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## Trucks & Buses

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# Trucks & Buses

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# Trucks & Buses

## Global | Overview

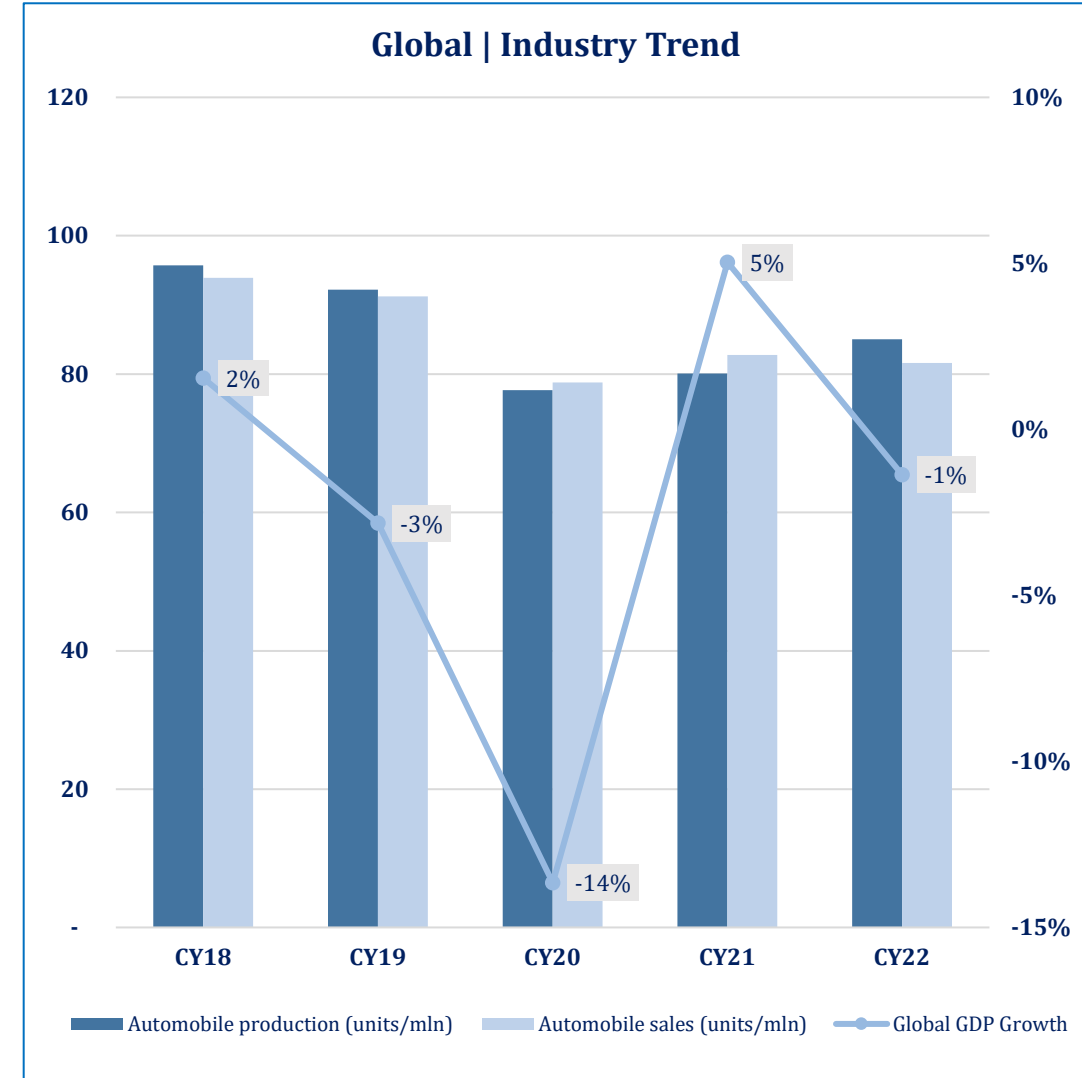
- The Trucks & Buses Sector is a sub-group of the automotive industry, comprising entities that are involved in manufacturing, assembling, marketing and distribution of Trucks and Buses.
- Automobiles and related products are among the most traded goods globally. Although, the global automobile manufacturing industry maintained its positive growth at the rate of ~6.1% in CY22 (CY21: ~3.1%), sales volumes dropped sharply to ~84mln units, declining by ~1.4% YoY during the year (CY21: ~5.0% growth). Moreover, the industry generated revenues to the tune of USD~2,524bln in CY22 (CY21: USD~2,650bln). In CY23, the industry is expected to generate USD~2,565bln.

### Trucks

- A Truck or motortruck is defined as a vehicle meant for hauling cargo or transportation of goods. Generally, Trucks with a Gross Vehicle Mass (GVM) of less than ~3.5 MT are considered as light, between ~3.5-12.0 MT are considered as medium, while greater than ~12.0 MT are considered heavy.
- The Global Truck manufacturing industry is expected to grow by ~6.8% YoY in CY23, boasting expected revenues of USD~221.8bln (CY22: USD~208.0bln).

### Buses

- A Bus is defined as a motor vehicle designed to carry more than ~10 passengers and is used for transporting people.
- In CY22, the global market for Buses hit USD~42.7bln, growing at a CAGR of ~3.4% since CY17. Anticipated growth will see the market reach USD~57.2bln by CY27 (at ~6.0% growth).



# Trucks & Buses

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## Global | Overview

The global Trucks and Buses Sector is a crucial component of the transportation sector, encompassing the production, sales, and operation of commercial vehicles for various purposes.

- **Key Players:** Major players for Trucks & Buses include companies like Daimler AG, Volvo Group, Scania AB, MAN Truck & Bus, Tata Motors, and others, each with a significant market share globally.
- **Market Segmentation:** Segments typically include categories like heavy-duty trucks, medium-duty trucks, light-duty trucks, and buses/coaches.
- In CY23, the industry grappled with key challenges including a global economic slowdown which influenced the market dynamics and performance of the Sector. Fuel price fluctuations continue to strain operational costs, while the persistent driver shortage and concerns over fair compensation persist, affecting workforce stability. These issues collectively shape the industry's landscape, demanding strategic interventions for sustainable growth and operational resilience.

# Trucks & Buses

## Global | Region-wise Production

Region/Country   Production ('000') & Share (%)										
Region/ Country	CY18		CY19		CY20		CY21		CY22	
	Volume	%	Volume	%	Volume	%	Volume	%	Volume	%
<b>China</b>	2,284	50.9%	2,358	53.4%	3,080	67.2%	2,503	55.7%	1,338	37.6%
<b>North &amp; South America</b>	681	15.2%	725	16.4%	495	10.8%	645	14.4%	725	20.4%
<b>Japan</b>	527	11.8%	516	11.7%	410	9.0%	519	11.6%	516	14.5%
<b>Europe</b>	352	7.9%	335	7.6%	265	5.8%	344	7.7%	343	9.7%
<b>India</b>	444	9.9%	321	7.3%	159	3.5%	281	6.3%	400	11.3%
<b>Rest of Asia</b>	156	3.5%	125	2.8%	144	3.1%	167	3.7%	197	5.5%
<b>Africa &amp; Middle East</b>	29	0.6%	29	0.7%	23	0.5%	28	0.6%	310	8.7%
<b>Pakistan</b>	9	0.2%	5	0.1%	3	0.1%	6	0.1%	6	0.2%
<b>World Total</b>	<b>4,483</b>	<b>100%</b>	<b>4,414</b>	<b>100%</b>	<b>4,581</b>	<b>100%</b>	<b>4,492</b>	<b>100%</b>	<b>3,558</b>	<b>100%</b>

- Production of Trucks and Buses globally exhibited a negative CAGR of ~4.5% during CY18-22. China emerged as the world leader in both segments, holding ~35.2% and ~37.8% share, respectively, and ~37.6% cumulatively.
- In CY22, global Truck manufacturing volumes fell by ~22.7% YoY (CY21: ~(1.6)%), while global Buses manufactured volumes increased by ~27.5% YoY (CY21: ~(9.6)%). However, the global Truck manufacturing volumes are, on average, ~13.2x the manufacturing volumes of Buses. The overall Sector registered a decline of ~20.8% YoY (CY20: ~(1.93)%).

