



Assemblers | Sales Volume | SAZEW | FY24



Date: 11th July'24

REP # 048



Pakistan Automotive Manufacturers Association

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Sales Volume: Cars' sales surging c.138%YoY during Jun'24

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- Pakistan Auto Manufacturers Association (PAMA) has announced automobile industry number for the month of Jun'24. Despite all the hurdles during FY24, with increased interest rates till Jun'24, the Auto Industry sales volume has remarkably recovered during 2HFY24, robustly rising by c.12.4%YoY to 694K units, on the belated step taken by the SBP of reducing Interest Rates to 20.5% from 22.0%. We have noticed, all the OEMs have marked rise in sales volume by c.54%YoY during 2HFY24, contrary to the earlier projections of estimated decline in sales units of OEMs by 50%-60%. It is to note here that, Cars' sales have been the striking segment that marked remarkable rise of c.19%/c.138% MoM/YoY during Jun'24, regardless of notable decline in FY24 by c.16%YoY to 82K units.
- Amongst the leading OEMs, we have noticed, HCAR, SAZEW, and PSMC have been marked as the flagship car manufacturers in Pakistan that marked robust rise in sales units of c.257YoY, c.228%YoY, and c.129%YoY during Jun'24. However, during FY24, SAZEW and GHNI have been the marked manufacturer that recorded YoY rise in sales units by c.81%YoY and c.31%YoY during FY24 to 21K units and 726 units respectively when comparing the FY23.
- It is to note here that most of the OEMs (↑c.122%YoY) have marked rise in YoY sales units during Jun'24 mainly on the Budget implication where the Masses have booked their vehicles prior to the Budget FY25 Advance Tax implementations. Going forward, with the Advance Tax to be implemented, the sales units are expected to decline in the year FY25. However, with the relaxation approved for the local HEV and Hybrid vehicles, we believe the Crolla Cross and HAVAL to mark rising trend in the sales units, keeping their gross margins in consideration.

OEMs Sales	May'24	Jun'24	MoM	Jun'23	YoY	FY23	FY24	YoY
PSMC	6,010	6,885	14.6%	3,009	128.8%	65,377	54,428	-16.7%
HCAR	1,187	1,095	-7.8%	307	256.7%	16,879	13,214	-21.7%
INDU	2,047	2,957	44.5%	1,846	60.2%	31,104	20,770	-33.2%
SAZEW	2,742	2,689	-1.9%	820	227.9%	11,243	20,377	81.2%
GHNI - D-Max	88	76	-13.6%	62	22.6%	556	726	30.6%
Hyundai	469	803	71.2%	478	68.0%	8,343	5,549	-33.5%
TOTAL	12,543	14,505	15.6%	6,522	122.4%	133,502	115,064	-13.8%

Source: PAMA, ASL Research

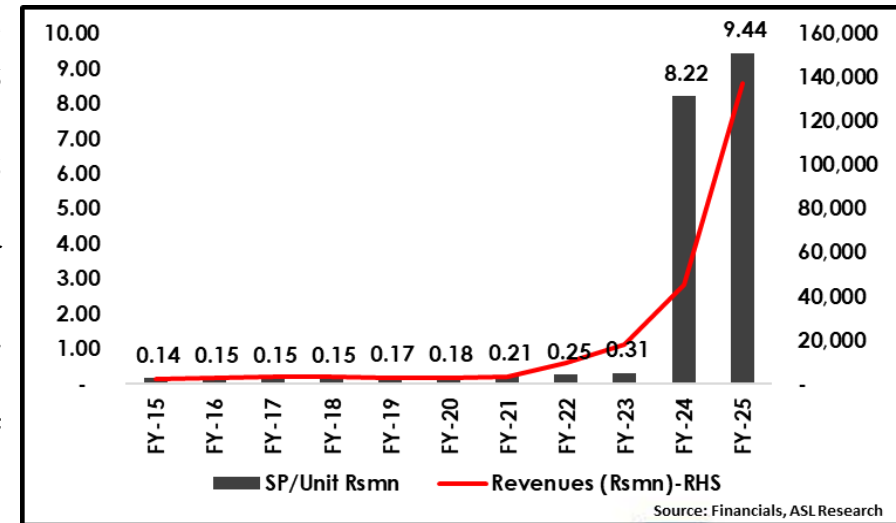
SAZEW: Production Mix enhancing earnings by c.43% on 3-Yrs. CAGR

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- It has been witnessed that Sazgar Engineering Works Limited (SAZEW) marked remarkable growth in earnings during 9MFY24. We have noticed, the rise in EPS was astonishing which marked a robust rise of 7.5xYoY mainly on the significant rise in gross margins which was noticed at c.26% during 9MFY24, rising robustly by c.15.6ppts when comparing the 9MFY23. The phenomena of this remarkable rise was noticed as the company has launched its HAVAL segment where the vehicles were within the range of Rs.8.03mn-Rs.11.89mn for different variants. Prior to the launch of HAVAL, the average price of SAZEW sales units were recorded at 8-Years average of Rs.0.19mn where the company has earned from 3-Wheelers and Tractor Rims sales.
- The revolution of launching HAVAL with HEV technology, the company has been on the road to earn remarkable rise in earnings during next 3 Years by c.43% to Rs.354/sh. from FY24 expected EPS. We believe the benefit of Budget FY25 along with the implications and Auto Policy 21-26, SAZEW may likely be granted merits of being one of the OEMs amongst the Giants in the industry. We believe, prior to the launch BYD, Crolla Cross has been noticed as the competitor in the local manufacturer of HEV in Pakistan which sells within Rs.8.3mn-Rs.9.9mn range HEV top of the line vehicle.
- On the Investment purpose, we recommend BUY on SAZEW with TP of Rs.1,424/sh. for FY25 with forward P/E of 6.5x compared to historical P/E of 48.8x during FY15-FY22.

TP- Rs.1,424/sh.	FY-23	FY-24	FY-25	FY-26
Gross Margins	14.0%	27.1%	19.5%	25.1%
Net Margins	5.5%	13.7%	9.6%	13.5%
BVPS	48.23	108.60	228.05	364.44
ROA	12.9%	29.9%	40.4%	65.2%
EPS	16.46	122.46	218.05	354.44
ROE	34.1%	112.8%	95.6%	97.3%
P/E (x)	3.09	4.02	2.26	1.39

Source: ASL Research



Source: Financials, ASL Research

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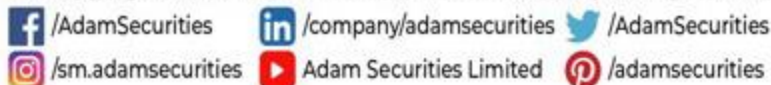
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