

AHL Brief Note: Automobile Assembler

# Honda Atlas Cars (Pakistan) Limited

## Analyst Briefing Takeaways

**Analyst Briefing**

The management of Honda Atlas Cars (Pakistan) Company Limited (HCAR) held a corporate briefing session today to discuss the MY24 financial result and future outlook.

**Brief Takeaways**

- To recall, Honda Atlas Cars (Pakistan) Company Limited (HCAR) announced its financial result for MY24, posting a PAT of PKR 2,334mn (EPS: PKR 16.34), up by 9x YoY. During 4QMY24, the net profit of the company clocked in at PKR 1,370mn (EPS: PKR 9.59) compared to net loss of PKR 824mn (LPS: PKR 5.77) in 4QMY23. Alongside the result, the company announced a cash dividend of PKR 6.50/share.
- The company is preparing to launch its CKD Hybrid vehicle in the HRV category, with an estimated capital expenditure of ~PKR 5bn allocated for establishing the assembly line.
- Around 10-15% of imports come from Japan and 85% are sourced from Thailand . Therefore, the company experienced only a slight benefit from currency devaluation.
- The company's adjusted carried forward minimum tax credits amounting to PKR 1.13bn against its tax liability for the current year, decreasing the effective tax rate from 86.9% to 15.2% in MY24.
- In 1QMY25, the company's margins declined due to an increase in GST rates from 18% to 25%. Management informed that they chose to absorb these additional costs rather than passing them on to customers, hence impacting the margins.
- The company has achieved localization levels of 73% for the City model, 61% for the Civic, and 50% for the HRV-BRV models.
- The company operates through 62 dealers spread across 23 cities, categorized as 37 dealers in 3S dealer category, 20 in 2S dealer category, and 5 in 1S dealer category.
- The City model accounts for 60% of Honda's total Civic and City sales. Among the two variants of City, 1.2 CVT variant constitutes more than 70% of City sales.
- The company has no intentions to enter the economical segment of 600cc cars, due to intense competition in that market.
- The management said that the supply chain is currently unaffected, with no issues regarding LC (Letter of Credit) openings. However, the primary concern lies in the decline of overall demand, which is affecting sales.
- Customs duties on Completely Knocked Down (CKD) units vary between 5% and 46%. Moreover, on basic raw materials customs duties range from 2% to 3%, while EMX parts face duties ranging from 5% to 46%.
- According to management, due to expected pressure on the current account going forward, the government is likely to raise duties and taxes on Completely Built-Up (CBU) vehicles, which could affect their prices.

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