# Trucks & Buses

## Global | Region-wise Exports

Region/ Country-wise Exports   Trucks (000 Units)							Region/ Country-wise Exports   Buses (Units)						
Trucks (8427)	CY18	CY19	CY20	CY21	CY22		Buses (870290)	CY18	CY19	CY20	CY21	CY22	
	Volume				Volume	%		Volume				Volume	%
China	2,122	2,089	2,019	2,753	2,988	62%	Japan	28,614	26,966	16,737	17,783	19,742	39%
Sweden	360	341	289	368	318	7%	China	20,308	23,642	16,385	18,250	18,312	36%
Germany	297	300	261	315	312	6%	USA	6,073	5,977	4,341	2,621	3,820	8%
Netherlands	88	90	74	120	269	6%	Canada	1,906	2,495	1,913	2,030	1,685	3%
Italy	251	251	198	256	214	4%	France	<b>931</b>	<b>763</b>	595	1,268	1,417	3%
France	44	<b>75</b>	107	147	159	3%	Czechia	<b>802</b>	<b>710</b>	618	986	1,146	2%
USA	98	106	105	131	144	3%	Netherlands	45	1329	593	633	740	1%
Australia	54	<b>28</b>	2	21	63	1%	Türkiye	390	781	716	579	701	1%
United Kingdom	<b>81</b>	81	89	<b>70</b>	60	1%	United Kingdom	1434	2870	2487	1607	535	1%
Czechia	30	29	32	33	49	1%	Poland	187	223	315	380	422	1%
<b>Rest of the World</b>	<b>841</b>	<b>577</b>	<b>2648</b>	<b>339</b>	<b>265</b>	<b>5%</b>	<b>Rest of the World</b>	<b>5,176</b>	<b>8,779</b>	<b>2,701</b>	<b>6,858</b>	<b>2,269</b>	<b>4%</b>
<b>Total World</b>	<b>4,265</b>	<b>3,969</b>	<b>5,824</b>	<b>4,554</b>	<b>4,842</b>	<b>100%</b>	<b>Total</b>	<b>64,133</b>	<b>73,062</b>	<b>47,401</b>	<b>52,995</b>	<b>50,789</b>	<b>100%</b>

*Note: Export tables pertain to data of HS Code 8427 for Trucks & 870290 for Buses.*

*Due to unavailability of data, the Exports of France (CY18,CY19), Australia (CY19), UK (CY18,CY21), Czechia (CY18, CY19) has been written after taking averages.*

# Trucks & Buses

## Global | Region-wise Imports

Region/ Country-wise Imports   Trucks (000 Units)						
Trucks	CY18	CY19	CY20	CY21	CY22	
	Volume				Volume	%
USA	696	626	581	779	949	20%
Germany	366	368	282	397	502	10%
Netherlands	156	158	183	216	316	7%
France	<b>67</b>	<b>157</b>	247	269	310	6%
Spain	<b>241</b>	<b>250</b>	232	<b>269</b>	306	6%
Italy	148	143	114	186	192	4%
India	76	121	207	242	175	4%
Poland	136	110	130	155	171	4%
Greece	18	90	36	57	167	3%
Canada	132	227	113	239	156	3%
<b>Rest of the World</b>	<b>2,229</b>	<b>1,720</b>	<b>3,699</b>	<b>1,745</b>	<b>1,597</b>	<b>33%</b>
<b>Total World</b>	<b>4,265</b>	<b>3,969</b>	<b>5,824</b>	<b>4,554</b>	<b>4,842</b>	<b>100%</b>

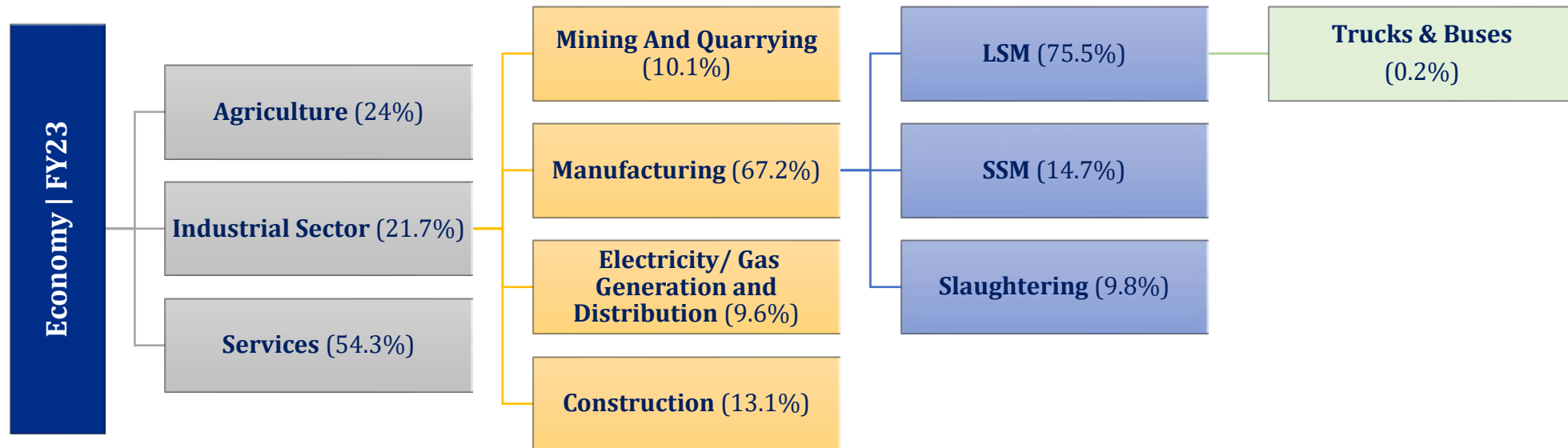
Region/ Country-wise Imports   Buses (Units)						
Buses	CY18	CY19	CY20	CY21	CY22	
	Volume				Volume	%
Spain	375	173	3,712	3,544	21,027	41%
Peru	4,872	5,180	2,991	3,743	4,415	9%
UAE	<b>4,129</b>	<b>4,158</b>	4,187	4,070	4,392	9%
Canada	4,833	4,847	3,732	2,046	2,941	6%
Netherlands*	1,348	1,103	2,154	2,476	<b>2,476</b>	5%
USA	2,528	3,141	2,075	2,070	1,712	3%
South Africa	<b>1,342</b>	<b>1,177</b>	1,012	1,210	1,473	3%
Oman	<b>1,363</b>	<b>1,399</b>	1,434	1,552	1,174	2%
Kuwait	14,000	995	329	521	895	2%
France	<b>670</b>	<b>532</b>	393	544	796	2%
<b>Rest of the World</b>	<b>28,674</b>	<b>50,358</b>	<b>25,382</b>	<b>31,219</b>	<b>9,488</b>	<b>20%</b>
<b>Total World</b>	<b>64,133</b>	<b>73,062</b>	<b>47,401</b>	<b>52,995</b>	<b>50,789</b>	<b>100%</b>

**Note:** Import tables pertain to data of HS Code 8427 for Trucks & 870290 for Buses.  
 Due to unavailability of data, the Imports of France (CY18,CY19), Spain (CY18, CY19, CY21), UAE (CY19, CY18), South Africa (CY18, CY19) and Oman (CY18, CY19) has been written after taking averages.  
 \* The data for Netherlands in CY22 is based on the statistics from CY21.

# Trucks & Buses

## Local | Overview

- In FY23, Pakistan’s GDP (nominal) stood at PKR~79.3trn (FY22: PKR~63.3trn), contracting by ~0.17% YoY (FY22: growth of ~6.1%). The country’s economy is classified into three main sectors: Agriculture, Industrial and Services Sectors, where Industrial activities in FY23 represented ~11.9% share of the GDP (SPLY: ~12.5%), taken at constant prices, while recording a YoY dip of ~3.8%.
- Large Scale Manufacturing (LSM) in Pakistan is essential for the economic growth, considering its linkages with other sectors, as it represents ~75.6% value of all manufacturing activities in FY23. The QIM dipped by ~10.3% during FY23 when compared with the same period of the last year (SPLY).
- Automobile Industry is classified as a Large Scale Manufacturing (LSM) industrial component within the country’s industrial sector, whereas Trucks & Buses Sector is directly linked with the Automobile industry.





