

AHL Brief Note: Automobile Assembler

Ghandhara Automobiles Limited (GAL)

Analyst Briefing Takeaways

Analyst Briefing

The management of Ghandhara Automobiles Limited (GAL) and Ghandhara Industries Limited (GHNI) held an analyst briefing session on 22nd Nov'24 to discuss the company's performance and future outlook.

Ghandhara Automobiles Limited (GAL)

Brief Takeaways

- **New launches:** The Cherry Tiggo PHEV, initially planned for launch this year, is now expected to debut in January 2025. The delay is due to pending approval from the R&D department in China. Following approval, the initial rollout will consist of CBU units, with CKD production to follow thereafter. Furthermore, the company is also going to launch JAC hunter pickup truck which is going to be launched next year.
- **Volumetric Sales:** The company sold 198 units of Cherry Tiggo during FY24, with an additional 87 units sold in 1QFY25. Meanwhile, Dongfeng units recorded sales of approximately 340 units in FY24, followed by 135 units in 1QFY25. Regarding the question about the discontinued reported numbers of Cherry Tiggo at PAMA, the company mentioned that the numbers will be available from next month.
- **Capacity:** The production capacity is 4,800 units per annum for the assembly of Dongfeng, JAC, and ISUZU commercial vehicles on a single-shift basis, and 6,000 units per annum for the assembly of Chery SUVs.
- **Truck financing:** The majority of truck financing is facilitated through the Kamyab Jawan Scheme, which drives a significant portion of truck sales. In response to a question about the SBP's restriction on auto financing above PKR 3mn, the management clarified that this restriction does not apply to this scheme.
- **Competition:** The company's lightweight trucks compete directly with ISUZU trucks, whereas its heavyweight trucks do not compete directly with rivals such as HINO and ISUZU due to the company's distinct horsepower specifications.
- **Average Prices:** The average price of Dongfeng is around PKR 18mn, while JAC's main variant is priced at PKR 4.7mn, with other variants priced at approximately PKR 5.5-6mn.
- **Dealership Networks:** GAL has a network of 26 dealerships (Sales, Service, and Spares) across the country, along with 2 regional offices providing sales and aftersales services.
- **Outlook:** Going forward, the management expects their Cherry sales numbers to be reported to PAMA. They also expect truck sales to continue improving as economic stabilization continues and interest rates come down.

AHL Brief Note: Automobile Assembler

Ghandhara Industries Limited (GHNI)

Analyst Briefing Takeaways

Ghandhara Industries Limited (GHNI)

Brief Takeaways

- **Market Share:** The total volumetric sales of trucks and buses decreased from 3,836 units in FY23 to 2,641 units in FY24. However, GHNI's market share increased from 42% to 50%.
- **Sales Mix:** The sales mix for FY24 was as follows: 76% from the N series, 14% from the F series, 2% from the C series, and 7% from buses.
- **Localization:** The company currently has the localization level ranging from 30-35%.
- **Improving margins:** The company's margins improved from 15.8% to 19.5%. Management attributes this improvement to effective cost and inventory management, as well as an increase in truck prices.
- **Average Prices:** The average price of the F-series ranges from PKR 13-14mn to PKR 38mn.
- **Finance cost:** As the profitability has improved by 4.4x to PKR 781mn, the company's finance cost has also reduced by 32.5% YoY.
- **Revival in demand:** The management believes that the demand for trucks has increased, driven by factors such as improving macroeconomic conditions, a rise in Reko Diq orders, and the easing of axle load restrictions.

Disclaimer: This document has been prepared by Research analysts at Arif Habib Limited (AHL). This document does not constitute an offer or solicitation for the purchase or sale of any security. This publication is intended only for distribution to the clients of the Company who are assumed to be reasonably sophisticated investors that understand the risks involved in investing in equity securities. The information contained herein is based upon publicly available data and sources believed to be reliable. While every care was taken to ensure accuracy and objectivity, AHL does not represent that it is accurate or complete and it should not be relied on as such. In particular, the report takes no account of the investment objectives, financial situation and particular needs of investors. The information given in this document is as of the date of this report and there can be no assurance that future results or events will be consistent with this information. This information is subject to change without any prior notice. AHL reserves the right to make modifications and alterations to this statement as may be required from time to time. However, AHL is under no obligation to update or keep the information current. AHL is committed to providing independent and transparent recommendation to its client and would be happy to provide any information in response to specific client queries. Past performance is not necessarily a guide to future performance. This document is provided for assistance only and is not intended to be and must not alone be taken as the basis for any investment decision. The user assumes the entire risk of any use made of this information. Each recipient of this document should make such investigation as it deems necessary to arrive at an independent evaluation of an investment in the securities of companies referred to in this document (including the merits and risks involved), and should consult his or her own advisors to determine the merits and risks of such investment. AHL or any of its affiliates shall not be in any way responsible for any loss or damage that may be arise to any person from any inadvertent error in the information contained in this report.

Muhammad Abrar | Menka Kirpalani

D: +92 21 32462589

UAN: +92 21 111 245 111, Ext: 255

muhammad.abrar@arifhabibltd.com | menka.kumari@arifhabibltd.com