuki, Toyota Indus, and Honda, an influx of newer entrants; including Sazgar, Hyundai Nishat, and KIA Lucky, which have successfully broken into the sector. These newer players have rapidly expanded their footprint, capturing a significant share of modern production and sales alongside the traditional big three OEMs.
- During 10MFY26, volumetric car sales reached ~127,042 units, reflecting a YoY increase of ~48.5%, supported by improving macroeconomic indicators and a reduction in the policy rate to ~10.5% as of Mid-Dec'25 (policy rate was hiked up to 11.5% by end of April'26). During 10MFY26, Jeeps and Pickup sales increased by ~47.9% and ~12.6%, respectively.
- In FY25, Passenger Car sales recovered sharply, rising ~42.0% YoY to ~147,466 units (FY24: ~-18.2% YoY), supported by monetary easing through policy rate cuts and currency appreciation with the average PKR/USD exchange rate improving to ~279.3 (SPLY: ~283.2). This collectively eased cost pressures and stimulated volumetric demand.

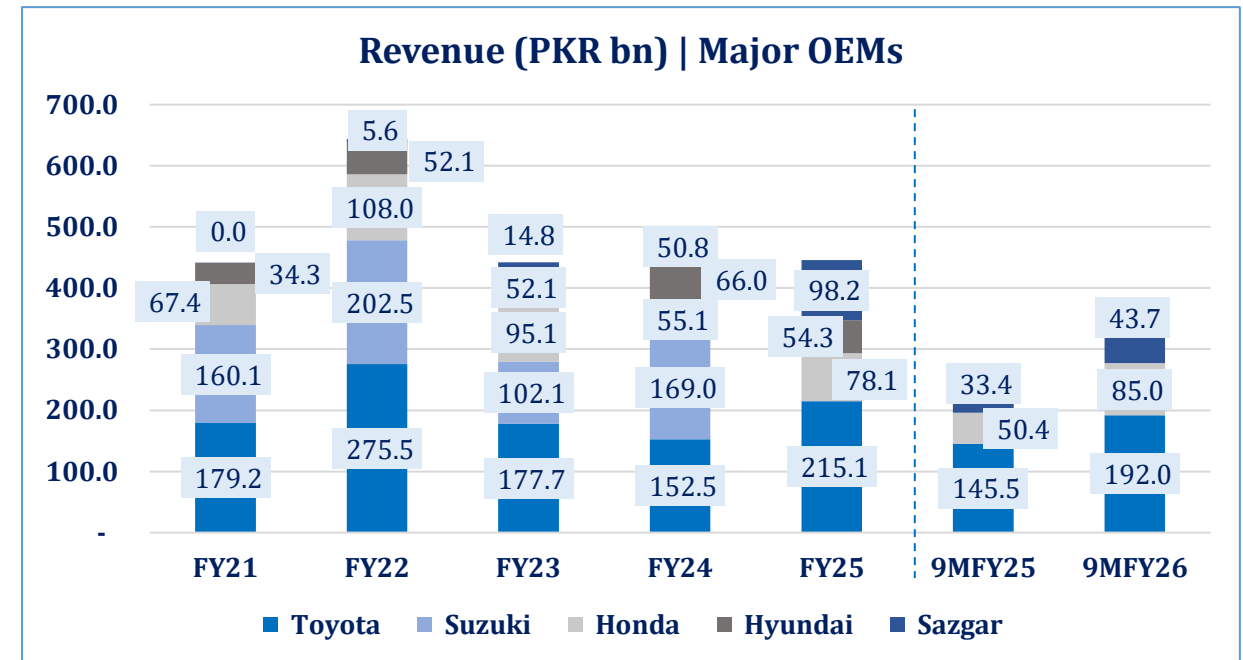
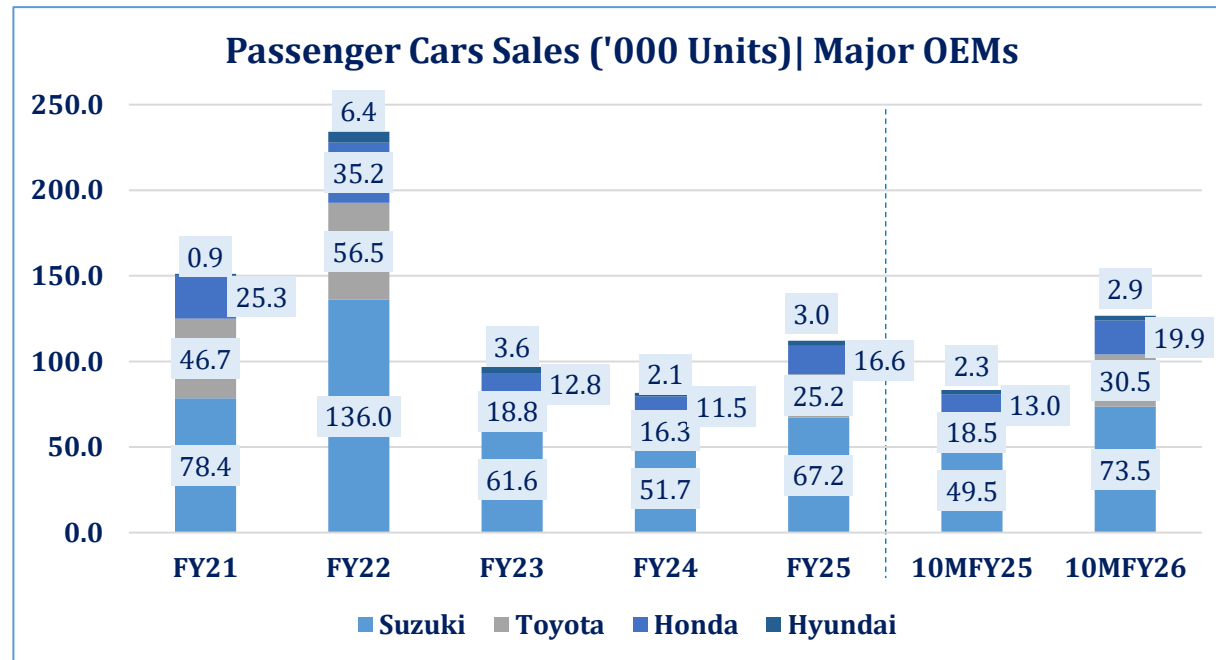
Passenger Cars Volumetric Sales (Units)							
Type	FY21	FY22	FY23	FY24	FY25	10MFY25	10MFY26
Cars	151,182	234,180	96,811	81,577	112,013	83,401	127,042
Jeeps	11,306	27,608	24,190	15,027	25,665	19,903	29,446
Pickups	18,909	17,479	5,877	7,223	9,788	7,942	8,940
Total	181,397	279,267	126,878	103,827	147,466	111,246	165,428



