Result Preview | Pakistan Research

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REN # REP - 004 REN # REP - 400 R

11 November 2026

HCAR: 2QMY27 EPS expected to clock in at PKR 5.84, up 12% YoY

Honda Atlas Cars (Pakistan) Limited PSX: HCAR | Bloomberg: HCAR PA | Reuters: HATC.PSX

- HCAR is expected to announce its 2QMY27 results, where we expect the company to report an EPS of PKR 5.84, up 12% YoY (down 7% QoQ excluding the one-off SIDC gain booked in 1QMY27). We do not expect any cash dividend to be announced alongside the second quarter result.
- On a YoY basis, net sales are expected to rise 44% to PKR 36.5bn, driven by 52% volume growth, partly offset by a 5% decline in revenue per unit due to a lower HR-V contribution. Gross profit is projected to increase 30%, with gross margin contracting ~70bps to 6.9%. On a QoQ basis, sales are expected to remain broadly flat, as a richer Civic mix partly offsets the 7% decline in volumes, while gross profit is projected to fall 13% amid a further ~85bps margin contraction. Looking ahead, 2HMY27 margins will depend on HCAR's ability to pass on rising costs amid intensifying competition and higher financing rates, as well as stability in the PKR/JPY exchange rate.
- HCAR sold 7,401 units in 2QMY27, up 52% YoY, primarily driven by an 86% YoY increase in City and Civic sales. Meanwhile HR-V and BR-V volumes declined 72% YoY to 298 units, reflecting the BR-V's discontinuation and the PKR 1.37mn price hike in HR-V e:HEV in July following the expiry of the hybrid GST concession. Sequentially, overall volumes declined 7% QoQ. However, the September reduction in GST on locally manufactured HEVs from 25% to 18% enabled HCAR to reduce the HR-V e:HEV price by PKR 1.07mn, while the VTi-S price was reduced by PKR 0.5mn, potentially supporting demand recovery.
- On a YoY basis, finance cost is expected to more than double to PKR 673mn, driven by higher receivables financing and SIDC unwinding, while other income is projected to rise 32% to PKR 653mn, supporting 12% growth in PAT to PKR 834mn. On a QoQ basis, finance cost is expected to increase 7%, while other income and PAT are projected to decline 69% and 66%, respectively, reflecting the high base from a one-off SIDC gain booked in 1QMY27.
- On the balance sheet, the revised SIDC payment schedule requires HCAR to settle 45% of its PKR 4.85bn liability in three instalments of PKR 727mn (Jul-26, Oct-26 and Jul-27), with the remaining 55% payable quarterly over 2028-40. Consequently, the current portion of non-current liabilities is expected to rise to ~PKR 2.0bn (Jun-26: PKR 1.3bn). Alongside the PKR 1.3bn final dividend, these outflows are likely to constrain cash flows against the Jun-26 cash balance of PKR 2.2bn.
- We maintain our 'BUY' recommendation on the stock based on our June-27 target price (TP) of PKR 308/share, which provides an upside of 50% along with a dividend yield of 5%.

Key Data	
PSX Ticker	HCAR
Target Price (PKR)	308
Current Price (PKR)	205
Upside/(Downside) (%)	50%
Dividend Yield (%)	5%
Total Return (%)	55%
12-month High (PKR)	292
12-month Low (PKR)	148
Outstanding Shares (mn)	143
Market Cap (PKR mn)	29,337

Source: PSX, Akseer Research

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Financial Estimates (PKR mn)	2QMY26A	2QMY27E	YoY
Sales	25,418	36,495	44%
Cost of Sales	23,498	33,994	45%
Gross profit	**1,920**	**2,501**	**30%**
Distribution and Marketing cost	298	365	23%
Administrative expenses	613	675	10%
Operating expenses	**911**	**1,040**	**14%**
Operating Profit	**1,009**	**1,461**	**45%**
Other Income	495	653	32%
Other operating expense	67	117	75%
Operating profit before finance cost	**1,437**	**1,997**	**39%**
Finance cost	315	673	114%
Profit before taxation	**1,122**	**1,324**	**18%**
Taxation/Levies	380	490	29%
Profit after taxation	**742**	**834**	**12%**
EPS	5.20	5.84	12%
DPS	-	-	