# Trucks & Buses

## Local | Snapshot

- Pakistan, on average (FY21-23) produces ~4,894 Trucks and Buses, forming a meagre ~0.14% of global production. Meanwhile, the number of Trucks and Buses on roads averages ~485,240 units (FY19-23).
- In FY23, the Sector posted a negative growth, in terms of both volumes produced and sold, of ~40.3% (FY22: ~44.3%) and ~40.9% (FY22: ~49.5%), respectively, which can be attributed to the economic slowdown as the use of Trucks and Buses is directly related to economic activities.
- The Sector's revenue clocked in at PKR~37.8bln in FY23 (FY22: PKR~44bln), a dip of ~13.6% YoY. This can be linked to lower sales volumes during FY23, where total Trucks sold declined by ~45.2%, while Buses sold declined ~6.0% YoY (covered later). In 4MFY24, the revenue clocked in at PKR~5.4bln (SPLY: PKR~10.1bln), posting a YoY decline of ~46.5%.
- Sector players hold approximately a ~68% market share in term of Sales in the Trucks and Buses Industry, as reported by PAMA.
- As per the National Freight and Logistics Policy of 2020, one of the three strategic objectives pertaining to the country's logistics sector include improving and upgrading the local Trucking fleet, vis-à-vis modernization, duty structure revamping to encourage fleet renewal and improving Sector-relevant skills through training and talent retention. Moreover, FOAP was set up with the primary objective of implementing the Trucking Policy of 2007 (covered later).

Overview	FY21	FY22	FY23	4MFY24
<b>Gross Revenue</b> (PKR bln)	37.0	43.5	37.8	5.4
<b>Trucks on Road</b> (Units)	313,300	317,000	319,700	319,700*
<b>Buses on Road</b> (Units)	164,600	166,700	167,900	167,900*
<b>Trucks Manufactured</b> (Units)	3,808	5,659	3,074	597
<b>Buses Manufactured</b> (Units)	570	661	701	142
<b>Trucks Sold</b> (Units)	3,695	5,802	3,182	608
<b>Buses Sold</b> (Units)	652	696	654	122
<b>Major Sector Players</b>	6	6	6	6
<b>Sector Structure</b>	Oligopoly			
<b>Associations</b>	PAMA (Pakistan Automotive Manufacturers Association), FOAP (Fleet Operators Association of Pakistan)			

# Trucks & Buses

## Local | Bus Operators

- Trucks and Buses Sector is closely linked with the transportation services across the country. Some of the buses are assembled in Pakistan such as Yutong Master, ZhongTong, Daewoo and Hino Pak, for which the main parts are imported from abroad and assembled locally. However, majority of the Buses are imported as Completely Built Units (CBUs) from different manufacturers around the world, like China, Korea etc. Most of these Bus operators use Daewoo, Yutong, KingLong, ZhongTong, Volvo and Higer luxury buses.
- Leading providers of Bus transport services include companies like Daewoo Express, Hino, Faisal Movers, Niazi Express, Bilal Travels, and Kohistan Express. The Sector comprises numerous small private operators, but only a few, like Daewoo and Faisal Movers, follow a corporate model, while others typically operate on a daily cash basis. Daewoo, with ~300 buses running intercity routes across Pakistan (excluding Baluchistan and Gilgit), had established Bus rapid transit routes, positioning itself with a corporate structure uncommon among its competitors. Moreover, local players like Hino are also involved in the manufacturing of Buses.
- Risks facing the Sector include high fuel costs, potential market share reduction due to new entrants, and government regulations like high import duties. Daewoo, however, has strategies in place to address these risks. For instance, to combat rising fuel prices, Daewoo uses fuel-efficient buses (Euro-3 compliant).



# Trucks & Buses

## Local | Truck Companies

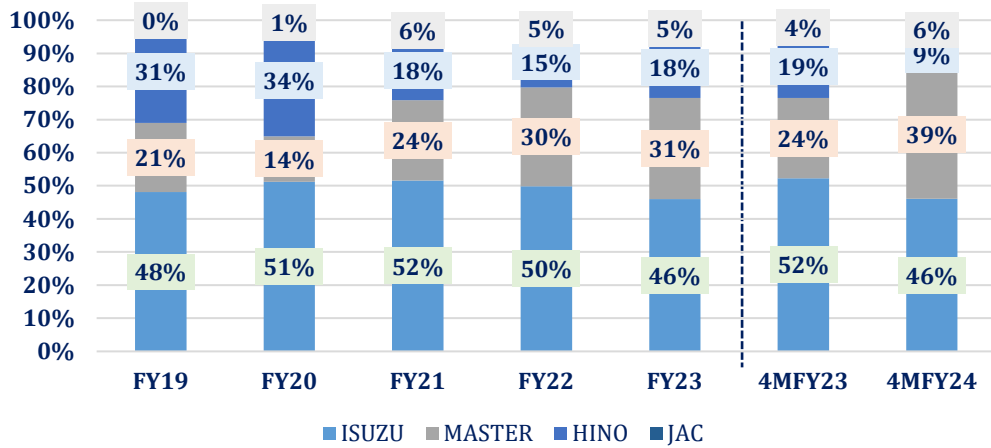
- **Hino Pakistan:** A prominent subsidiary of Hino Motors, Japan, Hino Pakistan stands as one of the leading manufacturers of Trucks in Pakistan.
- **Isuzu Pakistan:** Isuzu Pakistan, another subsidiary of a Japanese corporation, specializes in crafting high-quality commercial vehicles within the Pakistani market.
- **Volvo Pakistan:** As a subsidiary of the renowned Swedish company Volvo Group, Volvo Pakistan focuses on manufacturing heavy-duty trucks and buses for various industries in Pakistan.
- **FAW Pakistan:** FAW Pakistan, a joint venture between FAW Group Corporation of China and Al-Haj Motors, offers a diverse range of commercial vehicles tailored to meet market demands.
- **Hyundai Nishat Motors:** Hyundai Nishat Motors, a collaborative effort between Nishat Mills Limited and Hyundai Motor Company, specializes in the production of commercial vehicles, including trucks and buses, meeting diverse transportation needs.
- **Master Motors:** A reputable Pakistani automotive company, Master Motors specializes in producing an array of commercial vehicles, encompassing trucks, buses, and vans, catering to diverse transportation requirements.
- **JAC Pakistan:** JAC Pakistan, a joint venture between JAC Motors and the Pakistani company Gandhara Industries, contributes to the automotive market by manufacturing commercial trucks and vans under the JAC Motors brand.