Passenger Cars

Local | Passenger Cars Demand

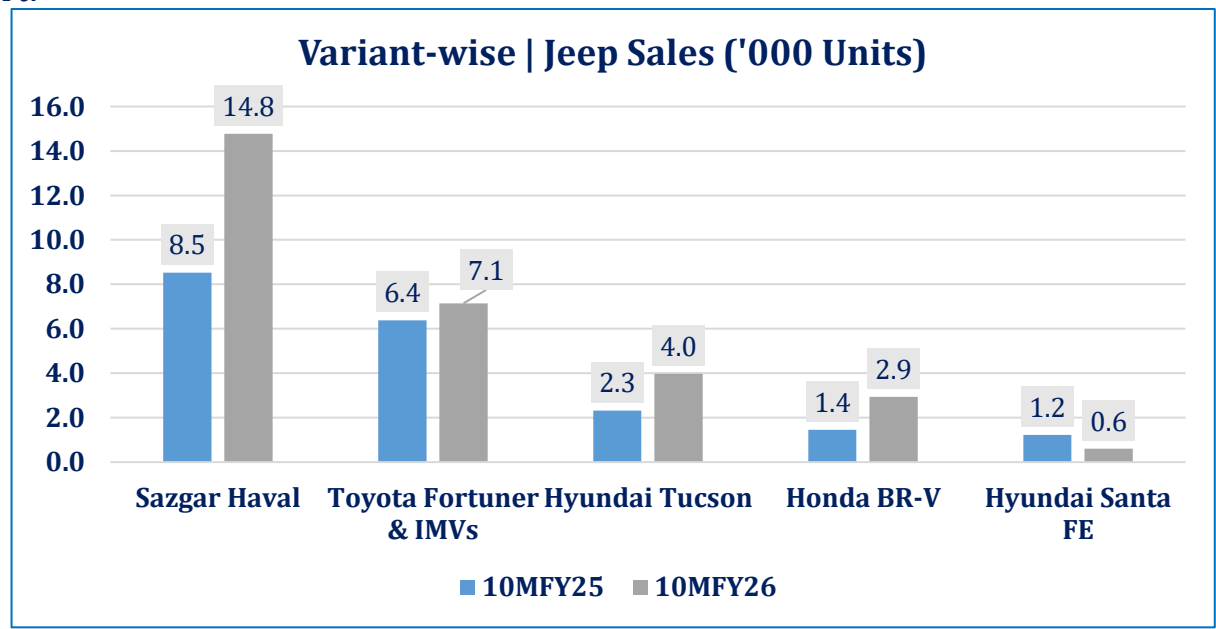
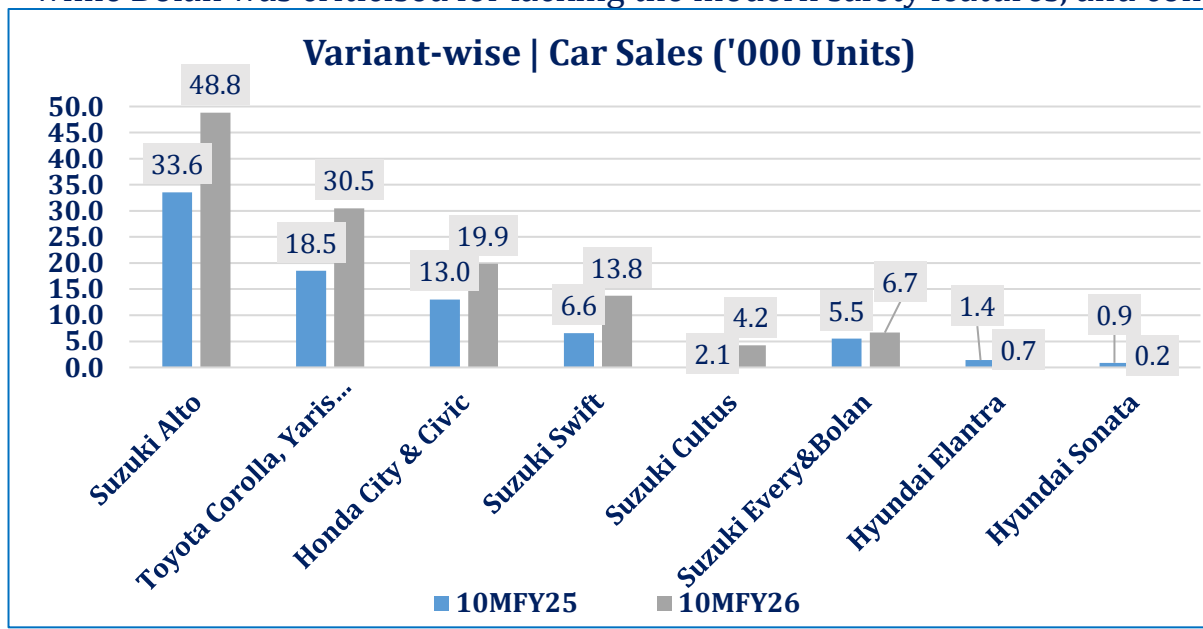
- Sales for Suzuki were up by ~52.2% YoY, with Toyota and Honda recording growth of ~48.5%, ~64.9% and ~53.1% YoY, respectively. Total OEM sales stood at ~148,023 units in FY25, up ~42.6% from ~103,829 units in FY24, reflecting broad-based volume recovery across all major OEMs aided by declining policy rates and improved consumer financing conditions.
- 9MFY26, revenues was recorded at PKR ~320.7bn from PKR ~229.3bn in 9MFY25, up ~39.9% YoY, driven by higher volumetric offtake by Toyota and Honda. In FY25 Toyota, Honda and Sazgar posted growth of ~41.0%, ~41.7%, ~93.3% YoY, settling at PKR ~215.1bn, PKR ~78.1bn and PKR ~98.3bn, respectively, while Hyundai revenues were down to PKR ~54.3bn (SPLY: PKR ~66.0bn) declining ~17.7% YoY.



