

SECTOR STUDY | OCTOBER 07, 2026

Trucks & Buses

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Global | Overview

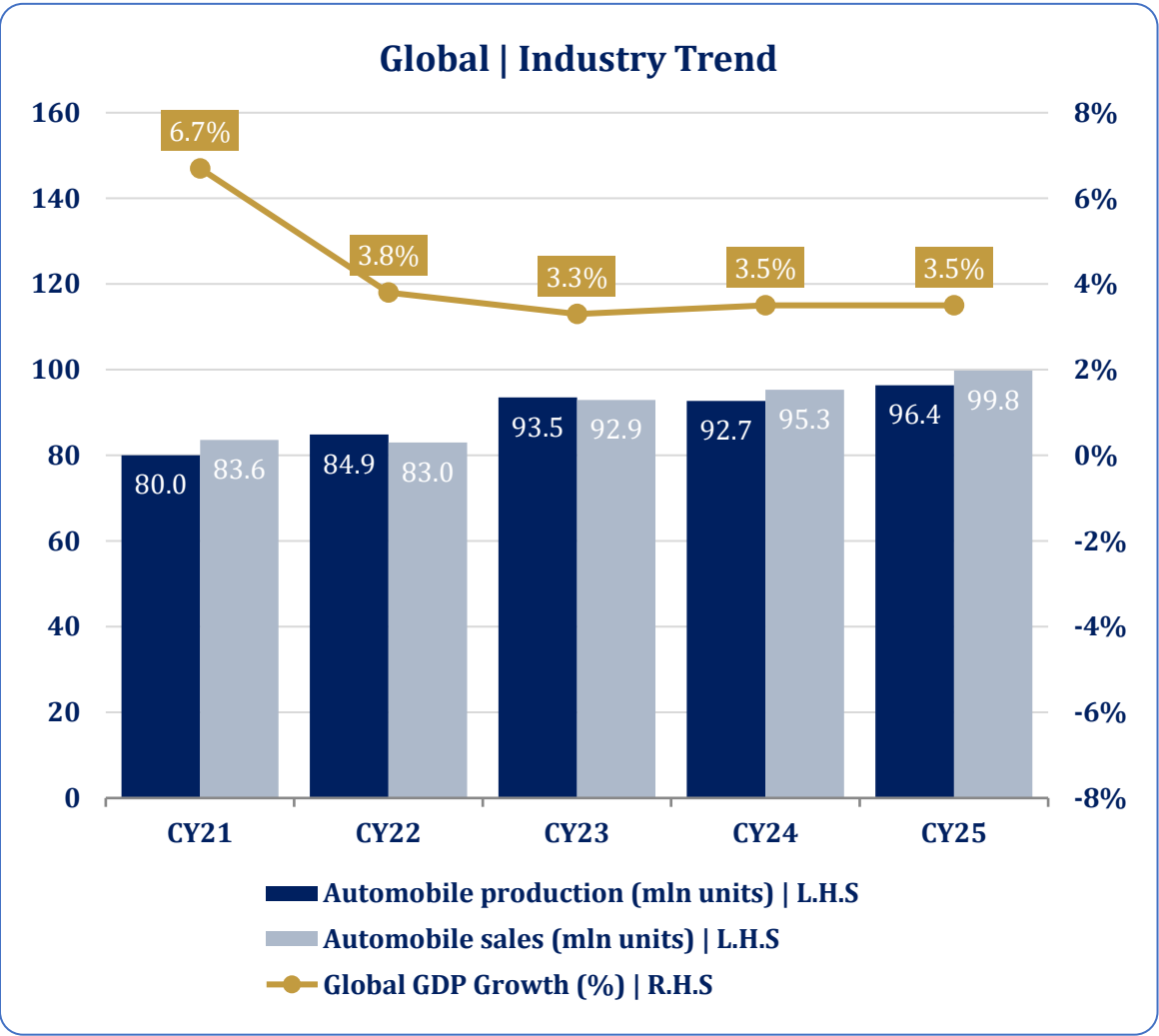
- The global automobile manufacturing industry produced ~96.4mln units in CY25 (CY24: ~92.7mln units), a growth of ~3.9% YoY. Global sales rose ~4.7% in CY25 to ~99.8mln units (CY24: ~95.3mln units). This was led by Asia-Pacific, where production rose ~7.6%, and by China that produced ~34.5mln vehicles (~10.4% YoY rise).
- Global GDP growth was ~3.5% in CY25 (CY24: ~3.5%), supported by resilient trade (world trade volumes grew ~5.0%) and technology-led investment. The IMF (Jul'26) expects growth to slow to ~3.0% in CY26 as the Middle East war disrupts energy markets, before recovering to ~3.4% in CY27.

Trucks

- A Truck or Motor Truck is defined as a vehicle meant for hauling cargo or the transportation of goods. Generally, Trucks with a Gross Vehicle Mass (GVM) of less than~3.5 MT are considered light, between ~3.5-12.0 MT as medium, while greater than ~12.0 MT are classified as heavy.
- During CY25, ~3.9mln (CY24:~3.6mln) Trucks were produced, up ~8.0% YoY, as a strong rebound in China more than offset weaker volumes in Europe and the Americas.

Buses

- Global Bus production rose ~8.0% YoY to ~320,000 units in CY25, the fastest-growing commercial-vehicle segment, backed by public-transport electrification programmes, tourism recovery and demand for minibuses and coaches.



Global | Region-wise Production

Region/Country Wise Production of Heavy Trucks and Buses ('000 units)										
Region/ Country	CY21		CY22		CY23		CY24		CY25	
	Volume	% Share	Volume	% Share	Volume	% Share	Volume	% Share	Volume	% Share
China	2,503	55.70%	1,338	37.60%	1,738	42.60%	1,775	45.10%	2,168	51.80%
North & South America	645	14.40%	725	20.40%	689	16.90%	738	18.70%	553	13.20%
Japan	519	11.60%	516	14.50%	497	12.20%	466	11.80%	498	11.90%
India	281	6.30%	400	11.30%	467	11.40%	383	9.70%	429	10.20%
Europe	344	7.70%	343	9.70%	469	11.50%	379	9.60%	336	8.00%
Africa	28	0.60%	33	0.80%	32	0.80%	32	0.80%	33	0.80%
Pakistan	6	0.10%	6	0.20%	2	0.10%	4	0.10%	7	0.20%
Other Regions	167	3.70%	197	5.50%	190	4.70%	167	4.20%	162	3.90%
World Total	4,492	100%	3,558	100%	4,084	100%	3,944	100%	4,186	100%

- Global production of heavy Trucks and Buses rose ~6.1% YoY to ~4.2mln units in CY25 (CY24: ~3.9mln), recovering from the CY24 dip but still below CY21 (~4.5mln). The CY21-25 CAGR stands at ~-1.7%.
- The recovery in CY25 was China-led as production grew ~22.2% YoY to ~2.17mln units, lifting China's share to ~51.8% (CY24: ~45.1%). Chinese demand was supported by fleet renewal and rapid electrification as one in four Trucks sold in China in CY25 was electric. Bus exports from China rose ~33.9% in value terms.
- North and South America fell ~25.1% to ~553,000 units (share ~13.2%), the lowest in five years (CY24: ~738,000). In North America, trade-policy uncertainty, high inventories and weak freight demand weighed on Truck orders. In South America, high interest rates (Brazil's Selic ~15% in CY25) curbed heavy-truck fleet renewal, limiting production.
- Europe declined ~11.3% to ~336,000 units (share ~8.0%) as operators postponed fleet purchases. Moreover, electric trucks were only ~2.0% of EU heavy-Truck registrations in CY25.
- Japan (up ~6.9% to ~498,000) and India (up ~11.9% to ~429,000) also expanded. Pakistan's output rose to ~7,000 units (CY24: ~4,000) on easing inflation and lower interest rates, though it remains only ~0.2% of world production.

Global | Country-wise Exports

Region/Country-wise Exports Trucks						
Trucks	CY21	CY22	CY23	CY24	CY25	
	Value (USD mln)					%
China	4,142	6,200	7,388	8,430	8,555	27.54%
Germany	3,892	3,932	4,739	4,557	4,220	13.58%
USA	2,148	2,382	2,702	2,786	2,772	8.92%
Italy	1,616	1,872	2,528	2,316	2,139	6.89%
France	1,326	1,426	1,757	1,891	1,945	6.26%
UK	1,069	1,206	2,426	2,278	1,822	5.87%
Sweden	1,116	1,068	1,341	1,459	1,505	4.84%
Netherlands	854	1,042	1,134	1,105	1,024	3.30%
Mexico	218	411	780	1,167	815	2.62%
Korea	711	951	1,249	976	797	2.57%
Others	2,911	3,559	4,729	5,648	5,471	17.61%
Total	20,002	24,049	30,773	32,612	31,065	100%

Region/Country-wise Exports Buses						
Buses	CY21	CY22	CY23	CY24	CY25	
	Value (USD mln)					%
China	2,042	2,580	4,432	5,419	7,256	27.57%
Türkiye	1,270	1,486	2,318	2,565	3,315	12.59%
Japan	1,611	1,841	2,299	2,264	2,677	10.17%
Poland	981	1,335	1,600	1,182	1,883	7.15%
Germany	546	558	812	1,256	1,456	5.53%
Czech Republic	853	756	1,024	1,019	1,441	5.47%
Canada	524	506	748	1,028	1,277	4.85%
USA	566	589	864	1,000	1,248	4.74%
France	722	488	672	676	1,037	3.94%
Belgium	403	514	278	466	778	2.96%
Others	3,942	4,075	4,731	4,579	3,953	15.02%
Total	13,459	14,728	19,779	21,454	26,321	100%

- Global Truck exports fell ~4.7% to USD~31.1bln in CY25. Mexico (~-30.2%) and the UK (~-20.0%) saw the biggest drops. China grew ~1.5% to USD~8.6bln. In Jan–Oct CY25, China's Truck exports rose ~3.7%. Africa drove the growth, with shipments up ~54.1% to ~118,000 units.
- Global Bus exports grew ~22.7% to USD~26.3bln in CY25. China led with ~33.9% growth to USD~7.3bln, helped by rising new-energy Bus exports (~28.3% in CY24). Poland (~59.3%) and Türkiye (~29.2%) also grew. Both have European Bus plants, such as MAN in Poland and Daimler in Türkiye. Daimler is adding more Conecto Bus production at Otokar in Türkiye from Sep'26.