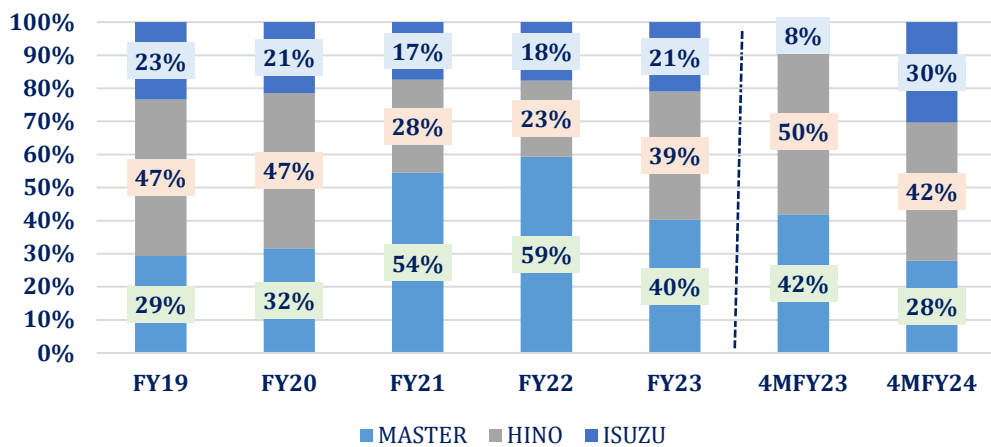
# Trucks & Buses

## Local | Production

Market Share of Trucks | (%)



Market share of Buses | (%)



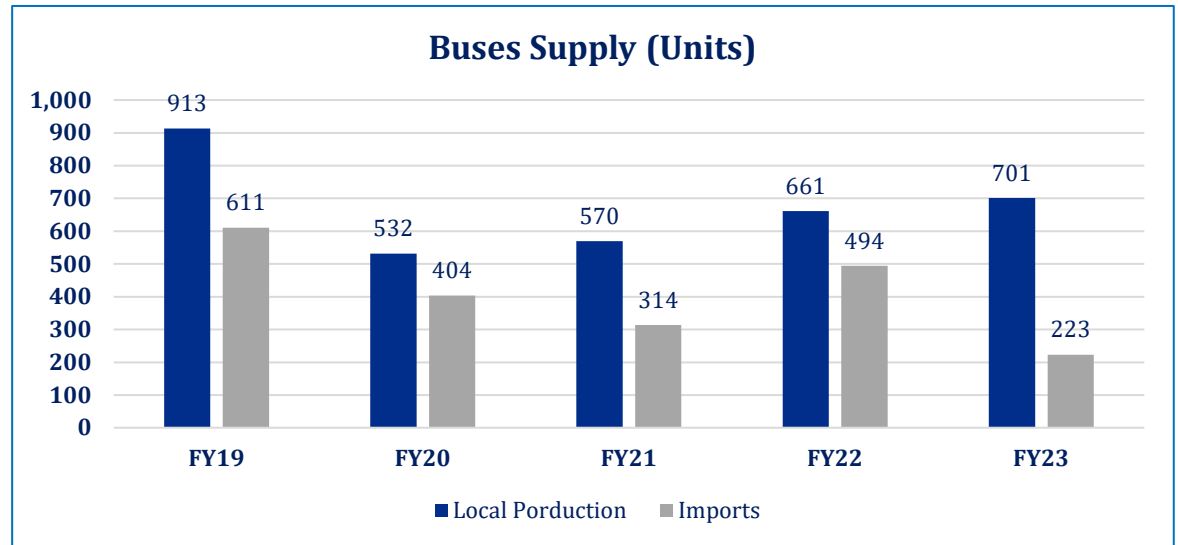
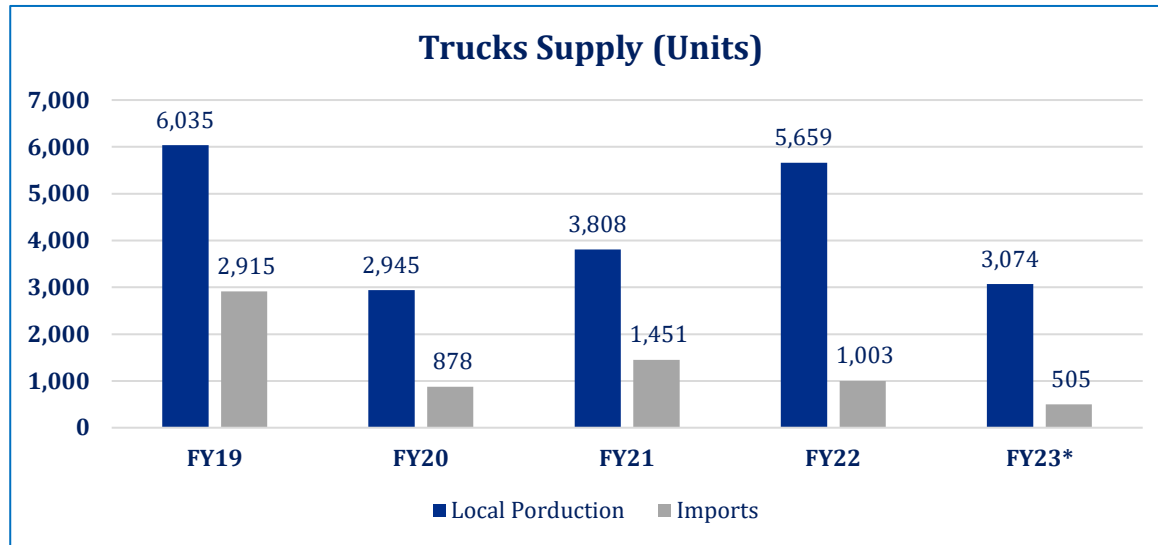
Trucks Production (Units)	Company Name	FY19	FY20	FY21	FY22	FY23	4MFY23	4MFY24
ISUZU	Gandhara Industries Ltd.	2,981	1,481	1,827	3,044	1,346	620	274
MASTER	Master Group of Industries	1,302	356	1,078	1,482	988	377	187
HINO	Hino Motors Ltd.	1,752	1,036	633	886	580	216	104
JAC	Gandhara Automobile Ltd.	0	72	270	247	160	54	32
<b>Total</b>		<b>6,035</b>	<b>2,945</b>	<b>3,808</b>	<b>5,659</b>	<b>3,074</b>	<b>1,267</b>	<b>597</b>

Buses Production (Units)	Company Name	FY19	FY20	FY21	FY22	FY23	4MFY23	4MFY24
MASTER	Master Group of Industries	254	177	319	369	276	116	48
HINO	Hino Motors Ltd.	442	260	168	160	268	134	82
ISUZU	Gandhara Industries Ltd.	217	95	83	132	157	86	12
<b>Total</b>		<b>913</b>	<b>532</b>	<b>570</b>	<b>661</b>	<b>701</b>	<b>336</b>	<b>142</b>

# Trucks & Buses

## Local | Supply

- In FY23, ~3,074 (FY22: ~5,659) Trucks were locally assembled while ~505 Trucks (FY22: ~1,003) were imported as Completely-Built Units (CBUs), bringing the local assembly-to-import ratio at ~86:14 in FY23 (FY22: ~85:15).
- Similarly, in FY23, ~701 (FY22: ~661) Buses were locally assembled while ~223 (FY22: ~494) Buses were imported as CBUs, bringing the local assembly-to-import ratio at ~76:24 during the year (FY22: ~57:43).
- A significant decline in the total supply of Trucks was observed in FY23, as it dipped by ~45.7% YoY (FY22: ~48.6%), whereas total supply of Buses increased by ~6.1% YoY (FY22: ~15.9%). Overall, both segments exhibited CAGR of (~13%) and (~5%), respectively, during FY19-23. Lower supply for both segments during FY23 can likely be associated with the overall economic slowdown, where, industrial activity slumped by ~10.3% YoY.
- In value terms, the total Trucks and Buses imports clocked in at USD~395mln (FY22: USD~989mln) in FY23, representing ~0.7% (FY22: ~1.2%) share in the country's total imports bill. During 4MFY24, these stood at USD~75mln, a fall of ~61.9% from the same period last year (4MFY23: USD~197mln).