Passenger Cars

Local | Variant-wise Sales

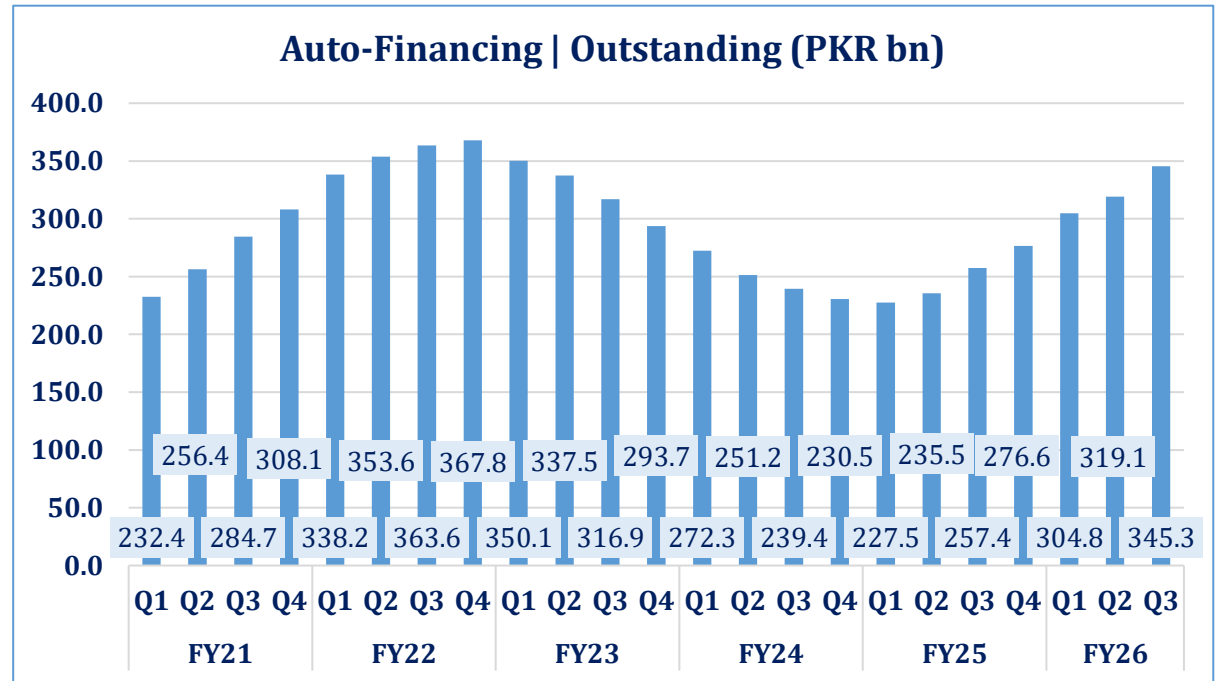
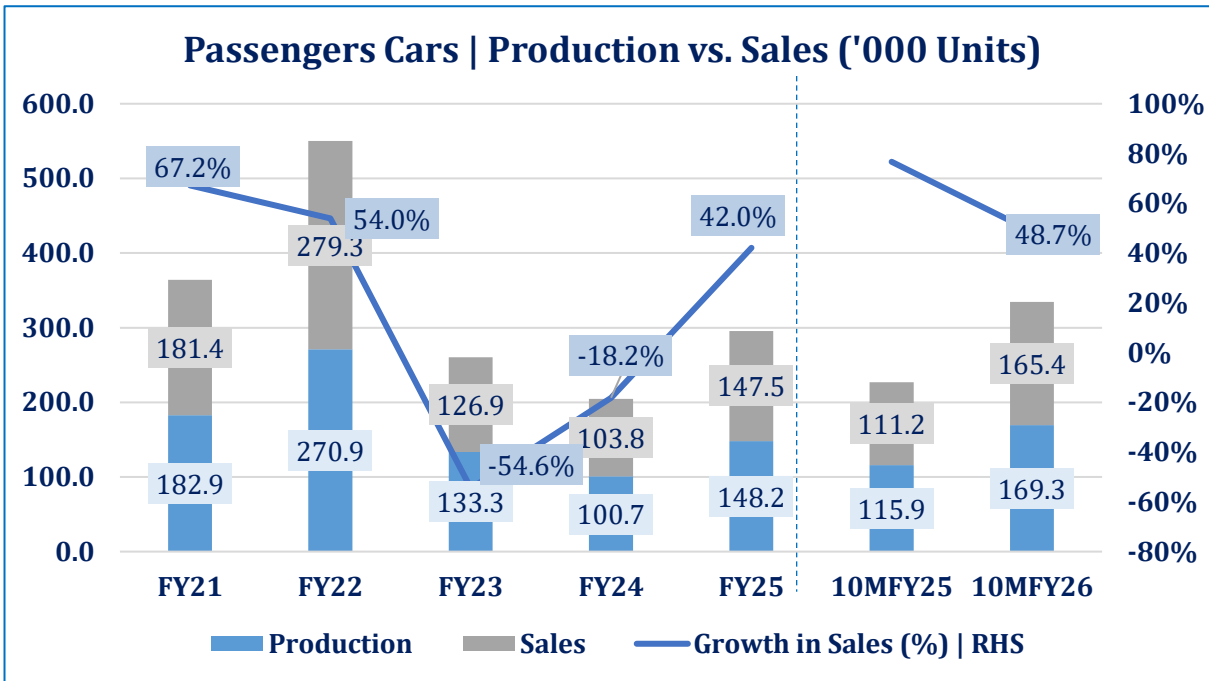
- Sazgar Haval continued as the volume leader in the Jeep segment in 10MFY26 with sales of ~14,772 units, up ~73.1% YoY, compared to ~8,531 units in 10MFY25. Toyota Fortuner & IMVs posted sales of ~7,147 units in 10MFY26 versus ~6,381 units in 10MFY25, reflecting a ~12.0% YoY increase, while, Hyundai Tucson saw a significant recovery, rising ~71.3% YoY to ~3,979 units in 10MFY26 from ~2,323 units in 10MFY25. Honda BR-V/HR-V also posted strong growth of ~103.1% YoY to ~2,943 units in 10MFY26 versus ~1,449 units in 10MFY25.
- Suzuki Alto retained its position as the highest-selling car variant with sales of ~48,832 units in 10MFY26, up ~45.4% YoY from ~33,560 units in 10MFY25. Toyota Corolla, Yaris & Cross recorded ~30,496 units in 10MFY26 versus ~18,496 units in 10MFY25, a growth of ~64.9% YoY. Honda City & Civic sales rose ~52.4% YoY to ~19,870 units in 10MFY26 from ~13,034 Units in 10MFY25. Suzuki Swift posted strong growth of ~109.6% YoY to ~13,752 units. Suzuki Every grew ~195.7% YoY to ~6,661 units in 10MFY26.
- Major manufacturer, Suzuki have also discontinued production of their most popular “Carry Dabba” cars, i.e., Suzuki Bolan and WagonR which were both subsequently discontinued in FY25, in efforts to modernise and develop their upcoming platforms. Both models also experienced declining sales, while Bolan was criticised for lacking the modern safety features, and comfort.