Global | Country-wise Imports

Region/Country-wise Imports Trucks						
Trucks	CY21	CY22	CY23	CY24	CY25	
	Value (USD mln)					%
USA	2,989	4,488	7,057	8,067	6,340	20.41%
Germany	1,199	1,291	1,534	1,415	1,572	5.06%
UK	887	1,178	1,338	1,393	1,569	5.05%
Canada	1,119	1,454	1,741	1,644	1,564	5.03%
France	1,095	1,165	1,644	1,634	1,475	4.75%
Netherlands	1,123	1,129	1,258	1,332	1,273	4.10%
Italy	834	1,038	1,223	1,090	1,212	3.90%
Belgium	798	789	994	1,127	1,000	3.22%
Mexico	415	525	1,000	1,137	959	3.09%
Spain	475	561	702	799	869	2.80%
Others	9,068	10,431	12,282	12,974	13,232	42.59%
Total	20,002	24,049	30,773	32,612	31,065	100%

Region/Country-wise Imports Buses						
Buses	CY21	CY22	CY23	CY24	CY25	
	Value (USD mln)					%
Germany	1,200	957	1,427	1,369	1,981	7.53%
USA	587	643	1,159	1,420	1,694	6.44%
Italy	661	723	1,339	1,423	1,669	6.34%
France	1,236	936	1,195	1,392	1,625	6.17%
UK	124	209	459	926	1,252	4.76%
Canada	500	468	634	817	1,098	4.17%
Belgium	458	357	344	573	1,033	3.92%
Saudi Arabia	170	223	696	869	898	3.41%
Chile	279	718	599	431	876	3.33%
Sweden	202	312	249	236	841	3.20%
Others	8,042	9,182	11,678	11,998	13,354	50.74%
Total	13,459	14,728	19,779	21,454	26,321	100%

- The USA was the largest Truck-importing market, accounting for ~20.4% of global imports in CY25. Its imports declined ~21.4% YoY to USD~6.3bln. Imports excluding the USA increased marginally by ~0.7%. The USA imposed a ~25% tariff on imported medium- and heavy-duty vehicles from 1-Nov-25, which could weigh on imports going forward.
- Global Bus imports increased ~22.7% YoY to USD~26.3bln in CY25. Germany, the UK, Belgium and Chile recorded strong growth. Chile's increase coincided with Yutong's delivery of ~372 electric Buses to Santiago during CY25.
- Germany's top-five position in both exports and imports reflects the cross-border production networks of global OEMs such as MAN, whose plants in Germany, Poland, and Türkiye move vehicles and components back and forth.

Note: Data pertain HS Code 8427 for Trucks & 8702.90 for Buses.

Source: ITC

Global | Carbon Emissions

- Decarbonisation of Trucks and Buses is advancing unevenly. China accounts for over ~90.0% of global electric Truck sales. Regulations in the European Union are being recalibrated and federal greenhouse-gas (GHG) standards in the USA have been withdrawn.

Regulations and Policies

- European Union: the CO₂ standards adopted in May'24 require new Trucks (>~7.5 MT) to cut emissions by ~45.0% by CY30, ~65.0% by CY35 and ~90.0% by CY40, while new urban Buses must cut emissions by ~90.0% by CY30 and reach zero-emission status by CY35. The Commission proposed a targeted amendment on 16-Dec'25, which the Council formally adopted on 30-Mar'26. It leaves the long-term targets unchanged but lets manufacturers earn more emission credits over CY25-29, easing compliance with the CY30 target. Zero-emission vehicles were only ~1.9% of EU heavy-Truck sales in CY25..
- USA: on 12-Feb-26 the Environmental Protection Agency(EPA) finalised the rescission of the 2009 endangerment finding and repealed all federal GHG emission standards for light-, medium- and heavy-duty vehicles.
- China: Electric trucks captured ~25.0% of Truck sales in CY25, overtaking LNG Trucks (~15.0%) for the first time. This was driven by lower operating costs, falling battery costs, a scrappage scheme offering up to ~USD 20,000 per Truck and cost parity with diesel in certain cases.
- The transition to electric trucks is uneven across markets. While the USA and EU are easing some regulatory pressure, China continues to accelerate electric-truck adoption. This creates different regulatory and competitive conditions, requiring OEMs to adapt their product offerings and investment strategies across markets.
- Electric Trucks and Buses**
 - Global electric truck sales more than doubled in CY25, exceeding ~400,000 units and reaching ~9.0% of total truck sales. China accounted for over ~90.0% of global sales.
 - Global electric bus sales increased ~12.0% YoY to nearly ~70,000 units in CY25. China's share of global electric-bus sales declined to ~60.0%, from nearly ~100.0% in CY18, as adoption expanded across other markets. Global electric truck sales are projected at ~0.2mln units in CY26 and ~0.3mln in CY27, while electric-bus sales are expected to reach ~0.1mln units in both years.

Global | Outlook

- The Trucks and Buses segment is in transition globally as electrification continues, but the pace is now shaped more by cost of owning the vehicle. The transition to eco-friendly alternatives in the segment is slower when compared to cars. EU has added compliance flexibility and US federal standards have been repealed, while China keeps pulling ahead on cost-competitive electric models.
- Energy prices are the key near-term variable. The Middle East war has kept Brent in the USD 95-107/bbl range in Sep'26 and the IMF has cut CY26 global growth to ~3.0%. Higher diesel costs has increased the total-ownership-cost advantage of electric Buses and Trucks, particularly for oil import-dependent economies.
- Electric Trucks are projected to make up ~20.0% of global Truck sales by 2035 under current policies, with China leading at ~60.0%. Meanwhile, electric Buses are projected to reach close to ~25.0% of total sales in CY35, though adoption is slowed by the challenges of electrifying intercity services.
- US Trade policy is reshaping global trade flows. Truck exports fell ~4.7% in CY25 while Bus exports grew ~22.7%. The US tariffs on imported Trucks (25%) and Buses (10%) from Nov'25 add uncertainty for North American supply chains.
- In Pakistan, the NEV Policy CY25–30 is supported by the Pakistan Accelerated Vehicle Electrification(PAVE) programme (PKR~100.4bln over five years across e-bikes, rickshaws, loaders, cars, Buses and Trucks) and the Budget FY27 extension of the ~1.0% sales tax on electric Buses (+25 seats) and imported electric Trucks to Jun'27.
- Looking forward, Bus demand should stay robust on urbanisation, public-transport needs and tourism. Meanwhile, Truck electrification follows a gradual but firm path led by logistics segment. It is expected to expand steadily through CY30, with near-term pace subject to oil prices and geopolitics.

Local | An Overview

- In FY26, Pakistan's GDP (nominal) stood at PKR ~126.9Tn, increasing , by ~11.3% YoY (FY25: ~8.3% growth). In nominal terms, the agriculture segment grew by ~8.7% YoY, industrial activities by ~10.1% and services by ~10.6%. Agriculture accounted for ~23.4% of GDP, industrial activities made up ~18.1%, while services comprised ~58.4%. The real GDP growth was recorded at 3.7% in FY26.
- Within the Industrial segment, Manufacturing accounted for ~65.3% of activity, of which LSM held a ~67.5% share. Automobiles contributed ~3.1% to LSM output, while Trucks and Buses contributed ~0.19% and ~0.15%, respectively. LSM posted growth of % in FY26, mainly led by higher automobile production (largely cars).
- Demand for Trucks and Buses is closely tied to Transportation and Storage, which accounts for ~18.0% of the services sector, and general economic activity. As trade, freight and passenger activities expand, the need for Trucks and Buses rises in step.

Pakistan Economy | FY26

Agriculture (23.4%)		Industrial (18.1%)		Services (58.4%)
Crops (32.8%)	Livestock & Others (67.2%)	Manufacturing (65.3%)		Wholesale, Retail & Trade (30.5%)
		LSM (67.5%)	Others (32.5%)	Transportation & Storage (18.0%)
		Automobiles (3.1%)		Real Estate Activities (10.1%)
		Trucks (0.19%)	Buses (0.15%)	Other Services (41.4%)