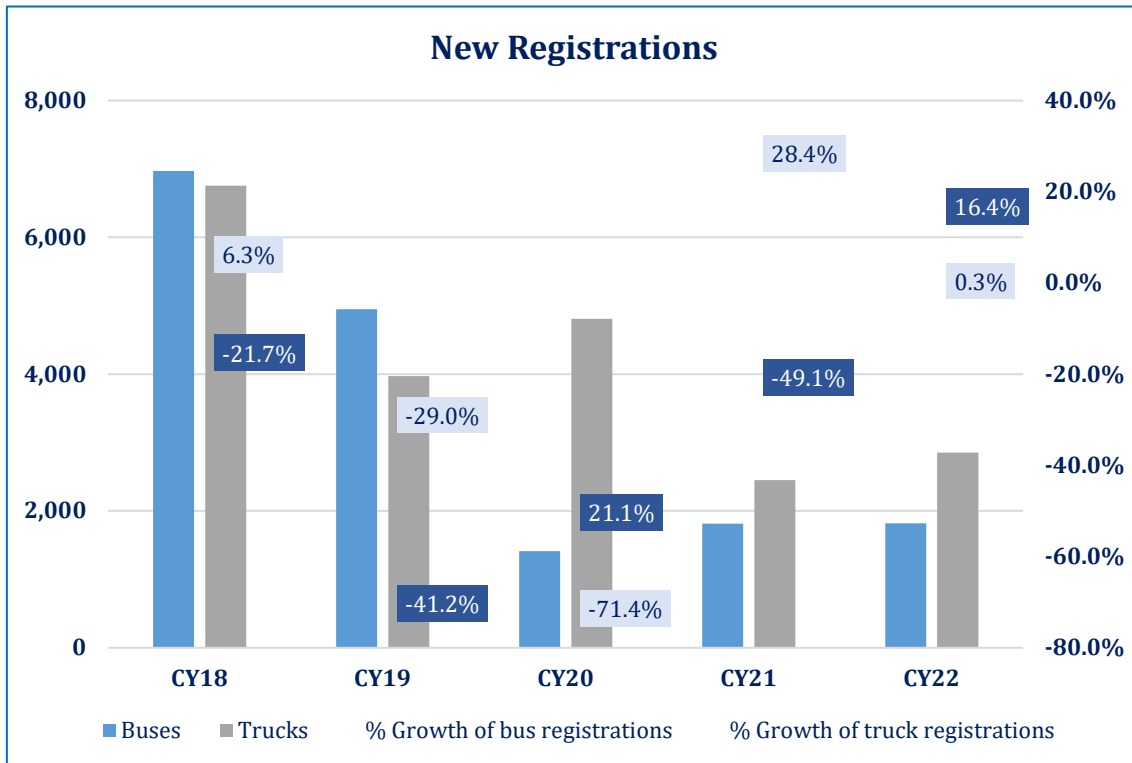


\*FY23 import figures for Trucks pertain to 10MFY23 data and includes HS Codes: 8427.20, 8427.90, 8709.19

# Trucks & Buses

## Local | Demand

- During CY22, new registered trucks were recorded at ~2,851 (CY21:~2,449), an increase of ~16.4% YoY, whereas ~1,820 (CY20: ~1,814) new buses were registered, growing by ~0.3% only.
- In terms of sales, both segments exhibited a downward trend as Truck sales in FY23 dipped by ~45.2% YoY (FY22: ~56.9%), while buses sold also reduced by ~6.0% (FY22: ~6.7%). The massive decline in Truck sales can be attributed to the slowdown in the economic activity, along with overall inflationary pressures.



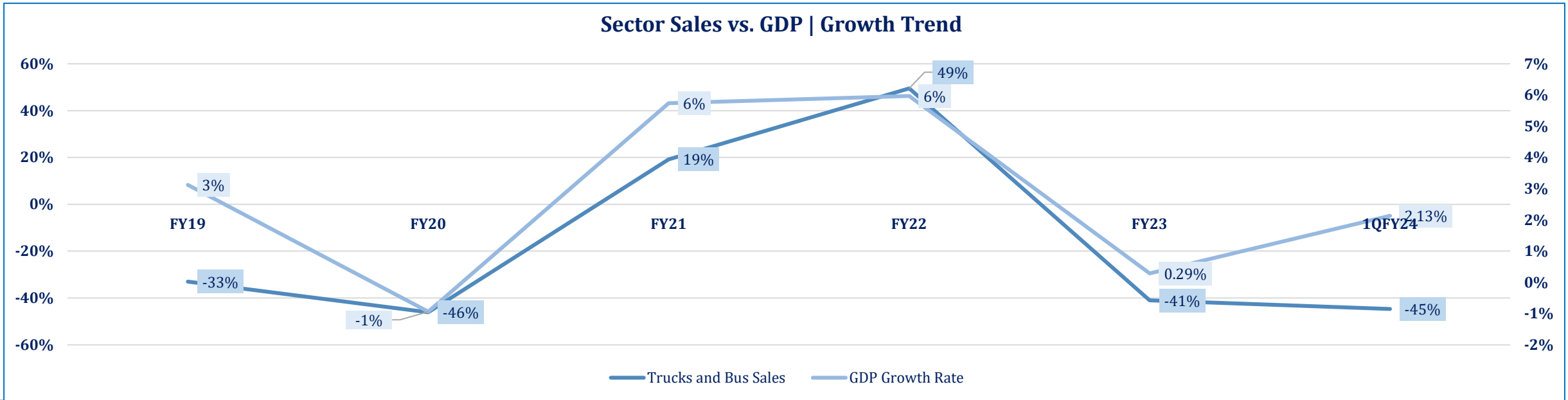
Truck & Bus Sales (Units)		FY19	FY20	FY21	FY22	FY23	4MFY23	4MFY24
ISUZU	Trucks	2,801	1,582	1,907	2,893	1,463	580	280
	Buses	219	120	113	123	137	17	37
	<b>Total</b>	<b>3,020</b>	<b>1,702</b>	<b>2,020</b>	<b>3,016</b>	<b>1,600</b>	<b>597</b>	<b>317</b>
MASTER	Trucks	1,219	424	897	1,731	971	269	236
	Buses	274	177	355	413	263	88	34
	<b>Total</b>	<b>1,493</b>	<b>601</b>	<b>1,252</b>	<b>2,144</b>	<b>1,234</b>	<b>357</b>	<b>270</b>
HINO	Trucks	1,808	1,038	668	889	584	213	57
	Buses	442	262	184	160	254	105	51
	<b>Total</b>	<b>2,250</b>	<b>1,300</b>	<b>852</b>	<b>1,049</b>	<b>838</b>	<b>318</b>	<b>108</b>
JAC	Trucks	0	44	223	289	164	47	35
	Buses	0	0	0	0	0	0	0
	<b>Total</b>	<b>0</b>	<b>44</b>	<b>223</b>	<b>289</b>	<b>164</b>	<b>47</b>	<b>35</b>
<b>Total</b>	Trucks	5,828	3,088	3,695	5,802	3,182	1,109	608
	Buses	935	559	652	696	654	210	122
	<b>Sector</b>	<b>6,763</b>	<b>3,647</b>	<b>4,347</b>	<b>6,498</b>	<b>3,836</b>	<b>1,319</b>	<b>730</b>

Note: CY22 registrations pertain to 9MCY22 data.