Passenger Cars

Local | Supply & Demand

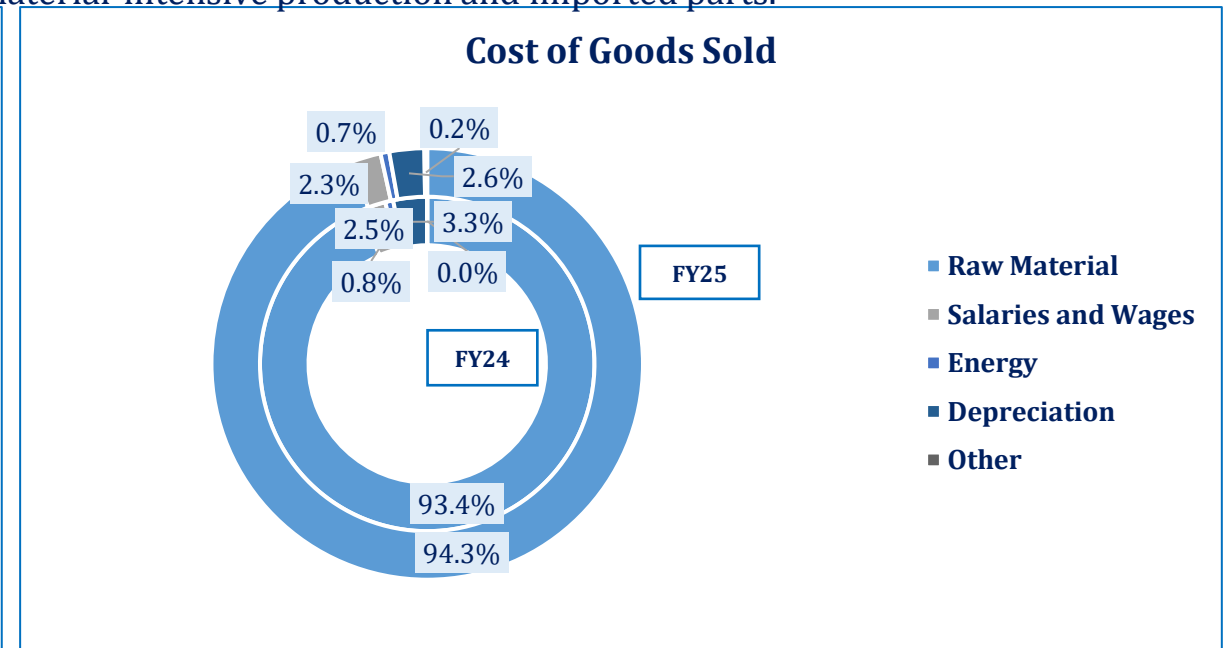
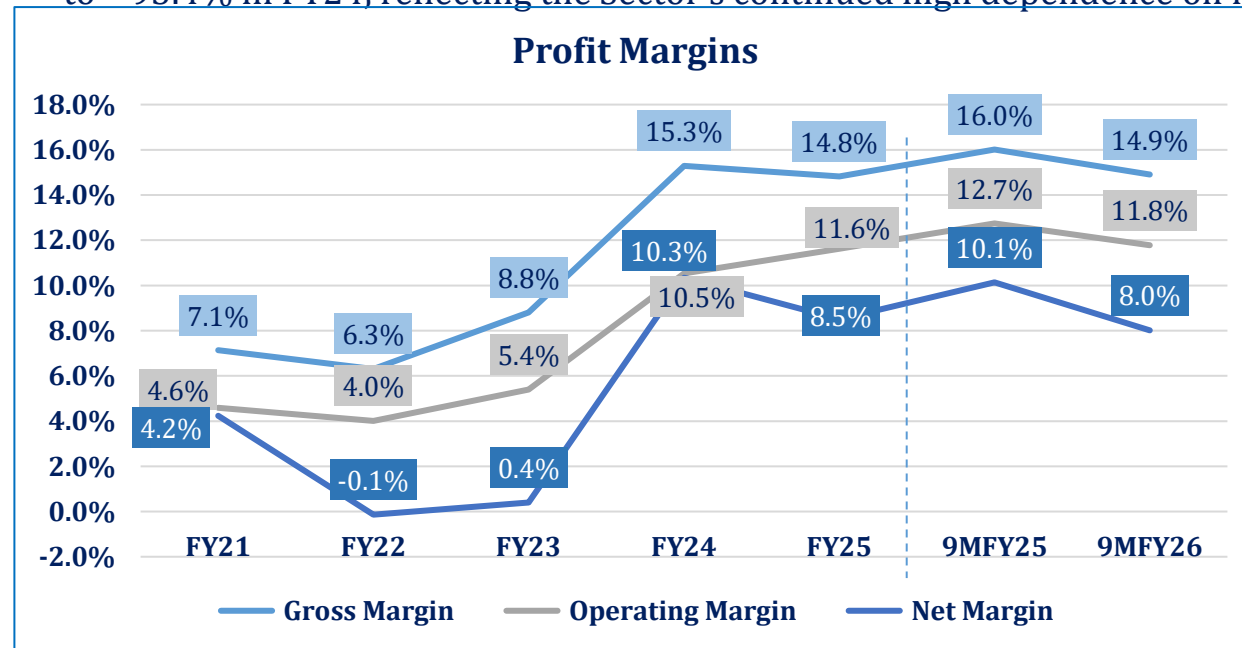
- In 10MFY26, Passenger Car sales reached ~165,428 units, registering a robust ~48.7% YoY growth (SPLY: ~111,245 units), while production rose commensurately to ~169,275 units from ~115,869 units over the same period, reflecting a production-sales surplus that indicates healthy inventory build ahead of sustained demand. On a full-year basis, FY25 sales recovered sharply to ~148,023 units, up ~42.6% YoY (FY24: ~103,829 units), as successive reductions in the SBP policy rate materially eased automotive financing benchmarks, due to this car prices were able to remain relatively stable, with OEMs offering consumers buying incentive schemes, new entrants in the market, and higher financing by banks, allowed for a higher sales volume.
- By 3QFY26, auto financing outstanding stood at PKR ~345.3bn, up ~34.0% YoY (SPLY: PKR ~257.4bn), driven by progressive SBP rate cuts of ~1,150bps between Jun'24 and Dec'25, bringing the policy rate to ~10.5%.