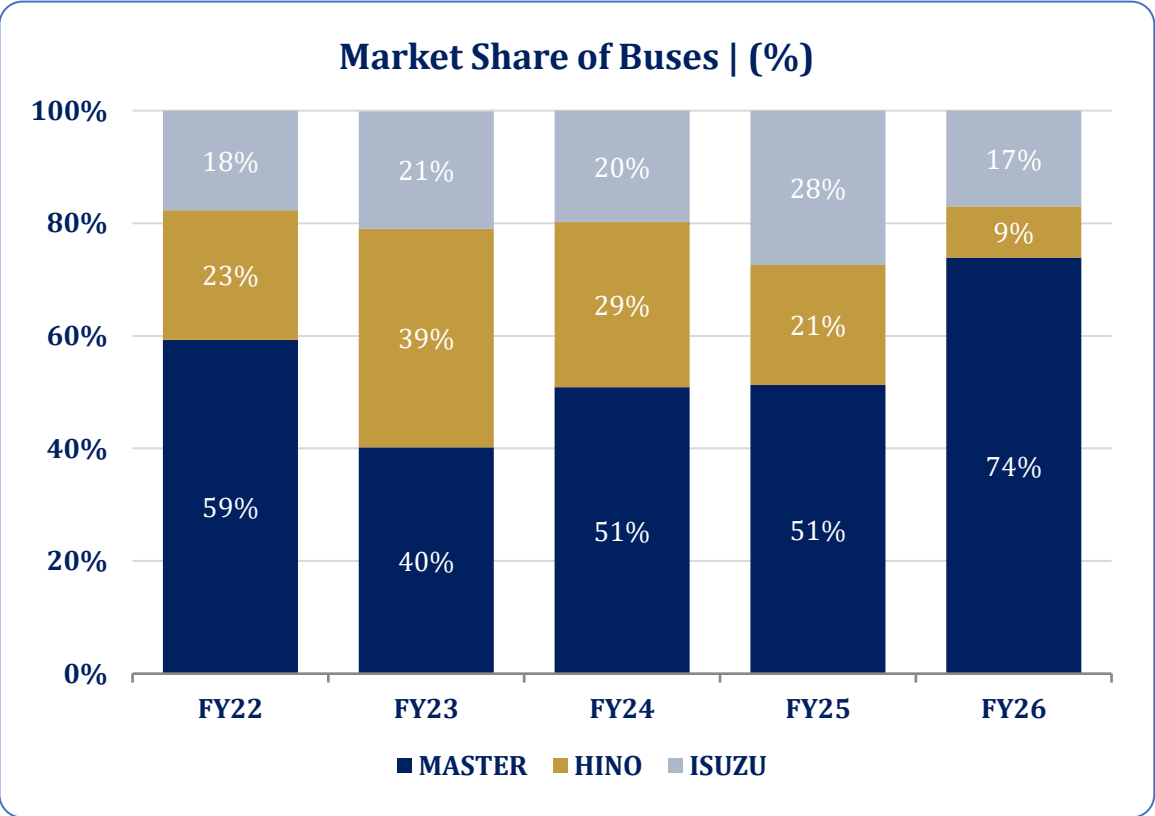
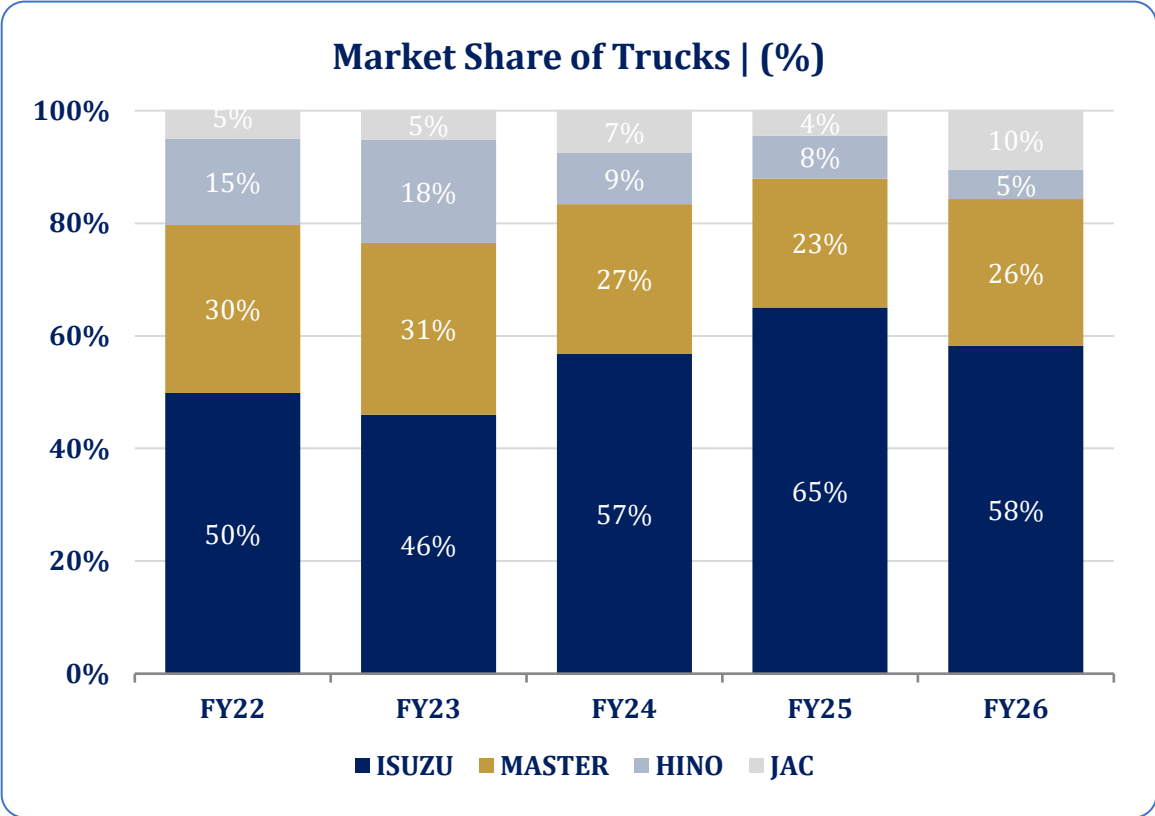
Local | Snapshot

- The Sector posted a second consecutive year of strong growth in FY26. Production rose ~64.6% to ~8,499 units and volumetric sales rose ~61.0% to ~8,424 units (FY25: ~5,232).
- Revenue grew ~44.2% to PKR~118.7bln (FY25: PKR~82.3bln).
- Trucks lead the Sector at ~88% of FY26 sales (FY25: ~85%). Trucks manufactured rose ~72.8% to ~7,545 units (FY25: ~4,366) and Trucks sold rose ~67.4% to ~7,439 units (FY25: ~4,444).
- Buses production rose ~19.8% to ~954 units (FY25: ~796). Buses sold volume rose ~25.0% to ~985 units (FY25: ~788). Bus sales exceeded production in FY26, whereas in FY25, production was marginally higher than sales. This means OEMs drew down inventory and imports supplied part of the market.
- A progressive reduction in the policy rate to ~10.5% by December 2025, complemented by a stable exchange rate, significantly enhanced asset affordability and alleviated fleet procurement costs. Concurrently, downstream demand was catalyzed by better economic activity, revival of construction sector and improved consumer sentiment. Rising inflation and fuel costs may dampen this in FY27 due to the ongoing conflict.

Overview	Units	FY22	FY23	FY24	FY25	FY26
Gross Revenue*	PKR bln	43.2	40.8	31.7	82.3	118.7
Trucks on Road	Nos.	317,000	320,400	321,999	329,400	339,100
Buses on Road	Nos.	166,700	168,500	169,700	173,000	175,200
Trucks Manufactured	Nos.	5,659	3,074	2,204	4,366	7,545
Buses Manufactured	Nos.	661	701	419	796	954
Trucks Sold	Nos.	5,802	3,182	2,187	4,444	7,439
Buses Sold	Nos.	696	654	454	788	985
Major Sector Players	6					
Sector Structure	Oligopoly					
Associations	PAMA (Pakistan Automotive Manufacturers Association)					
	FOAP (Fleet Operators Association of Pakistan)					

Local | Market Share

- Isuzu remained the Truck market leader with a share of ~58% in FY26 (FY25: ~65%). JAC gained the most, with its share rising to ~10% (FY25: ~4%). Master held ~26% (FY25: ~23%), while Hino's share has fallen to ~5% from ~15% in FY22.
- The Bus segment is now highly concentrated. Master's share rose to ~74% in FY26 (FY25: ~51%). Isuzu's share fell to ~17% (FY25: ~28%) and Hino's to ~9% (FY25: ~21%).



Note: Market shares are based on the number of units sold.

Source: PAMA

Local | Production

- Truck production rose ~72.8% to ~7,545 units in FY26 (FY25: ~4,366), ~33% above the FY22 level. Isuzu drove the growth, adding ~1,405 units, or ~44% of the increase. Master added ~1,055 units. JAC grew fastest, with output up ~4.2x to ~819 units (FY25: ~196).
- Bus production grew ~19.8% to ~954 units (FY25: ~796). Master alone drove the growth, with output up ~64.4% to ~702 units. Hino's output fell ~47.5% to ~84 units and Isuzu's ~19.6% to ~168 units.

Trucks Production (Units)	Company Name	FY22	FY23	FY24	FY25	FY26
ISUZU	Gandhara Industries Ltd.	3,044	1,346	1,284	2,856	4,261
MASTER	Master Group of Industries	1,482	988	524	1,024	2,079
HINO	Hino Motors Ltd.	886	580	246	290	386
JAC	Gandhara Automobile Ltd.	247	160	150	196	819
Total		5,659	3,074	2,204	4,366	7,545

Buses Production (Units)	Company Name	FY22	FY23	FY24	FY25	FY26
MASTER	Master Group of Industries	369	276	231	427	702
HINO	Hino Motors Ltd.	160	268	128	160	84
ISUZU	Gandhara Industries Ltd.	132	157	60	209	168
Total		661	701	419	796	954

Local | Supply

- Local production recovered in FY26. Truck output rose ~72.8% to ~7,545 units (FY25: ~4,366), while Bus output rose ~19.8% to ~954 units (FY25: ~796). Heavy-vehicle imports stood at USD~55.6mln in 2MFY27 (2MFY26: USD~92.7mln), as per SBP.
- This momentum now faces a headwind. The Mar'26 energy-price shock lifted oil prices, and the SBP raised the policy rate by ~100bps to ~11.5% in Apr'26. Higher financing costs raise the risk to FY27 production.
- Import dependence has shifted from Trucks to Buses. Truck imports fell ~72.5% to ~6,599 units (FY25: ~23,954), cutting their share of Truck supply to ~47% from ~85%. Bus imports rose to ~2,100 units (FY25: ~397), lifting their share of Bus supply to ~69% from ~33%. The Bus segment's supply mix shifted decisively toward completely built unit (CBU) imports, driven primarily by federal and provincial public transport electrification initiatives.
- Punjab received 400 electric Buses in Oct'25 and Sindh imported 34 in Jan'26.

Bus & Truck Supply (Units)						
Segment	Source	FY22	FY23	FY24	FY25	FY26*
Buses	Local Production	661	701	419	796	954
	Imports	494	257	217	397	2,100
Trucks	Local Production	5,659	3,074	2,204	4,366	7,545
	Imports	14,113	23,268	9,223	23,954	6,599

Note: *FY26 values pertain to 9MFY26 data for imports.