# Trucks & Buses

## Local | Demand

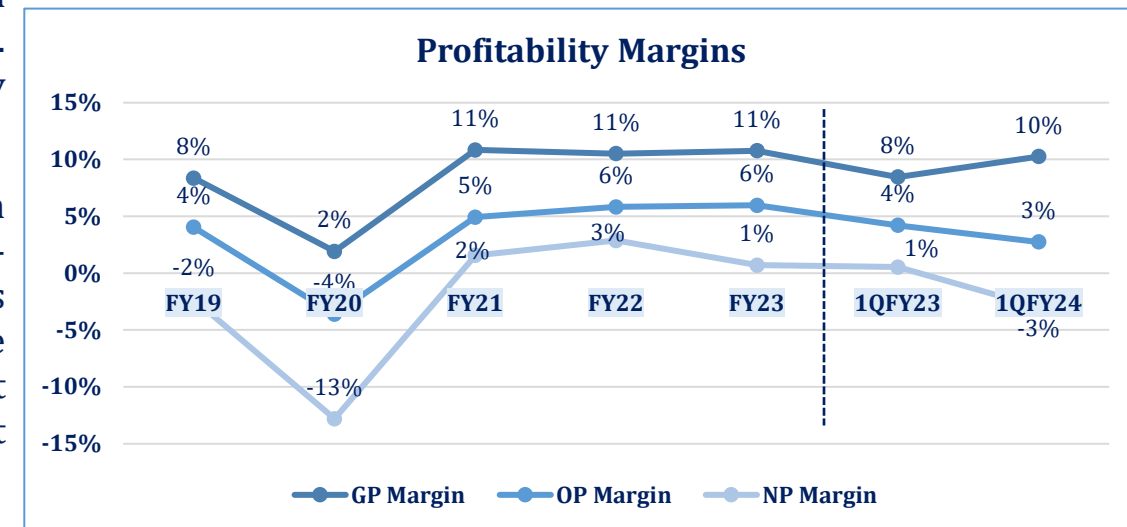
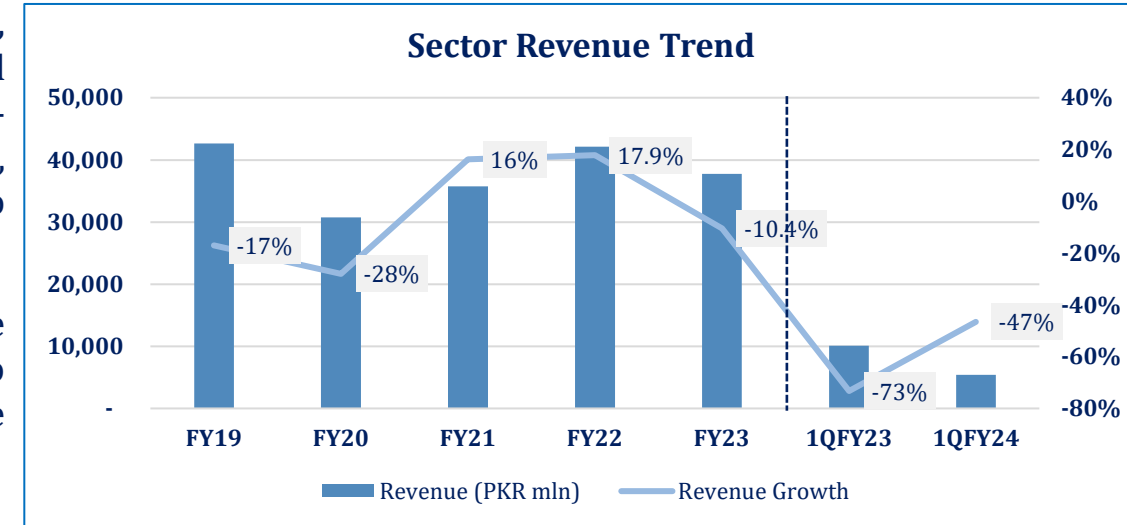
- In FY21, the country exhibited GDP growth of ~5.7%, whilst simultaneously, Trucks and Buses sales registered a rise of ~19.2% YoY. This recovery boosted even more in FY22 with a GDP growth rate of ~5.97%, where, Sector sales, in volumetric terms, also grew by ~49.5% YoY.
- During FY23, while the economy contracted by ~0.17% during the year, Trucks and Buses cumulative sales also registered a dip of ~40.9% YoY. Moreover, during the year, the Industrial segment of the economy contributed ~21.7% to the country's GDP, whilst also slowing down by ~10.3% YoY. With the SBP forecast for GDP growth clocking in at ~2-3% during FY24, Sectoral sales are likely to pick up pace, albeit with a low base effect in place.
- In 1QFY24, the GDP shows signs of recovery, LSM is progressing, but the sales growth rate for the trucks and buses sector remains at a negative ~45%. This suggests that while broader economic indicators are improving, the specific sector of trucks and buses is facing a substantial decline in sales, indicating challenges within that industry segment.



# Trucks & Buses

## Business Risk | Margins

- In FY23, the Sector's revenue slowed down by ~10.4% (FY22: ~17.9% growth), while exhibiting a CAGR of ~(2.4)% during FY19-23. FY23 also posed considerable challenges in the form of supply-chain disruptions (caused by SBP-imposed import restrictions), substantial PKR devaluation of ~39.5%, persistently high inflation and increasing fuel prices, all of which served to hamper demand.
- Despite the decline in revenue, average gross margins remained relatively stable at ~10.8% during FY23 (FY22: ~10.5%), indicating the Sector players' ability to manage costs effectively, as these dipped by ~0.3% YoY. Moreover, average operating margins clocked in at ~6.0% (FY22: ~5.8%).
- Meanwhile, the Sector's average net margins were severely impacted by a significant increase in finance costs, which increased by ~88.6% YoY in FY23. Average net margins declined to ~0.7% compared to ~2.9% recorded previously in FY22.
- In 1QFY24, the Sector's revenue dipped by a staggering ~46.5% YoY, clocking in at PKR~5,393mln (PKR~10,085mln in 1QFY23). This can likely be linked to snail-paced recovery in the LSM and slow economic revival. Average gross margins increased to ~10.2% (SPLY: ~8.4%), on the back of lower costs, while average operating margins dropped to ~2.7% (1QFY23: ~4.2%). Further, average net margin turned negative, clocking in at ~(3.0)% (1QFY23: ~0.5%), indicating net losses incurred by Sector players.





# Trucks & Buses

## Business Risk | Fleet Management

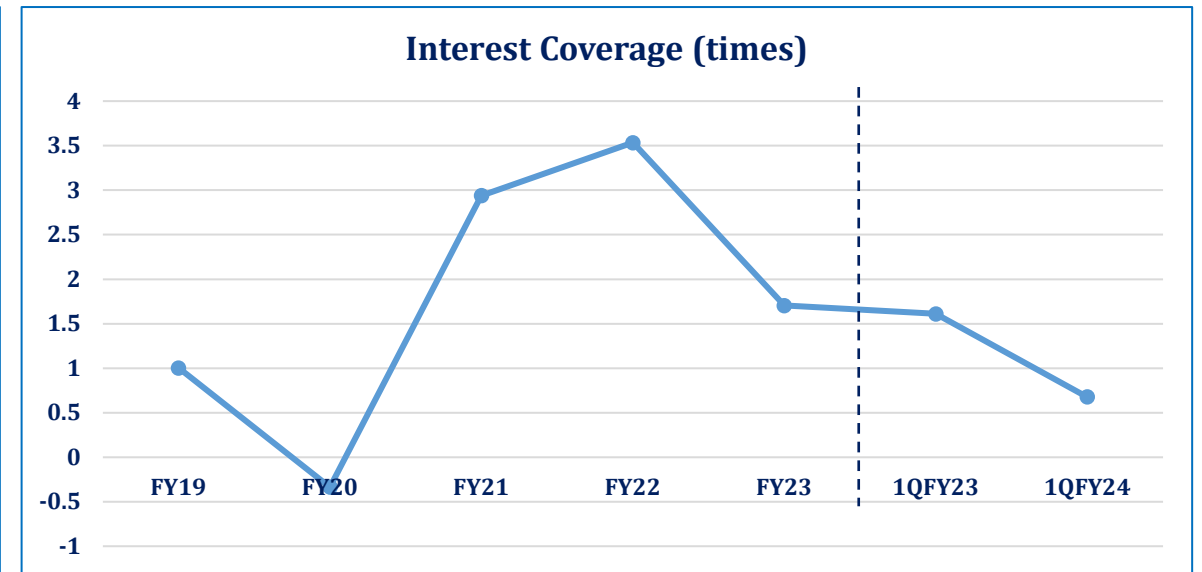
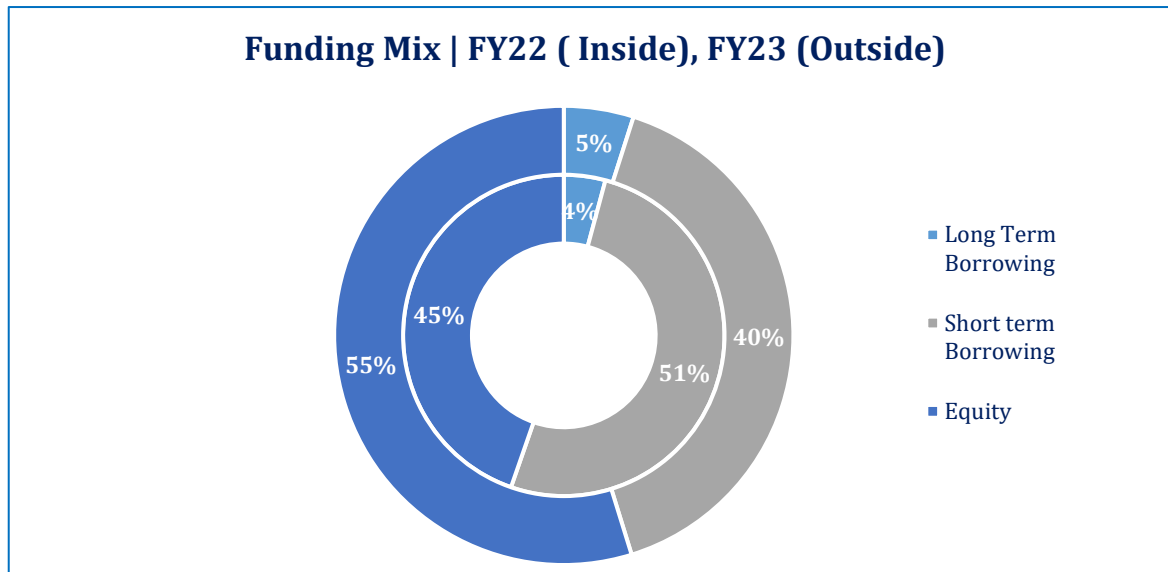
- As mentioned earlier, majority of the Trucks in Pakistan carry ~40-50% greater payload than the permissible weight allowed by the GoP. This leads to extra cost borne by the truck drivers, truck owners, transport industry and infrastructure authorities (such as the National Highway Authority).
- Thus, there is a need to implement an axle load regime so that a formal legislation on legal axle load limits for Trucks could be enforced. If such a policy is implemented, it would lead to increased costs for the manufacturers in the short-term, especially since there is already a shortfall in the supply of Trucks as opposed to industries' demand. However, in the medium-term, this regime could encourage investments for purchasing higher-quality, technologically-efficient Trucks which would likely cover the incurred losses.
- The GoP is likely to implement an Axle Load Regime in FY24 which envisions offloading extra cargo on national highway under careful supervision of Motorway Police, along with imposition of heavy fines on vehicles exceeding the prescribed weight, accompanied by strict legal action.