Passenger Cars

Business Risk | Margins

- In 9MFY26, gross margins contracted to ~14.9% (SPLY: ~16.0%), reflecting weakening pricing power across the Sector during the period. During 9MFY26, the Sector’s operating profitability remained broadly resilient, with operating margins sustaining at ~11.8% (SPLY: 12.7%). The slight contraction was primarily attributable to lower gross margins, as reduced profitability at the gross level limited the cushion available to absorb fixed operating costs, selling expenses, and administrative overheads. In addition, higher promotional activity further weighed on operating margins during the period.
- During 9MFY26, the Sector’s net margins declined to 8.0% (SPLY: 10.1%), primarily due to a significant increase in finance costs of ~41% YoY. The rise in finance costs was driven by an increase in the quantum of borrowings, as Sector players relied on additional debt to fund higher working capital requirements and ongoing capex activities across the Sector.
- Raw material remained the dominant component of cost of sales in both FY25 and FY24, accounting for ~94.3% of cost of good sold in FY25 compared to ~93.4% in FY24, reflecting the Sector’s continued high dependence on material-intensive production and imported parts.

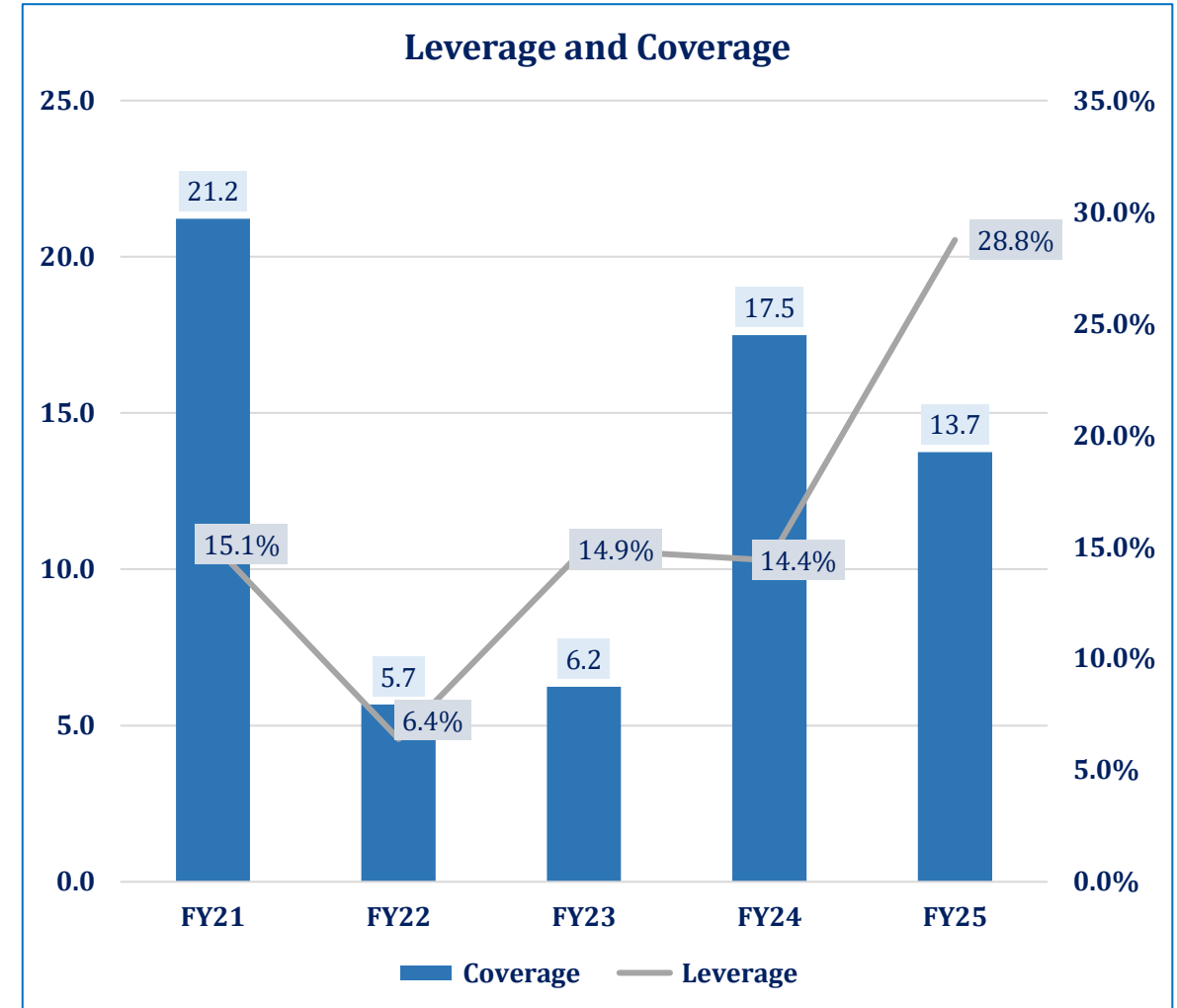


Note: 9MFY25 and 9MFY26 is of 3 Listed/PACRA-rated players.

Passenger Cars

Financial Risk | Borrowings

- During FY25, the Passenger Car Sector's leverage increased significantly to ~28.8% from ~14.4% in FY24, with the YoY surge largely attributable to model/capacity-related investments undertaken by a single Sector player; excluding this impact, Sector leverage would have remained broadly stable.
- In contrast, interest coverage moderated to 13.7x in FY25 from 17.5x in FY24, although it remained high overall. The decline in coverage was primarily attributable to higher finance costs arising from increased borrowings, while improvement in Sector earnings only partially offset the impact.