Source: PES, PAMA

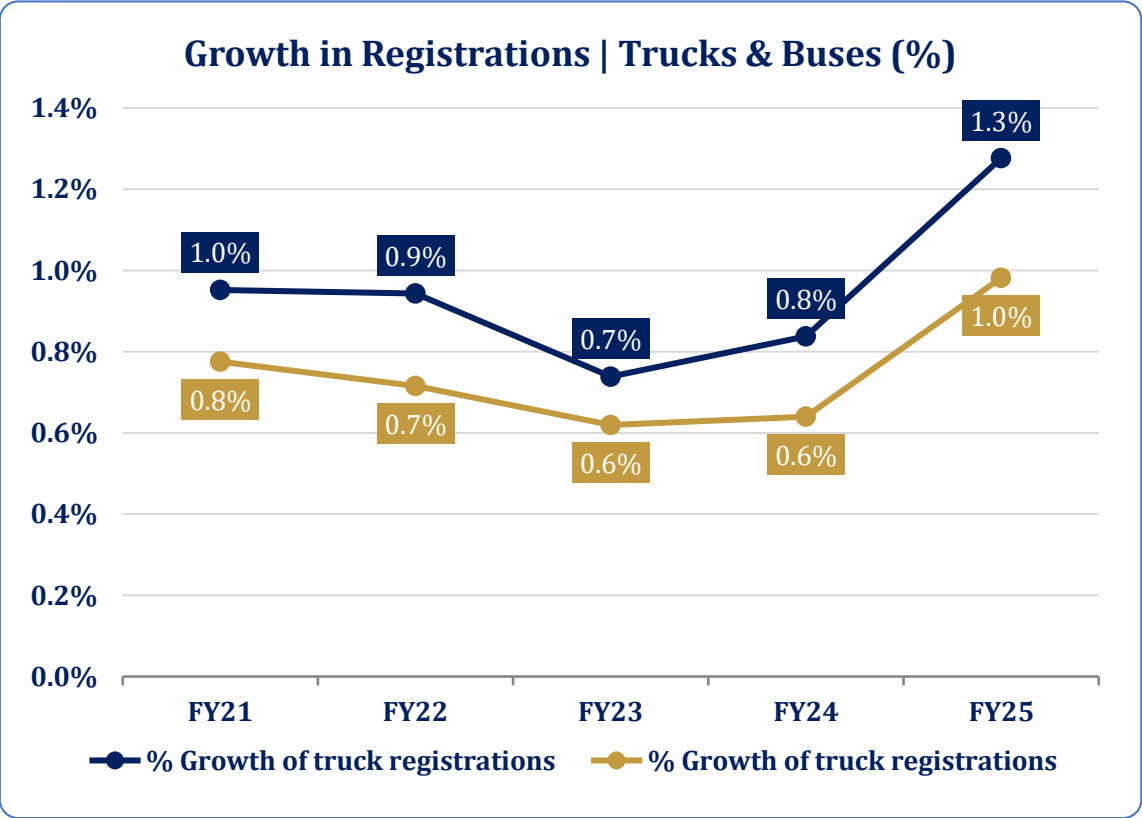
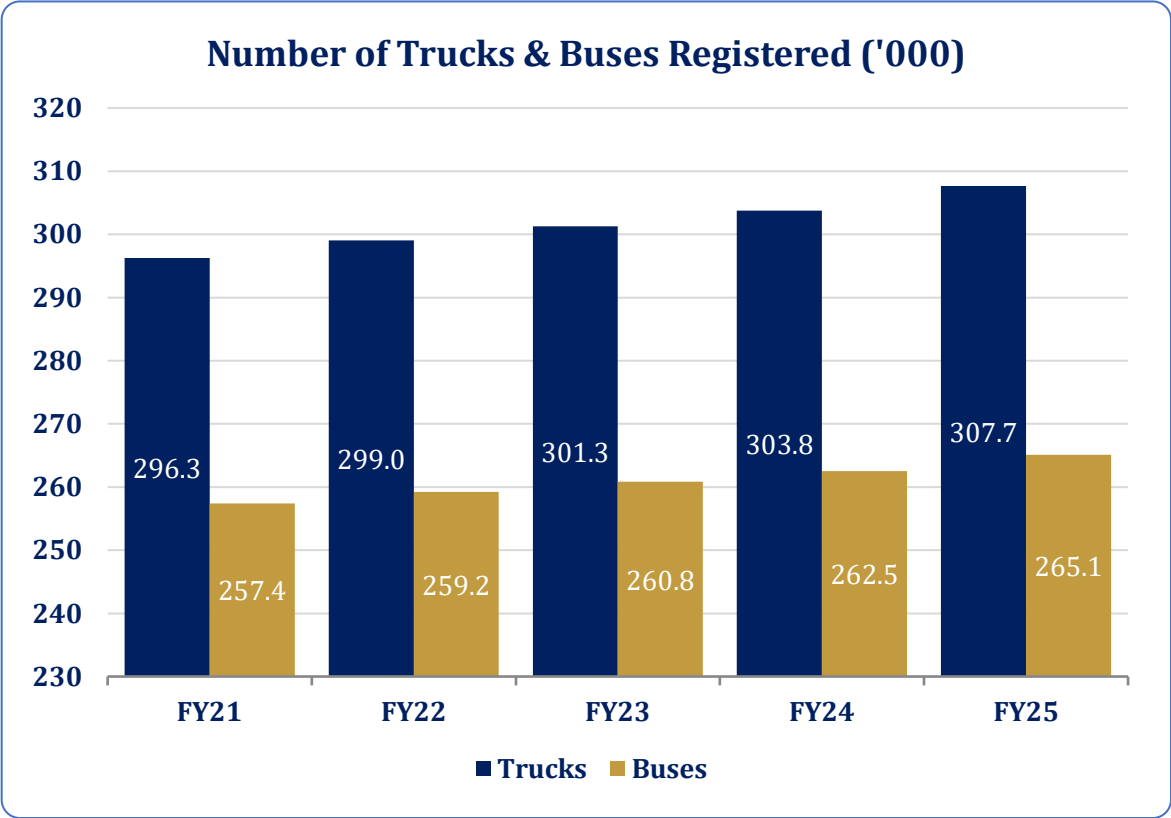
Local | Demand

- Sector sales rose ~61.0% to ~8,424 units in FY26 (FY25: ~5,232). Truck sales grew ~67.4% to ~7,439 units (FY25: ~4,444) and Bus sales ~25.0% to ~985 units (FY25: ~788).
- In Trucks, Isuzu (Ghandhara Industries) remained the leader with ~58.2% of sales (FY25: ~65.1%), while Master gained to ~26.1% (FY25: ~22.9%). JAC was the fastest-growing brand, with sales of ~778 units (FY25: ~198) lifting its share to ~10.5% (FY25: ~4.5%). Hino's share slipped to ~5.3% (FY25: ~7.6%) as its sales grew only ~15% to ~391 units (FY25: ~339).
- Isuzu and Master together hold ~84.3% of Truck sales (FY25: ~87.9%), so the Truck market stays concentrated in two players.
- The Bus segment is concentrated in one player. Master's share of local Bus sales rose to ~73.9% (FY25: ~51.3%). Hino's share fell to ~9.1% (FY25: ~21.3%) and Isuzu's to ~17.0% (FY25: ~27.4%), as both produced fewer Buses. Local volumes are small, so modest unit changes move shares sharply. Bus imports rose to ~2,100 units (FY25: ~397) and now exceed local sales, adding competitive pressure on local OEMs.
- The momentum continued into FY27. Sector sales rose ~72.5% to ~1,794 units in 2MFY27 (2MFY26: ~1,040). Truck sales grew ~81.4% to ~1,656 units (2MFY26: ~913), while Bus sales rose ~8.7% to ~138 units (2MFY26: ~127). Isuzu led Truck sales with a share of ~52.7% (2MFY26: ~51.3%), and Master held ~87.0% of Bus sales (2MFY26: ~83.5%).

Player-wise Sales (Units)		FY21	FY22	FY23	FY24	FY25	FY26
ISUZU	Trucks	1,907	2,893	1,463	1,243	2,891	4,332
	Buses	113	123	137	90	216	167
	Total	2,020	3,016	1,600	1,333	3,107	4,499
MASTER	Trucks	897	1,731	971	524	1,016	1,938
	Buses	355	413	263	231	404	728
	Total	1,252	2,144	1,234	812	1,420	2,666
HINO	Trucks	668	889	584	199	339	391
	Buses	184	160	254	133	168	90
	Total	852	1,049	838	332	507	481
JAC	Trucks	223	289	164	164	198	778
	Buses	0	0	0	0	0	0
	Total	223	289	164	164	198	778
Total	Trucks	3,695	5,802	3,182	2,187	4,444	7,439
	Buses	652	696	654	454	788	985
	Sector	4,347	6,498	3,836	2,641	5,232	8,424

Local | Demand

- During FY25, registered Trucks stood at ~307,659 (FY24: ~303,782), up ~1.3% YoY, while registered Buses stood at ~265,082 units (FY24: ~262,505), up ~1.0% YoY.
- The modest growth over the years reflect capital intensive nature of the segment and very long replacement cycle. Lack of enforcement of updated standards and preference for cost effective means of transportation aide this trend.

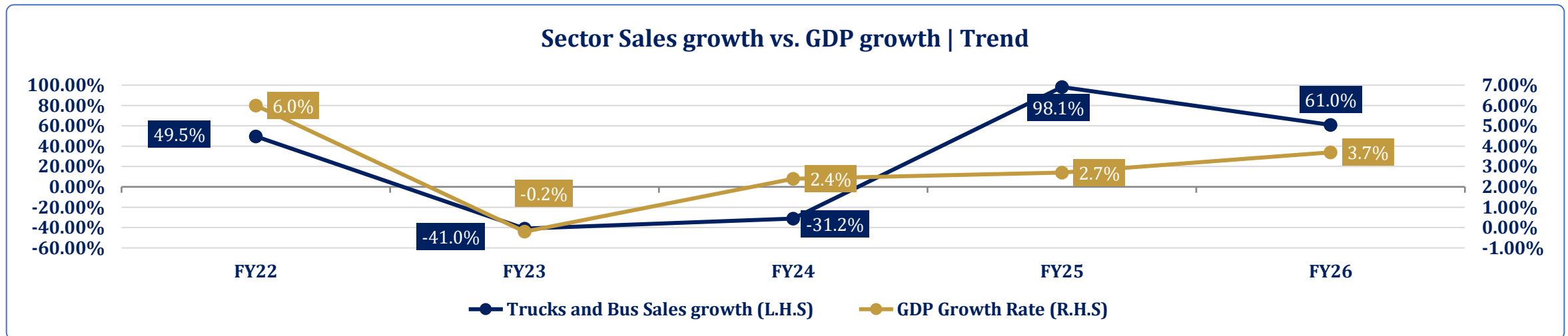


Note: FY figures correspond to calendar-year figures for each respective year.