Permissible Axle Loads   By Truck Type	Permissible GWV (MT)	45% Overload
2-axle single (Bedford)	17.5	25.38
2-axle single (Hino/Nissan)	17.5	25.38
3-axle tandem	27.5	39.88
5-axle single tandem	48.5	70.33
6-axle single tridem	58.5	84.83
6-axle tandem, single tandem	61.5	89.18

# Trucks & Buses

## Financial Risk | Borrowing and Coverage

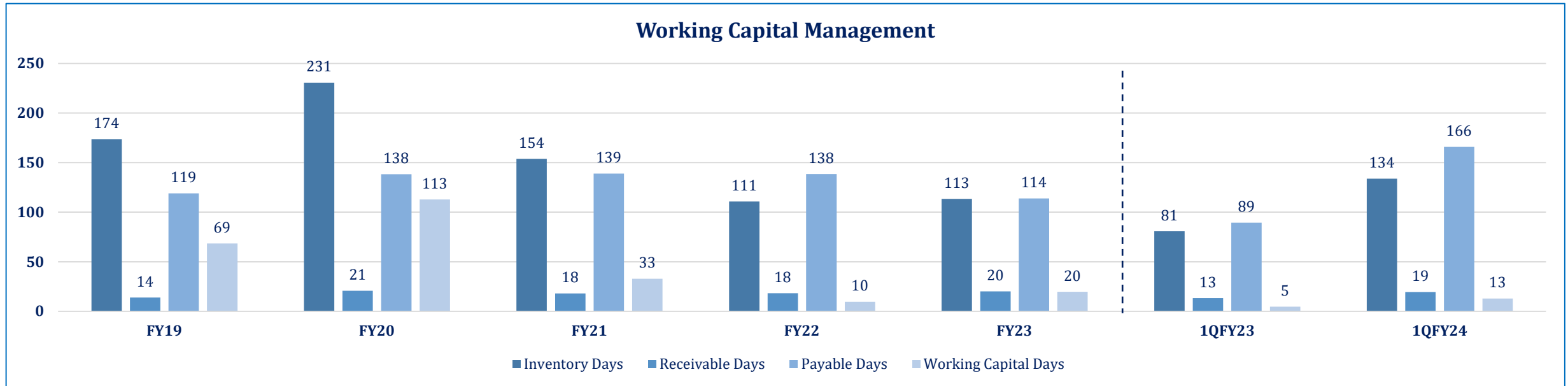
- The Sector's total borrowings in FY23 stood at PKR~16,179mln, posting a decline of ~31.7% YoY (FY22: PKR~23,688). Short-term borrowings, accounting for ~89.1% of the total borrowings, declined by PKR~8,452mln (or ~34.5% YoY). Long-term borrowings accounted for ~10.9% of the total borrowing in FY23 and stood at ~1,760mln (FY22: ~1,869mln). With economic recovery in FY22, improving Sector margins had resulted in improved interest coverage ratio of ~3.5x, which had signified reducing financial pressure despite rising interest rate environment.
- However, in FY23, Sector's average interest coverage dipped to ~1.7x (FY22: ~3.5x), signifying lower ability of the Sector players to cover their interest expenses against earnings. In addition to lower sales, the SBP's contractionary monetary policy during FY23 resulted in policy rate climbing to ~22.0% as of End-Jun'23, from ~13.8% in FY22. This further worsened to ~0.7x in 1QFY24, resonant with continued lower sales and slower economic recovery, despite interest rates staying stable since Jun'23. Overall, Trucks and Buses Sector has historically (FY20-22) remained moderate to highly leveraged maintaining average leverage of ~54.3%. During FY23, leverage decreased to ~45.2% (FY22: ~53.5%), reflecting lower borrowings during the period.



# Trucks & Buses

## Financial Risk | Working Capital Management

- The working capital requirement of the Sector emanates from financing inventories and trade receivables for which it relies on internal cashflows and short-term borrowings. In FY23, the Sector experienced a decline in demand, leading to increased financial strain. This was evident as inventories accumulated, causing inventory days to rise to ~113 days by the end of FY23, compared to ~111 days in FY22. Simultaneously, the period it took to collect receivables also extended, reaching ~20 days in FY23 as opposed to ~18 days in FY22. Conversely, the time taken to pay off payables reduced to ~114 days from ~138 days in SPLY. These metrics directly impacted the net working capital days, which surged to ~20 days in FY23 from ~10 days in FY22.
- The increase in net working capital days implies that the Sector is struggling to manage its cash flows efficiently vis-à-vis liquidity issues, which could potentially strain the Sector's financial health. In 1QFY24, average inventory days rose exponentially to ~134 days and the net working capital days stood at ~13 days. Payable days also increased to ~166 days, likely pointing at delayed cash inflows and therefore, slower repayments.



*Note: Data is representative of ~3 Sector players.*

# Trucks & Buses

## National Trucking Policy

- Pakistan's NTCIP (National Trade Corridor Improvement Programme) aims to upgrade trade logistics and cut annual business costs by PKR~150bln. The focus is on modernizing the road freight sector, engaging stakeholders, and resolving overloading, registration, and examination issues. The goal is to enhance efficiency and replace outdated trucks for better fuel economy, making Pakistan a significant trade hub.
- The Trucking segment faces a core issue with financial institutions not considering it credit-worthy for lending, despite having ~209,000 registered trucks, predominantly consisting of old, fuel-inefficient, double-axle rigid trucks prone to overloading. There's a rising need for Prime Movers and Multi Axle Trucks/Trailers to ensure efficient transportation, positively impacting the modernization of related industries.
- Under the policy, the World Bank estimates pertaining to Pakistan's transportation sector are as follows -
  - Extra Fuel Cost (PKR~60-90bln/year), due to outdated vehicles or overloading, leading to higher fuel expenses.
  - Additional Road User Cost (PKR~30-35bln/year), resulting from inefficiencies like longer travel times and increased vehicle wear, raising road maintenance costs.
  - Contribution to Infrastructure Deficit (PKR~25bln/year): Funds impacting maintenance deficits due to overloading or poor road care.
- The Trucking Sector's official recognition as an "Industry" by the Government of Pakistan offers benefits like easier access to financing, improved insurance coverage, tax incentives, lower utility rates, and potential foreign investment, aiming to boost sector growth and efficiency.
- Illegal truck mods and fierce competition lead to overloading, damaging roads. ~30% of 2-3 axle trucks and ~40% of 4-6 axle trucks overload, hiking costs and slowing travel. Enforcing load limits under the "Axle Overload Control Regime" per safety ordinances aims to tackle this.