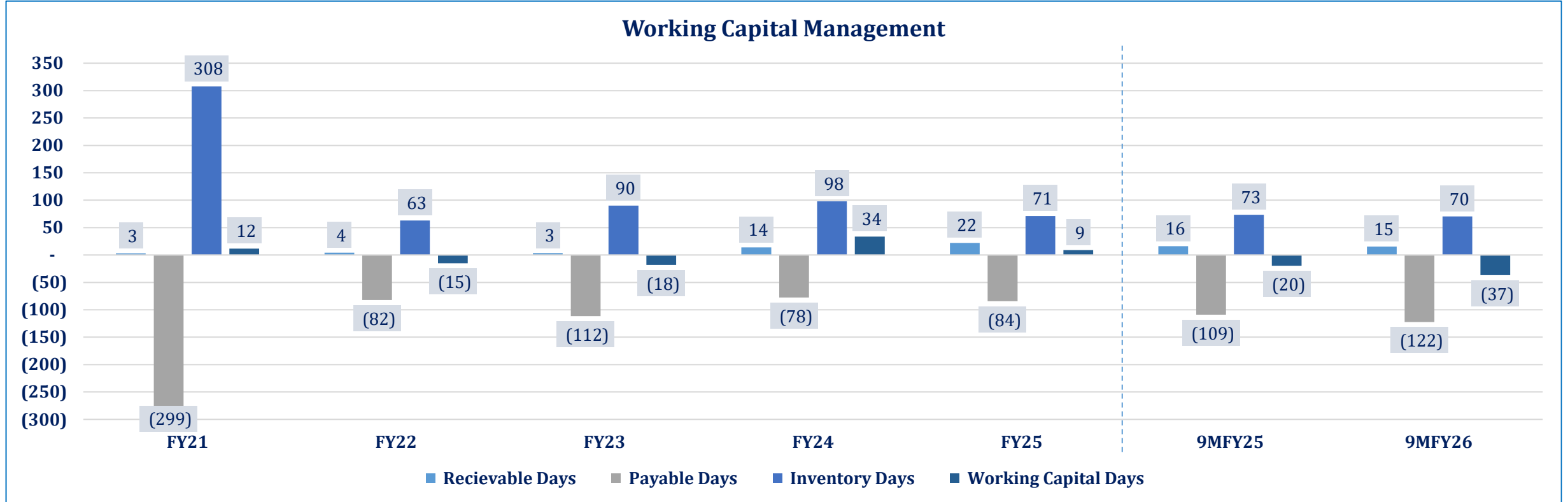


Note: Data is representative of 5 Listed/PACRA-rated players involved in manufacture and sale of cars. FY25 Leverage and Coverage are reflective of 4 Listed/PACRA-rated players.

Passenger Cars

Financial Risk | Working Capital Management

- In 9MFY26, working capital management for the Sector improved versus 9MFY25, with working capital days moving further negative from (20) days to (37) days. This reflects a 17-day improvement, mainly driven by an increase in payable days from (109) to (122), indicating stronger supplier credit or longer payment terms. At the same time, inventory days improved slightly from 73 to 70 days, while receivable days remained broadly stable, declining marginally from 16 to 15 days. Overall, the Sector appears to be managing cash flows more efficiently in 9MFY26, with companies funding a larger portion of operations through supplier payables while keeping receivables and inventory under control.

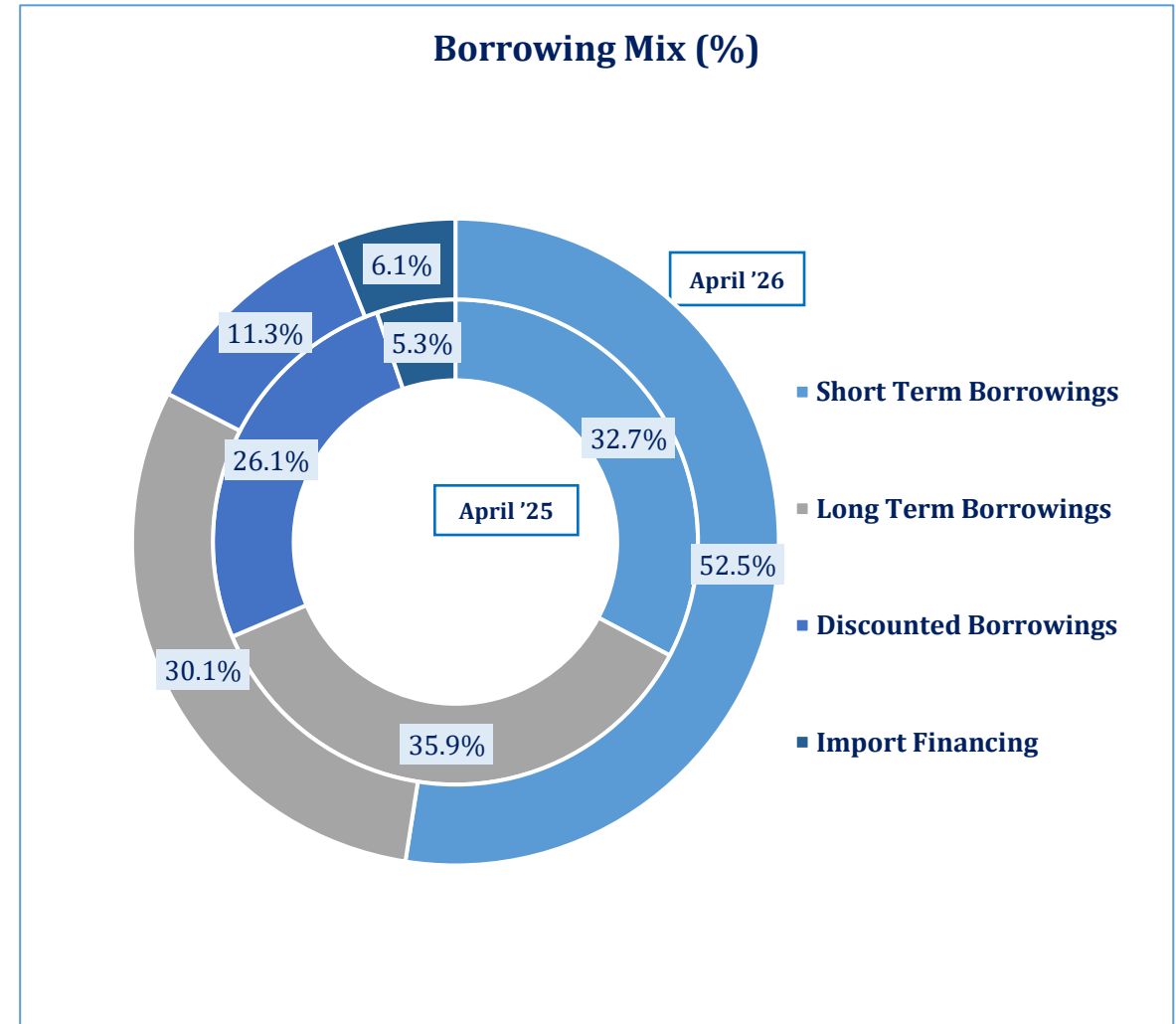


Note: Data is representative of 5 Listed/PACRA-rated players. FY25 Working Capital Management is of 4 Listed/PACRA-rated players, 9MFY25 and 26 is of 3 Listed/PACRA-rated players and due to unavailability of data.