Source: PAMA, PES

Local | Demand

- The Trucks and Buses segment is strongly correlated with the country's overall economic indicators (GDP, manufacturing, inflation etc.) and interest rates. Growth in GDP is mirrored by the segment. Truck and Bus Sales remain quite low but are strongly correlated to economic activity, freight costs and interest rates. They fell ~31.2% in FY24 when inflation averaged ~23.4%, and rose ~98.1% in FY25 when it eased to ~4.5%.
- Similar trend can be observed with GDP growth. In FY26, GDP grew ~3.7% and sales rose ~61.0% to ~8,424 units (FY25: ~5,232). Sales are now ~29.6% above the FY22 peak and ~3.2x the FY24 trough (~2,641 units) despite still comparatively modest volumes.
- Moderate inflation and rate cuts supported the FY26 recovery. Average inflation was ~7.05% (FY25: ~4.5%) and the SBP cut the policy rate to ~10.5% in Dec'25. From Apr'26, however, headline inflation returned to double digits (~10.9% in Apr, ~11.7% in May, ~11.1% in Jun) as the Middle East war lifted fuel and transport costs, prompting policy rate hike to counter inflationary pressures.
- The SBP raised the policy rate by ~100bps to ~11.5% on 27-Apr-26, its first increase in almost three years, and held it in Jun, Jul and Sep'26. The hike is not yet visible in sales because deliveries reflect earlier orders. FY27 volumes will be the first real test.
- Fuel and freight costs have risen sharply. Fuel prices in Sep'26 were ~38% higher than a year earlier, as per PBS. This weighs on fleet operators, as energy is around one-third of their costs. Operators are passing it on through higher freight rates, which protects margins but can dampen volumes.



Note: Sector sales (%) is calculated using Trucks and Buses sold during each fiscal year as stated by PAMA

Source: PAMA, PBS, PES

Local | Business Models

- **Original Equipment Manufacturers (OEMs):** These include entities that assemble and sell Buses through a network of dealers that market to fleet service providers. Some Buses are assembled in Pakistan, with main parts imported and assembled locally. Local assembly recovered in FY26. Truck and Bus sales rose ~61% YoY. Lower interest rates and improved macro conditions supported this.
- **Fleet Service Providers:** These include entities that buy Trucks and Buses from local OEMs or import them as CBUs (mainly from China, Korea, etc.) and offer logistics and fleet management services to individuals and companies. The industry is highly fragmented, with slow corporatization and small fleet sizes. Services include long haul and distribution Trucks on a contractual basis, and Buses on long and short routes. Following higher diesel prices, the All Pakistan Goods Transport Alliance announced freight rate increases of ~5% and ~7% in Sep'26.
- **Rapid Bus Transit Service (BRT):** The BRT system, based on dedicated Bus lanes, priority access at intersections and off-board fare collection, supports high-capacity, efficient services for cities. The Punjab Metro Bus Service, an initiative of the Government of Punjab with fixed rates for each route, currently operates in Lahore, Rawalpindi, and Multan.
- Similarly, Governments of Punjab and Sindh have launched electric buses to provide mass transportation to the public. This initiative has been rolled out to several districts in Punjab already.



Local | Truck Companies

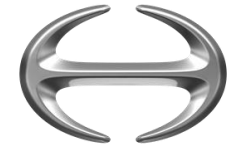
- **Hino Pakistan:** A prominent subsidiary of Hino Motors, Japan, Hino Pakistan stands as one of the leading manufacturers of Trucks in Pakistan.
- **Isuzu Pakistan:** Isuzu Pakistan, another subsidiary of a Japanese corporation, specializes in crafting high-quality commercial vehicles within the Pakistani 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 the market demands. Al-Haj Group's car arm, Al-Haj Automotive, is being acquired by Bestway Automotive (CCP approval: Feb'26).
- **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 Ghandhara Automobiles, contributes to the automotive market by manufacturing commercial Trucks and vans under the JAC Motors brand.



GHANDHARA
AUTOMOBILES LIMITED



HYUNDAI



HINO



GHANDHARA
INDUSTRIES LIMITED

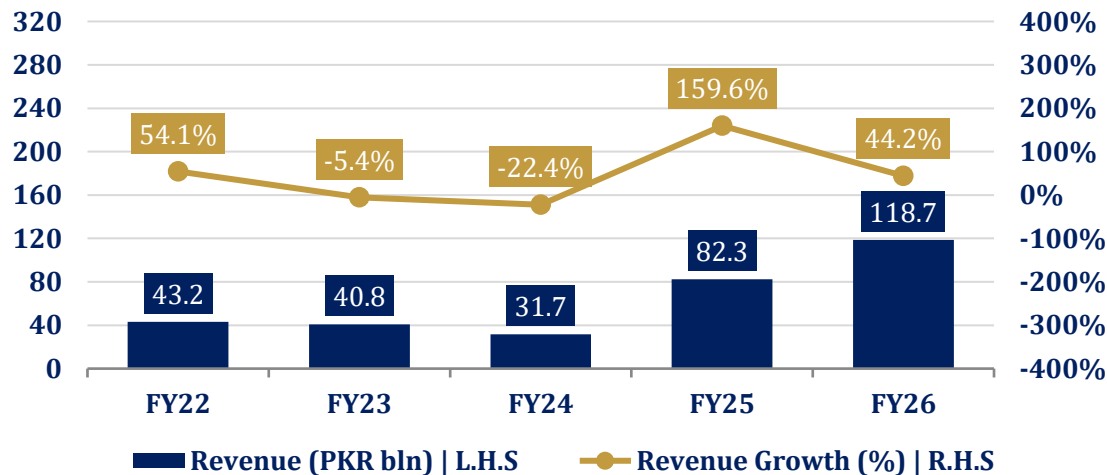


MASTER

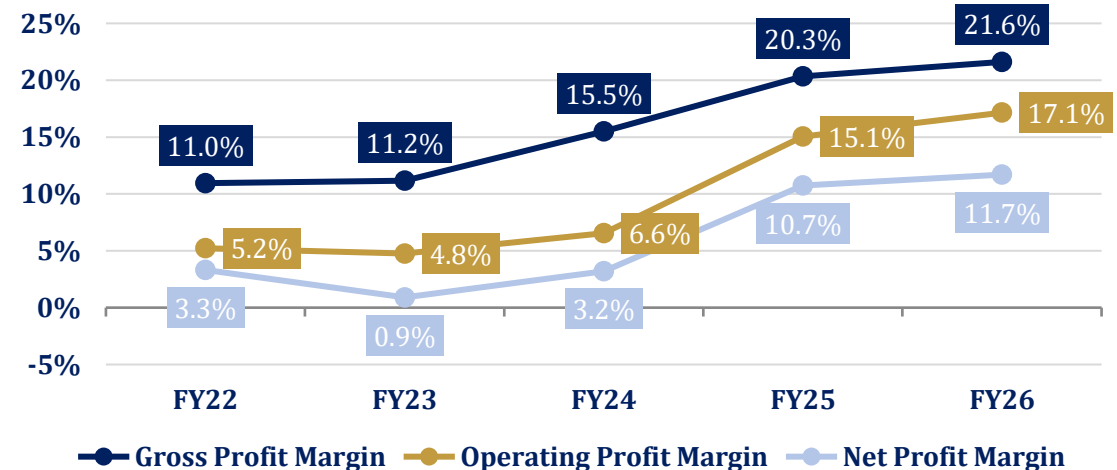
Business Risk | Margins

- Revenue rose ~44.2% to PKR~118.7bln in FY26, following ~159.6% growth to PKR~82.3bln in FY25. FY26 growth was mainly volume-driven, with Sector sales up ~61.0%, and was supported by upward price revisions and a favourable sales mix. Scale of operations, measured by units sold and revenue, is a primary determinant of a player's market position. The two-year expansion has increased players' scale. Larger players gain greater influence over pricing.
- Gross margin improved to ~21.6% (PKR~25.7bln) from ~20.3% (PKR~16.7bln) in FY25. A favourable sales mix and price revisions helped. The revisions reflect players' ability to pass input cost increases to customers. A stable PKR also kept imported-kit costs predictable.
- Operating margin rose to ~17.1% (PKR~20.3bln) from ~15.1% (PKR~12.4bln) in FY25, as higher production resulted in better cost absorption. Net margin improved to ~11.7% (FY25: ~10.7%) as finance cost stayed broadly stable on low borrowings, while higher taxation on larger profits absorbed part of the operating gain.
- Market shares can shift with customer preferences, competitive intensity, new product introductions, imports and pricing strategies. In a downturn, players with a strong market share are better placed to maintain stability, given their larger customer base and wider market presence.
- Demand is closely tied to economic activity and varies across segments and sub-segments. LCVs generally experience less demand volatility than HCVs. Players with a wide product range across segments and sub-segments withstand demand-side pressures better and are viewed positively. Presence in passenger transportation provides a further cushion, as this segment is less correlated with economic growth.

Sector Revenue Trend



Margins

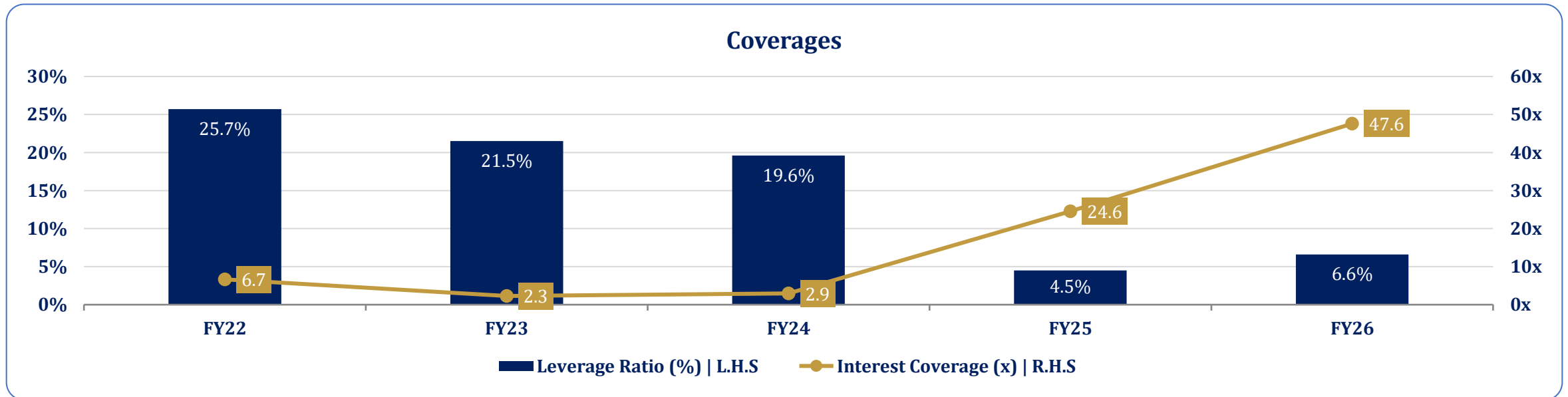


Note: Data is representative of ~3 PACRA rated/Listed players.