# Trucks & Buses

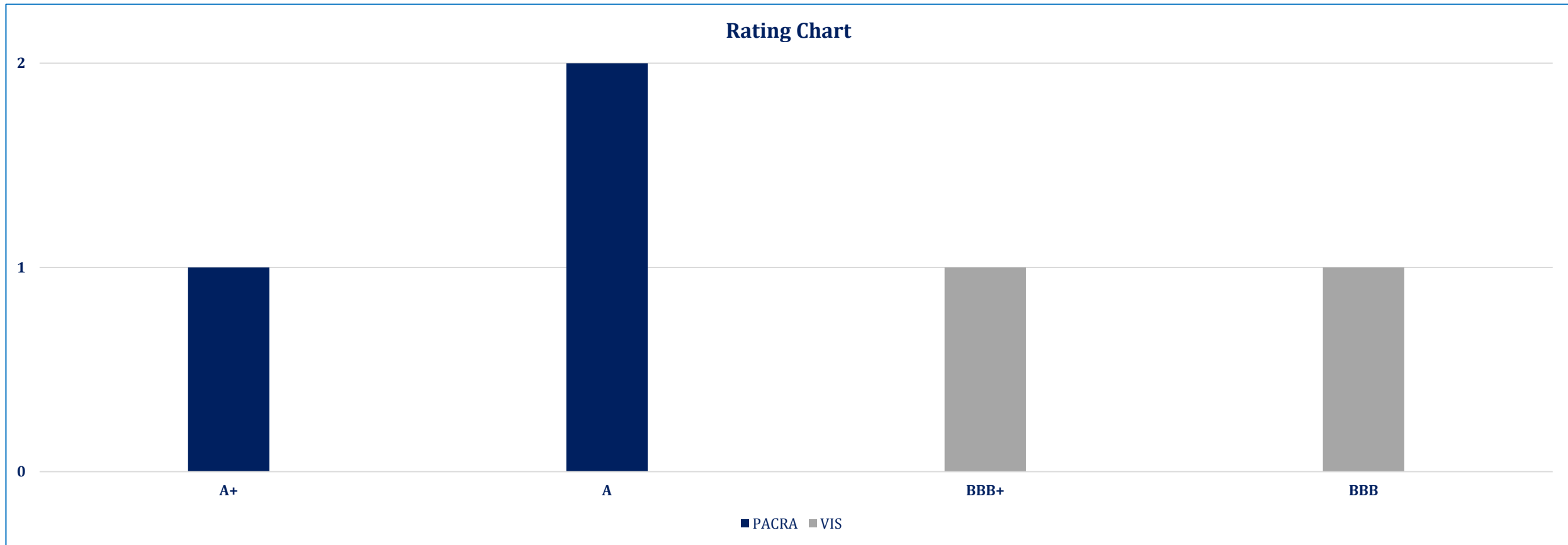
## Duty Structure

PCT Code	Description	Additional Duty	Custom duty	Regulatory Duty	Total
		FY24	FY24	FY24	FY24
<b>Trucks</b>					
4011.2	New pneumatic tires	4%	16%	20%	<b>40%</b>
4013.1	Inner Tubes	2%	3%	0%	<b>5%</b>
8426.11	Works trucks fitted with a crane (Not Exceeding 400 MT)	2%	11%	0%	<b>13%</b>
8427.1	Self- propelled trucks powered by an electric motor	2%	0%	0%	<b>2%</b>
8704.1	Components for assembly/manufacture of Dump trucks designed for off highway use	7%	30%	0%	<b>37%</b>
<b>Buses</b>					
8702.9	Components for assembly / manufacture of Fully dedicated LNG/ LPG or CNG buses	6%	20%	0%	<b>26%</b>
8702.9	Fully dedicated LNG buses (CBU)	6%	20%	0%	<b>26%</b>
8702.9	Fully dedicated LPG buses (CBU)	6%	20%	0%	<b>26%</b>
8702.91	Fully dedicated CNG buses (CBU)	6%	20%	0%	<b>26%</b>
8708.29	Long members for frame	7%	35%	0%	<b>42%</b>

# Trucks & Buses

## Rating Curve

PACRA rates 3 players in the Truck & Buses Sector, with a long-term rating bandwidth ranging between A and A+.



# Trucks & Buses

## SWOT



# Trucks & Buses

## Outlook: Watch

- Pakistan's economy posted a real GDP contraction of ~0.17% in FY23 (FY22: ~6.1%), while the LSM declined by ~10.3% (FY22: ~11.8%), owing majorly to supply-chain disruptions which resulted from SBP-imposed import restrictions and consequent sluggish demand across major industrial sectors of the country. The Sector is classified under LSM, with ~0.2% contribution.
- In FY23, the Sector posted a negative growth, in terms of both volumes produced and sold, of ~40.3% (FY22: ~44.3%) and ~40.9% (FY22: ~49.5%), respectively, which can be attributed to the economic slowdown as the use of trucks and buses is directly related to economic activities. Concomitantly, the Sector's revenue clocked in at PKR~37.8bln in FY23 (FY22: PKR~44bln), a dip of ~13.6% YoY.
- During FY23, local trucks manufactured posted a YoY decline of ~45.7%, while Buses manufactured increased by ~6.1% YoY. These dynamics continued into 4MFY24 as Trucks and Buses manufacturing fell by ~52.9% and ~57.7% YoY, respectively. The local Trucking fleet is not only old, but is also environmentally unfriendly, with the majority of Trucks being Euro II compliant or even below. Moreover, the payload carried by most trucks are ~40-50% above the legal limits set by the GoP, which are already higher than international standards.
- Supply-side dynamics revealed that, in FY23, ~3,074 (FY22: ~5,659) Trucks were locally assembled while ~505 Trucks (FY22: ~1,003) were imported as Completely-Built Units (CBUs), bringing the local assembly-to-import ratio at ~86:14 in FY23 (FY22: ~85:15). Similarly, during the year, ~701 (FY22: ~661) Buses were locally assembled while ~223 (FY22: ~494) Buses were imported as CBUs, bringing the local assembly-to-import ratio at ~76:24 during the year (FY22: ~57:43).
- In terms of sales, both segments exhibited a downward trend as Truck sales in FY23 dipped by ~45.2% (FY22: ~56.9%), while Buses sold also reduced by ~6.0% (FY22: ~6.7%) YoY. The massive decline in Truck sales can be attributed to the slowdown in the economic activity, along with overall inflationary pressures.
- Despite the decline in revenue, average gross margins remained relatively stable at ~10.8% during FY23 (FY22: ~10.5%), indicating Sector players' ability to manage costs effectively, as these dipped by only ~0.3% YoY. Meanwhile, average net margins were severely impacted by a significant increase in finance costs, which increased ~88.6% YoY in FY23, therefore these declined to ~0.7% compared to ~2.9% recorded previously in FY22. Moreover, average interest coverage dipped to ~1.7x (FY22: ~3.5x), signifying lower ability of Sector players to cover their interest expenses against earnings.
- With the SBP's forecast of GDP growth ranging ~2-3% during FY24, snail-paced economic recovery in LSM of ~0.68%, continued lower sales of Trucks and Buses in 4MFY24, the Sector's performance is likely to stay rangebound. However, interest rates, going forward, are likely to stay constant or even revised downwards, in which case, Sector's average net margins might exhibit recovery.



# Trucks & Buses

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