Passenger Cars

Financial Risk | Borrowings

- The Sector’s borrowing mix for Apr’26, when compared with Apr’25, indicates a significant increase in total borrowings to PKR ~86,921mn from PKR ~46,478mn, reflecting an increase of ~87.0% YoY. The rise in borrowings was primarily driven by higher financing requirements across the Sector, supported by increased production and sales volumes.
- Long-term borrowings held a share of ~30.1% in the current period's borrowing mix (SPLY: ~35.9%), recorded at PKR ~26,166mn (SPLY: PKR ~16,673mn) reflecting a decline in share, despite increase in amount.
- Short-term borrowings stood at a share of ~52.5% (PKR ~45,614mn) in the current period's borrowing mix (SPLY: ~32.7%, PKR ~15,219mn), registering a notable expansion in share.
- Discounted borrowings accounted for ~11.3% at PKR ~9,861mn (SPLY: ~26.1%, PKR ~12,144mn) of the overall borrowing mix.
- Import financing schemes comprised of ~6.1% (SPLY: ~5.3%), with a ~116.3% increase at PKR ~5,280mn (SPLY: PKR ~2,441mn) showing continued reliance on import-linked credit facilities to fund procurement of CKD kits, auto parts, semiconductors, and other critical imported inputs essential to Passenger Car assembly operations.



Passenger Cars

Auto Policy 2021-26 | Salient Features

The policy encompasses localization of parts and components, implementation of safety regulations, promotion of new technologies, exports of auto parts & completely built-up Units, consumer welfare and promotion of manufacturing of specialized vehicles. AIDEP anticipates fair competition across various vehicle segments. New investors are poised to enhance productivity and expand capacities over this time. Incentives granted to newcomers facilitate local manufacturing, while AIDEP pledges to sustain previous policy incentives for continual growth.

Meri Garri Scheme – Promotion of small cars and L.C.Vs which are fuel efficient (applicable to vehicles up to 1000cc).

- i. Custom Duty (CD) on localized parts will be ~30% and on non-localized parts will be ~15% for three (03) years from date of issuance of manufacturing certificate or June 30, 2026.
- ii. Sales tax reduction to 12.5 % at sales stage.
- iii. Removal of Additional Custom Duty (ACD), Withholding Tax (WHT) & Federal Excise Duty (FED) on locally manufactured vehicles.

Electric Vehicles

- i. For EVs, SUVs, LCVs and Vans, the CKD non-localized will attract ~10% CD and CKD localized will attract ~25 % CD.
- ii. Exemption of sales tax and VAT on imports and ~1% sales tax on sales applicable to small cars/vans/SUVs with ~50KWH battery or below and LCV with ~150 KWH battery pack or below.
- iii. The maximum quantity of EV CBUs permitted per company shall be capped at 100 Units, with a maximum of 10 Units per variant, as determined by the EDB after verification of the manufacturing facilities by EDB.

Passenger Cars

Auto Policy 2021-26 | Salient Features

Incentives for Electric Vehicles

- i. Additional Custom Duty to be 0% on CKD manufacturing of EVs.
- ii. Duty free import of plant and machinery of EVs, 0% CD, ACD 0%.
- iii. Import of EV chargers to attract 1 % CD, ACD 0%.
- iv. EVs (both imported and locally manufactured) to be exempt from FED.

Charging Infrastructure

To boost the adoption of electric vehicles (EVs), infrastructure development is crucial in major cities, commercial/government buildings, and along motorways/highways. An inter-ministerial committee has outlined recommendations for relevant authorities:

- i. Charging infrastructure will be deployed in selected cities and later expanded to secondary cities. Each selected city will have at least one DC fast charger within every 3x3 km or 4x4 km grid.
- ii. Fast chargers will be placed along major motorways and highways every 15-30 km, starting with highway N5 and rest areas of motorways M1, M2, M3, M4, M5, and M9. Expansion will cover all motorways and highways nationwide.
- iii. Public charging stations may offer standardized swappable battery facilities for specific vehicle categories.
- iv. Electric Distribution Companies (DISCOs) will identify feeders to support fast charging stations. If system constraints arise, DISCOs will resolve supply issues.
- v. Government bodies will encourage existing CNG and fuel stations to participate in establishing charging infrastructure.
- vi. Smart charging methods, including smart metering and time-of-use pricing, may be implemented at charging stations, particularly for Level-2 and above, to alleviate strain on the main grid.

Passenger Cars

Duty Structure

PCT Code	Description	Customs Duty		Additional Customs Duty		Regulatory Duty		Federal Excise Duty		Total	
		FY25	FY26	FY25	FY26	FY25	FY26	FY25	FY26	FY25	FY26
8703.2192	Components for the assembly/manufacture of 4X4 vehicles	55.0%	55.0%	7.0%	6.0%	0.0%	0.0%	0.0%	0.0%	62.0%	61.0%
8703.2193	4X4 vehicles (CBU)	55.0%	55.0%	7.0%	6.0%	15.0%	50.0%	2.5%	2.5%	79.5%	113.5%
8703.2119	Cylinder Capacity: up to 1000cc	50.0%	50.0%	7.0%	6.0%	0.0%	40.0%	2.5%	2.5%	59.5%	98.5%
8703.2220,2290,2319	Cylinder Capacity: >1000cc & <3000cc	60.0-75.0%	60.0-75.0%	7.0%	6.0%	15.0%	50.0%	10.0%	10.0%	92.0%-107.0%	66.0%

Passenger Cars

SWOT Analysis

- Organized Sector with listed players.
- Strong brand value and integration.
- Government support for an industry which contributes.
- Easing of import restrictions.



- Highly cyclical, performance very much depends on overall economy.
- Rising international commodity prices.
- Several parts are imported.
- Exchange rate fluctuations.
- Global supply chain disruptions.