Source: Financial Statements

Financial Risk | Coverage

- The Sector's leverage remained very low at ~6.6% in FY26 (FY25: ~4.5%; FY22: ~25.7%). The small uptick reflects incremental borrowings to support larger production volumes, but internal cash generation continues to fund most working capital needs. The sharp decline from FY22 levels underscores the Sector's deleveraging and a strengthened equity base. This low leverage provides considerable borrowing headroom and financial flexibility, a credit positive for the Sector. It positions players to better withstand macroeconomic volatility while preserving capacity to fund future growth and expansion.
- Interest coverage remained very strong and improved to ~47.6x in FY26 (FY25: ~24.6x) as operating profit grew and finance cost stayed low.
- The Apr'26 rate increase is unlikely to affect OEM finance costs materially, as OEMs have nominal borrowings (leverage ~6.6%) and strong earnings and cashflows. The greater risk comes from buyers and fleet operators, whose higher borrowing costs can slow vehicle purchases and, in turn, OEM sales.

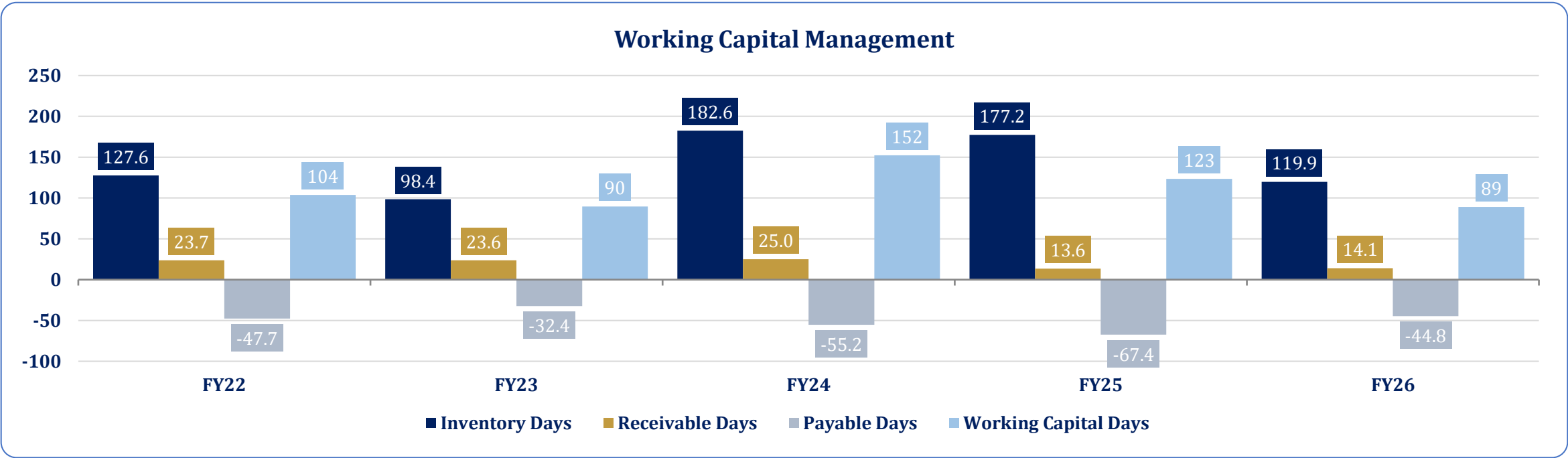


Note: Data is representative of ~3 PACRA rated/Listed players.

Source: PACRA Database, PSX

Financial Risk | Working Capital Management

- The Sector's working capital cycle shortened to ~89 days in FY26 (FY25: ~123 days), an improvement of ~34 days. A shorter cycle releases cash tied up in operations and reduces funding requirements further. Working capital needs are met largely through internal cash generation, with minimal reliance on short-term borrowings. This supports the Sector's liquidity profile and is consistent with its low leverage.
- Inventory days fell ~57 days to ~120 (FY25: ~177) as ~61.0% higher sales cleared stock. Inventory days are still above the FY23 level (~98 days), as OEMs hold imported kits and parts.
- Receivable days stayed low at ~14 (FY25: ~14). This reflects the Sector's sales terms, as some OEMs book orders against customer advances while others sell on short credit. Payable days fell to ~45 from ~67 as suppliers were paid faster amid a stable rupee and better liquidity.

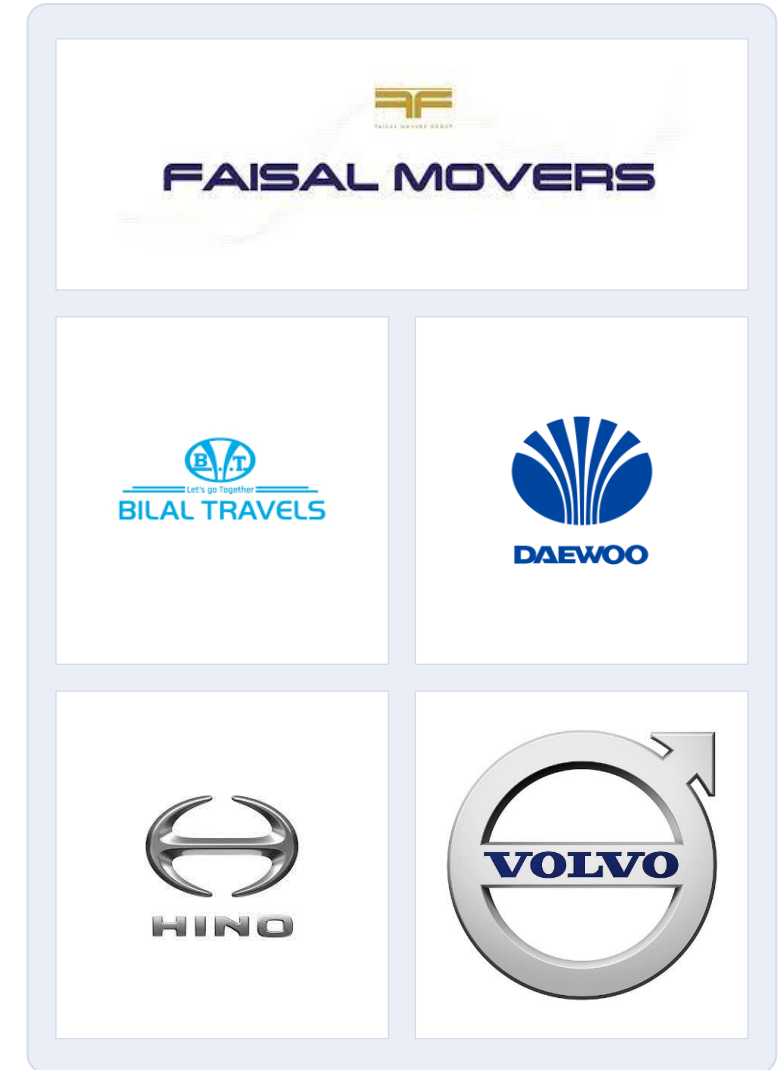


Note: Data is representative of ~3 PACRA rated/Listed players.

Source: PACRA Database, PSX

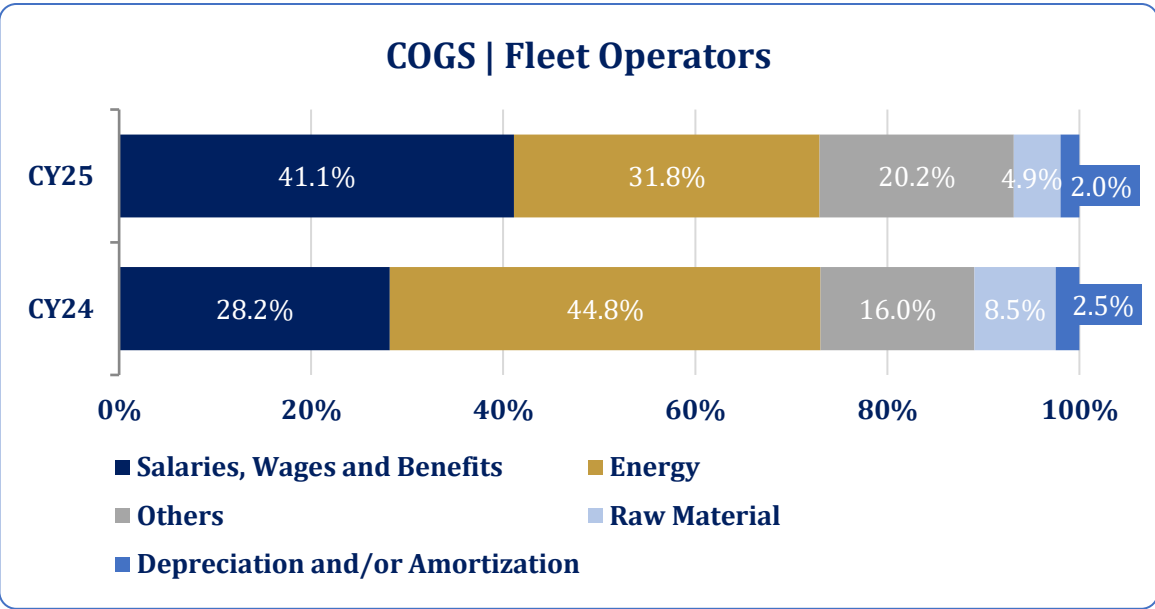
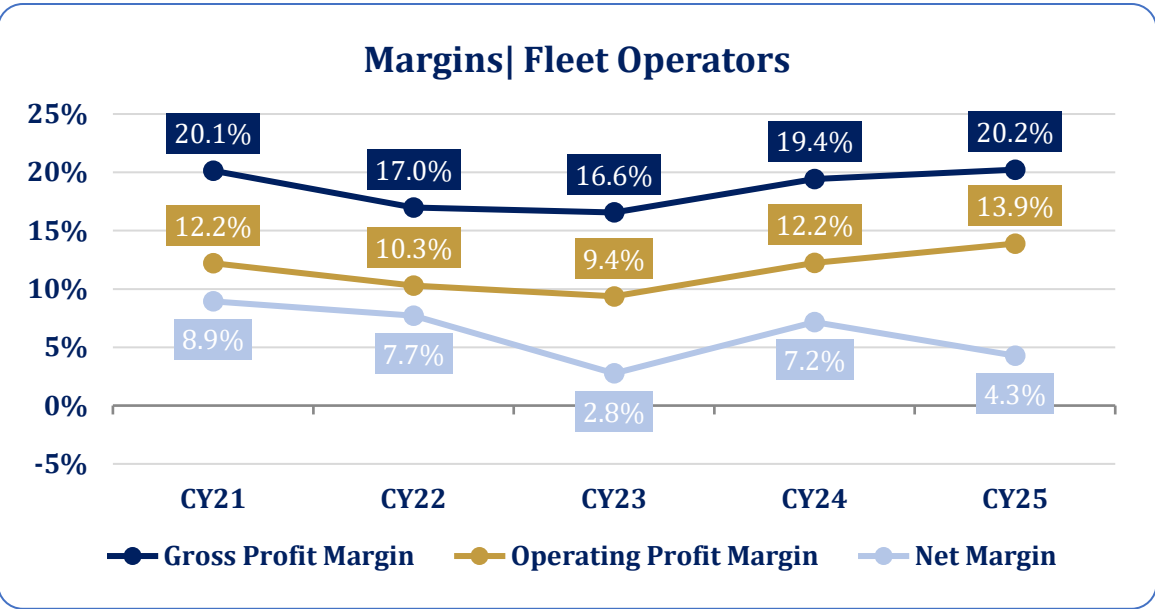
Local | Fleet & Bus Operators