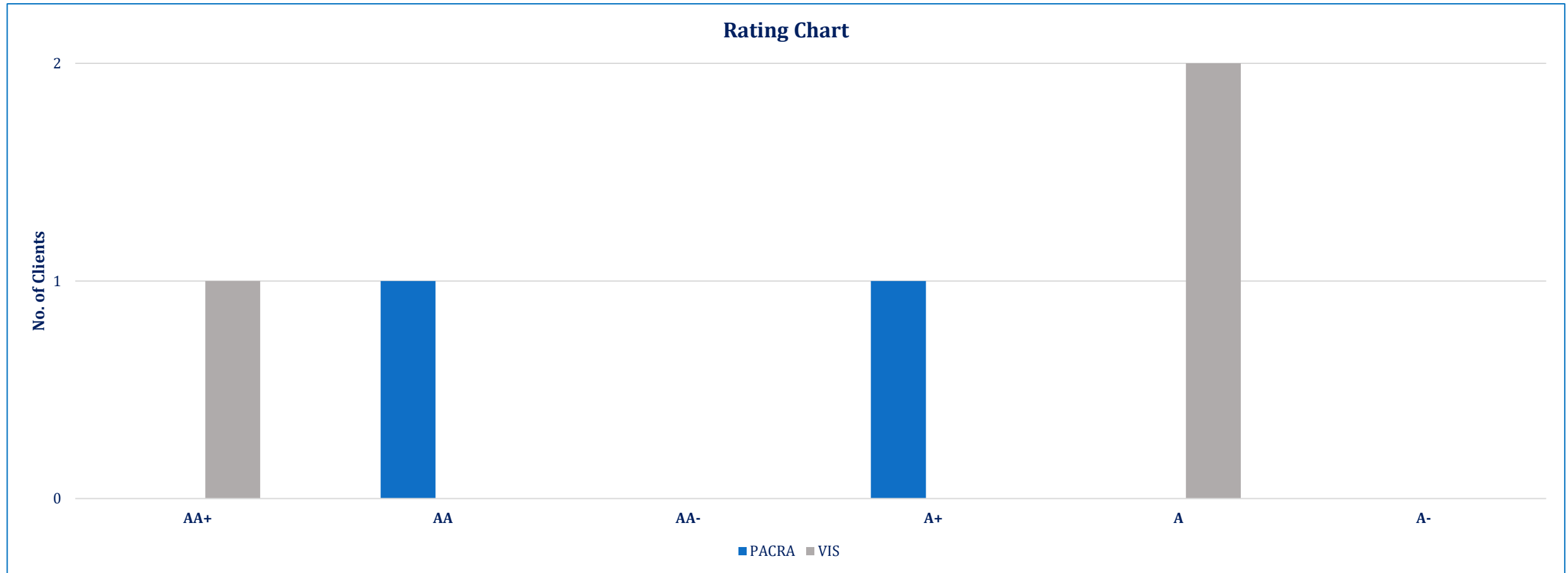
- New entrants and fresh competition.
- Better and cheaper imported vehicles available.
- Adoption of electric vehicles.

- Large population with younger individuals natural demand driver.
- AIDEP 2021-26 present opportunities for innovation and localization.
- Possible approval of AIDEP 2026-31 can allow for vehicle affordability, and revival of market demand.
- Adoption of WP-29 regulations will increase global competitiveness of locally manufactured vehicles.

Passenger Cars

Rating Chart

- PACRA rates two OEMs in Pakistan, with Long-term ratings of AA and A+.



Passenger Cars

Outlook: Stable

- Pakistan's real GDP grew ~3.2% YoY in FY25 (FY24: ~2.6%) and is projected at ~3.7% for FY26, per PBS estimates. Industrial activities held ~18.2% share in GDP during FY25 and projected GDP for FY26 to be PKR ~42.6Tn, with the Automotive Sector contributing ~2.7% to manufacturing activities under the LSM segment. In 3QFY26, LSM's auto sub-sector posted ~57.3% YoY growth in Passenger Car production, corroborating a broad-based cyclical recovery in the Sector.
- Cumulative Passenger Car sales reached ~131,200 units in 10MFY26, up ~52% YoY (SPLY: ~86,400 units), while PAMA-reported production rose to ~127,000 units over the same period. The recovery has been primarily demand-pulled, driven by successive SBP policy rate reductions totaling ~1,050bps since June 2024, with the rate settling at ~11.5% as at end-Apr'26. Auto financing outstanding expanded ~34% YoY to PKR ~345.3bn by 3QFY26 (SPLY: PKR ~257.4bn), directly broadening consumer purchase capacity.
- The PKR remained broadly stable, averaging PKR/USD ~280.70 across 11MFY26, reducing the volatility of CKD-linked input costs. Average CPI moderated sharply to ~3.2% in FY25 from ~12.6% in FY24, and stood at ~10.9% on a cumulative basis through 10MFY26, easing real purchasing power pressures on end consumers and supporting a continuation of the volume recovery into FY27.
- The Sector's business performance reflected mixed trends in FY25. Gross margins contracted marginally to ~14.8% (FY24: ~15.3%), while operating margins improved to ~11.6% (FY24: ~10.5%), reflecting gains from higher volumes. However, net margins compressed to ~8.5% (FY24: ~10.5%) as finance costs rose sharply with leverage nearly doubling to ~28.8% (FY24: ~14.4%). Interest coverage moderated to ~13.7x (FY24: ~17.5x), still adequate, but the direction signals tightening headroom. In 9MFY26, gross margins contracted further to ~14.9% and net margins to ~8.0%, driven by a ~41% YoY increase in finance costs and intensifying competitive pressure limiting pricing power.
- Raw materials dominated cost of sales at ~94.3% in FY25 (FY24: ~93.4%), with import financing growing ~116% YoY to PKR ~5.3bn in Apr'26, reflecting continued high dependence on imported CKD kits. Second, increased used car imports under the National Tariff Policy 2025-30 and capacity additions by new OEM entrants under AIDEP 2021-26 are intensifying competition, compressing incumbent volume share and pricing leverage. Third, the proposed extension of the standard 18.0% GST to previously discounted entry-level, EV and hybrid vehicle categories would raise effective ownership costs, impacting demand for these segments.
- Looking ahead, total Passenger Car volumes could be impacted by increase in interest rates, rising fuel cost, proposed application of GST in FY27. However, FX stability and increase in competition, resulting in limited or no increase in prices, would support volumetric sales. Similarly, approval of the AIDEP 2026-31 framework, currently under review, alongside meaningful progress on localization, reduction of CKD import dependence, and stabilization of the competitive landscape would be critical for the sector. The stable outlook of the Sector reflects sales resilience and challenges posed by these structural constraints.

Passenger Cars

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