- The Sector is closely linked with transportation services across the country. Some Buses are assembled in Pakistan, such as Yutong Master, ZhongTong, Daewoo, and Hino Pak, with main parts imported and assembled locally.
- However, the majority of Buses are imported as CBUs from manufacturers in China, Korea, etc. Most operators use Daewoo, Yutong, KingLong, ZhongTong, Volvo, and Higer luxury Buses.
- Leading Bus transport providers include Daewoo Express, Faisal Movers, Niazi Express, Bilal Travels, and Kohistan Express, among others. The Sector comprises numerous small private operators, but only a few, like Daewoo and Faisal Movers, follow a corporate model.
- Imports of Buses, Trucks and other heavy vehicles, mostly in CBU form, reached a record USD~262mln in 11MFY26 (11MFY25: USD~58mln), as lower financing costs supported fleet expansion.
- Risks facing the segment include high fuel costs, new entrants and high import duties. Diesel was priced at PKR~425 per litre in mid-Sep'26 amid the Middle East conflict, and the All Pakistan Goods Transport Alliance announced freight rate increases of ~5% and ~7% in Sep'26.
- The government has announced direct fuel subsidy for individuals but it has not been extended to transportation sector.



Business Risk | Margins

- Gross margin rose to ~20.2% (PKR~10.1bln) in CY25 from ~19.4% (PKR~5.6bln), as revenue scaled up on new contracts. Revenue has also stayed buoyant on the back of Pakistan's e-commerce boom and the emergence of last-mile delivery, which have widened the demand base for logistics services. Margin sustainability depends heavily on average fleet utilisation and the age profile of vehicles. Higher utilisation spreads fixed costs over a larger revenue base, while a younger fleet reduces maintenance overheads and is fuel efficient. For bus operators, key factors are route density, ticket yields and the balance between corporate clients and public ticketing. For cargo fleets, customer concentration matters, particularly heavy dependence on a few sectors like fertilizer, cement, automotive etc.
- Operating margin rose to ~13.9% (PKR~6.9bln) from ~12.2% (PKR~3.5bln), as operating costs grew slower than the higher revenue.
- Net margin fell to ~4.3% (CY24: ~7.2%) as taxation rose sharply and finance cost increased with higher borrowings.
- On the cost side, salaries, wages and benefits became the largest component at ~41.1% of cost of sales (CY24: ~28.2%), while energy fell to ~31.8% (CY24: ~44.8%). Raw material, depreciation and other expenses represented ~4.9%, ~2.0% and ~20.2%, respectively.
- Operators pass through fuel costs via fare increase, as seen in the fare revisions of up to ~20% in Mar'26. This protects margins but can reduce fleet utilization and volumes.

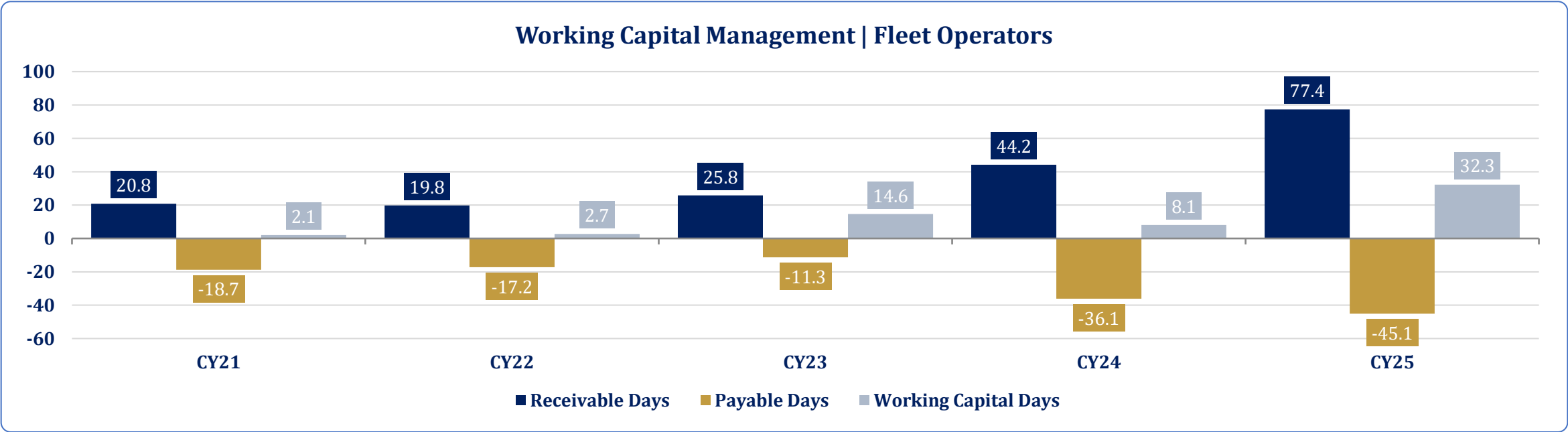


Note: Data is representative of ~2 PACRA rated/Listed players.

Source: PAMA, Financial Statements

Financial Risk | Working Capital Management

- The Sector's working capital cycle lengthened to ~32 days in CY25 (CY24: ~8 days), a deterioration of ~24 days. A longer cycle ties up cash in operations and raises funding requirements.
- The Sector's working capital cycle is driven entirely by receivables and payables, as fleet operators earn revenue from services (passenger transport, cargo and logistics) and hold no goods for resale.
- Receivable days rose to ~77 (CY24: ~44) as receivables grew ~3x against ~74% higher sales. Government-assigned, project-based services are still in their early phase and collections have yet to normalise, while e-commerce logistics operations were also integrated. Payable days rose to ~45 from ~36 as larger operations increased purchases of fuel, maintenance and subcontracted services, with supplier terms broadly stable.

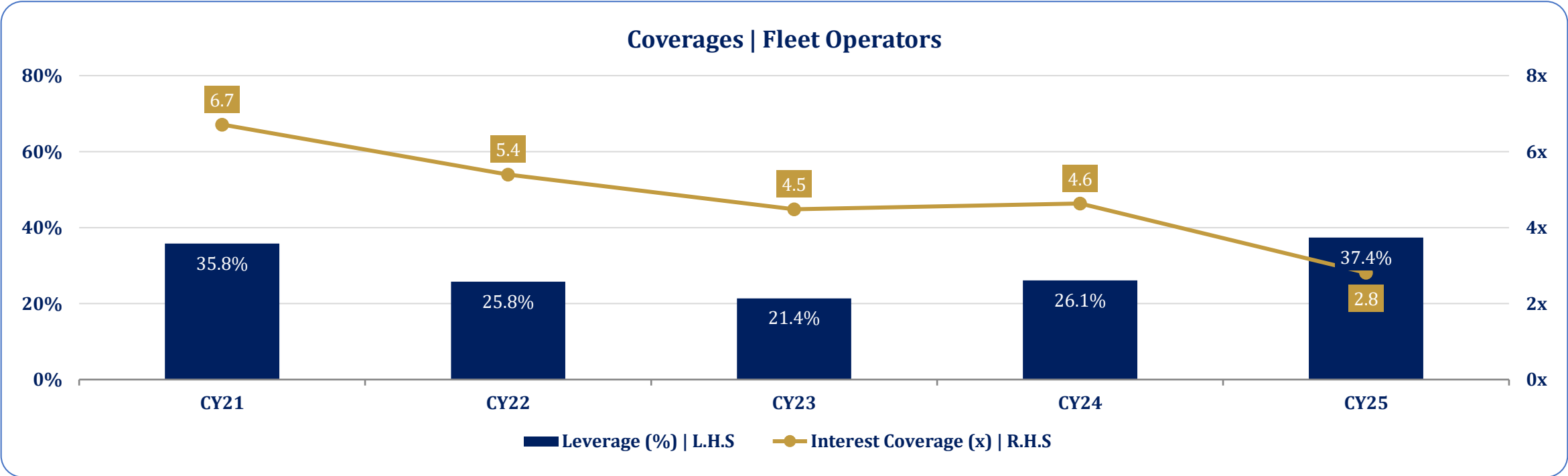


Note: Data is representative of ~2 PACRA rated/Listed players.

Source: PACRA Database, PSX

Financial Risk | Coverage

- Leverage rose to ~37.4% in CY25 (CY24: ~26.1%), as borrowings funded fleet expansion and working capital.
- Interest coverage fell to ~2.8x (CY24: ~4.6x), the lowest in the five-years. This happened even though the policy rate eased to ~10.5% by Dec'25, because finance cost grew faster than operating profit as debt rose.
- The SBP raised the policy rate to ~11.5% in Apr'26 and has held it since, while diesel prices remain elevated. Both raise fleet operators' costs at a time when their earnings cushion is already thin, so operators' cash flows are likely to stay under pressure in CY26.



Note: Data is representative of ~2 PACRA rated/Listed players.

Source: Financial Statements

National Electric Vehicle Policy

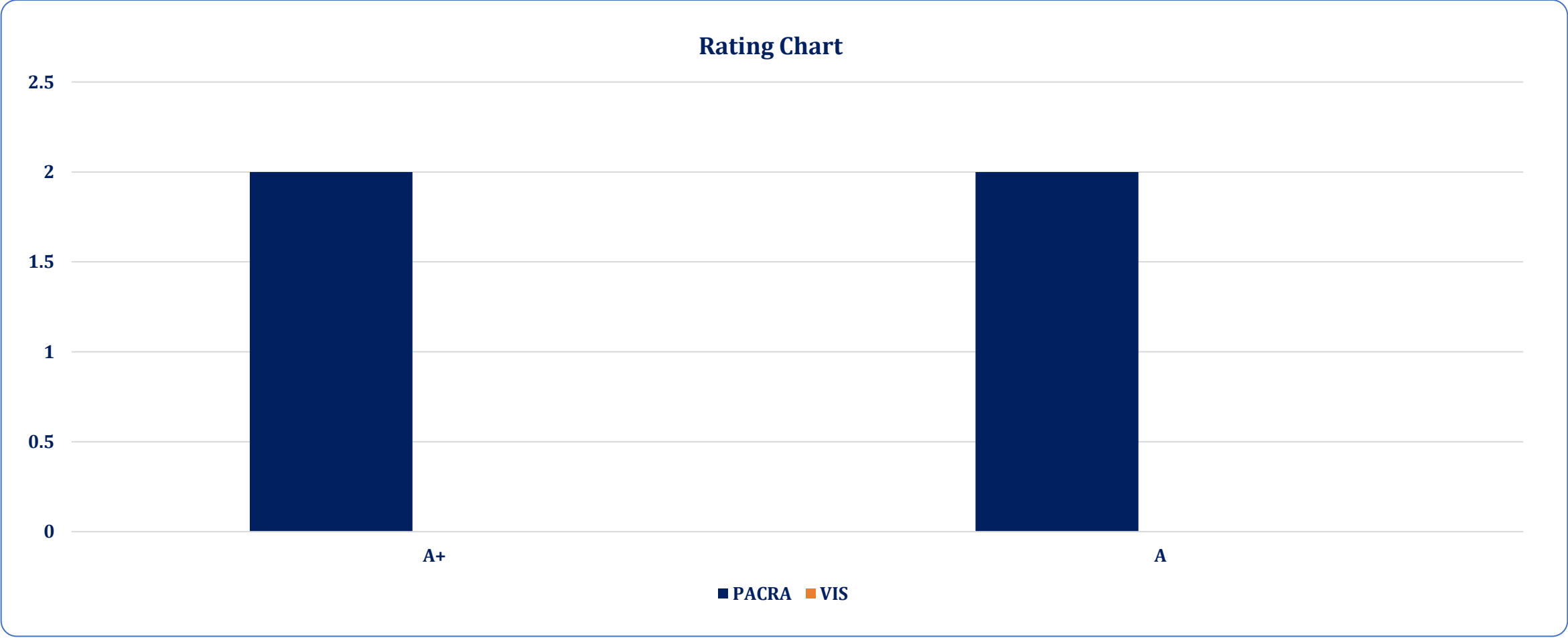
- The PAVE programme provides ~PKR100.4bln in subsidies through CY30. It covers e-bikes, rickshaws, loaders, cars, Buses and Trucks. The two phases approved so far cover only two- and three-wheelers. Phase-I targets ~41,000 vehicles and Phase-II ~78,170 vehicles. No direct purchase subsidy is yet available for electric Trucks or Buses.
- For Trucks & Buses, policy support currently comes through tax incentives. Budget 2026–27 continues the concessional tax regime for electric Buses and introduces a ~1.0% sales tax facility for imported electric Trucks. The ~1.0% customs duty on EV CKD components, including those for heavy commercial vehicles, is extended to 30-Jun-27. The sales tax exemption on imported EV CKD kits is also extended to 30-Jun-27.
- Public-sector programmes are the main channel for electric Bus adoption. Public transport services operate on 23 routes in Rawalpindi Division. Green Electric Buses are planned on ~20 more routes in the twin cities. The federal subsidy for the Metro Bus and Green Electric Bus projects rises to ~PKR7.3bln in FY27 (FY26: ~PKR3.0bln). Sindh plans to procure ~500 electric Buses.
- Globally, electric Buses exceeded ~12% of new Bus sales in CY25. Electric Trucks reached ~9% of Truck sales, with over ~400,000 units sold. China accounted for over ~90% of global electric Truck sales.
- Near-term impact on Pakistan's Truck & Bus volumes is likely to be limited, as direct subsidies do not yet extend to these segments. Public-sector Bus procurement and the extended tax incentives could gradually create an opportunity for OEMs.

Duty Structure

HS Code	Type	Description	Additional Customs Duty		Customs Duty		Regulatory Duty		Total	
			FY26	FY27	FY26	FY27	FY26	FY27	FY26	FY27
4011.1000	Trucks	New pneumatic tyres, of a kind used on motor cars	2%	0%	15%	15%	20%	16%	37%	31%
4013.1010	Trucks	Inner tubes, of a kind used on buses, lorries or trucks	0%	0%	5%	5%	0%	0%	5%	5%
8426.1110	Trucks	Overhead travelling cranes on fixed support (Not exceeding 400 MT)	0%	0%	10%	10%	0%	0%	10%	10%
8427.1000	Trucks	Self-propelled Trucks powered by an electric motor	0%	0%	0%	0%	0%	0%	0%	0%
8704.1010	Trucks	Components for assembly/manufacture of Dump Trucks designed for off-highway use	2%	2%	30%	30%	0%	0%	32%	32%
8702.9010	Buses	Components for assembly / manufacture of vehicles, in any kit form	4%	2%	20%	20%	0%	0%	24%	22%
8702.9020	Buses	Components for assembly / manufacture of Fully dedicated LNG/ LPG or CNG Buses, in any kit form	4%	2%	20%	20%	0%	0%	24%	22%
8702.9030	Buses	Fully dedicated LNG Buses (CBU)	4%	2%	20%	20%	0%	0%	24%	22%
8702.9040	Buses	Fully dedicated LPG Buses (CBU)	4%	2%	20%	20%	0%	0%	24%	22%
8702.9050	Buses	Fully dedicated CNG Buses (CBU)	4%	2%	20%	20%	0%	0%	24%	22%
8708.2942	Buses	Components for vehicles of sub-heading 8704.2219	6%	4%	35%	25%	0%	0%	41%	29%

Rating Curve

PACRA rates ~4 players in the Trucks and Buses Sector, two in OEMs and two in Bus & fleet operating services within a long-term rating bandwidth ranging between A+ and A.



SWOT Analysis

Strengths

- Introduction of New Product Line by existing players.
- Strong ties with international parent companies/suppliers.
- Low volume base with room to increase.
- Low leveraged sector

Opportunities

- NEV Policy/PAVE incentives for electrification
- Infrastructure and construction recovery (cement despatches +~9.5%)

Weaknesses

- Majority of Cost of Sales dependent on imports
- Concentrated oligopoly; fleet operators' leverage rose to ~37.4% with coverage at ~2.8x.
- Fuel-cost dependence of operators.

Threats

- Oil-price and exchange-rate volatility from the Middle East war (diesel ~PKR~425/litre).
- Double-digit inflation may discourage vehicle financing.
- Transporter strikes over fuel prices and taxes; development of ML-1 (Karachi-Rohri financing still being finalised) as a freight alternative.

Outlook: Stable

- Financing and fuel costs have been increasing since late FY26. The SBP raised the policy rate by ~100bps to ~11.5% in Apr'26, after cutting it to ~10.5% in Dec'25. Inflation returned to double digits from Apr'26 and stood at ~11.1% in Aug'26, against an FY26 average of ~7.05% (FY25: ~4.5%). Diesel was priced at PKR~425 per litre in mid-Sep'26 and freight rates were raised by ~5% and ~7%. This is a key risk for fleet operators, whose leverage rose to ~37.4% in CY25 (CY24: ~26.1%) while interest coverage fell to ~2.8x (CY24: ~4.6x).
- Demand prospects for the sector are supportive. Real GDP grew ~3.7% in FY26 (FY25: ~3.2%) and LSM rebounded ~ 6.11% (FY25: -0.69%). Sector sales grew ~61.0% to ~8,424 units in FY26 (FY25: ~5,232), the highest in the five-year series. Momentum continued in 2MFY27, with Truck sales up ~81% to ~1,656 units and Bus sales up ~9% to ~138 units. However, transporters have threatened a nationwide strike and trade through the Afghan border crossings has been suspended since Oct'25.
- Going forward, Trucks are expected to outperform Buses. Private freight demand should remain the main growth driver, as goods transport serves agriculture, manufacturing, construction and trade. All four expanded in FY26. Manufacturing grew ~6.6% (FY25: ~2.0%), construction ~5.7% (FY25: ~8.8%), wholesale and retail trade ~3.7% (FY25: ~0.5%) and agriculture ~2.9% (FY25: ~1.5%). Truck sales outpaced Bus sales in both FY26 (+~67.4% vs +~25.0%) and 2MFY27 (+~81% vs +~9%). Buses depend more on public transport programmes. Cost pressures fall first on operators and can slow fleet purchases and, with a lag, OEM orders.
- OEMs enter FY27 with strong balance sheets and healthy margins, which can absorb higher rates and input costs. The risk sits mainly with operators.
- Vehicle electrification represents a medium-term development for the Sector. The PAVE programme does not yet offer direct subsidies for Buses and Trucks. Budget 2026-27 continued the concessional tax regime for electric Buses and extended the ~1.0% customs duty on EV CKD kits to 30-Jun-27. The impact on Sector volumes is therefore unlikely to be material in the near term.

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- World Bank (WB)
- Asian Infrastructure Investment Bank (AIIB)
- Organisation Internationale des Constructeurs d'Automobiles (OICA)
- IBIS World
- International Monetary Fund (IMF)
- The Business Research Company

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