Source: Company Accounts, Akseer Research

Key Financial Ratios	MY24A	MY25A	MY26A	MY27F	MY28F	MY29F
EPS (PKR)	16	19	23	34	44	50
EPS Growth	797%	16%	19%	51%	27%	15%
DPS (PKR)	7	8	9	10	13	15
PER	12.6	10.8	9.1	6.0	4.7	4.1
Dividend Yield	3%	4%	4%	5%	6%	7%
ROE	11.4%	12.0%	13.2%	18.0%	20.0%	20.1%

Source: Company Account, Akseer Research

Valuation Basis

Our June-27 target price of PKR 308/share for Honda Atlas Cars (Pakistan) Limited (HCAR) is derived using a Discounted Cash Flow (DCF) framework. Following the 50bps increase in the policy rate to 12% and the rise in long-term PIB yields to 12.7%, we have revised our risk-free rate assumption to 13% from 11.5%. We use a beta of 1.0x and an equity risk premium of 6%, resulting in a cost of equity of 19% and a terminal growth rate of 3%.

At current levels, our TP implies a total return of 55%, comprising a 50% price upside and a dividend yield of 5%, on the basis of which we maintain our 'BUY' recommendation on the stock.

Risks

Key downside risks to our investment thesis include (1) a sharp depreciation of the PKR against the JPY and USD, raising CKD kit costs, (2) weaker demand from higher interest rates, after the SBP raised the policy rate by 50bps to 12% in Oct-26 amid double-digit inflation, which also lifts HCAR's receivables financing costs, (3) intensifying competition from more than 20 Chinese brands and cheaper used-car imports, as the regulatory duty on commercial used imports falls from 30% in FY27 to zero within three years and CBU duties are capped at 15% under the new auto policy, limiting pricing power, (4) liquidity pressure from SIDC instalments of PKR 727mn each due in Oct-26 and Jul-27 and (5) high product concentration, with City and Civic making up over 95% of volumes after the BR-V's discontinuation.

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Company Description

Honda Atlas Cars (Pakistan) Limited (HCAR) is a publicly listed joint venture between Honda Motor Company, Japan, and the Atlas Group of Pakistan, incorporated in 1992 and listed on the Pakistan Stock Exchange (PSX). The company operates a CKD manufacturing facility in Lahore, assembling the City, Civic and HR-V, including the HR-V e:HEV, its first locally assembled hybrid, while also selling the imported Accord and CR-V through a network of around 60 dealerships in 23 cities. The BR-V was discontinued in March 2026. As a CKD assembler with high import content, HCAR's margins are sensitive to PKR/JPY movements and import-related input costs. Recent launches include the HR-V e:HEV (August 2025), the City 1.5L Aspire S CVT (September 2025) and the 2026 Civic facelift (January 2026), which offers the Honda Sensing driver-assistance suite as standard across all variants. These launches have supported volumes, with 1HMY27 sales up 47% YoY to 15,319 units.

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Financial - HCAR

Income Statement (PKR mn)	MY24A	MY25A	MY26A	MY27F	MY28F	MY29F
Sales	55,071	78,066	122,283	151,729	170,141	190,147
Cost of Sales	50,563	71,402	112,800	140,455	155,447	173,577
Gross profit	**4,508**	**6,664**	**9,483**	**11,274**	**14,694**	**16,570**
Distribution and Marketing cost	915	1,132	1,672	1,517	1,701	1,901
Administrative expenses	1,480	1,889	2,510	2,887	3,320	3,818
Operating expenses	**2,395**	**3,021**	**4,182**	**4,404**	**5,021**	**5,719**
Operating Profit	**2,113**	**3,643**	**5,300**	**6,870**	**9,672**	**10,851**
Other Income	2,252	989	2,311	4,305	4,047	4,776
Other operating expense	394	315	516	669	942	1,057
Operating profit before finance cost	**3,972**	**4,317**	**7,095**	**10,506**	**12,777**	**14,569**
Finance cost	1,219	1,042	2,007	2,744	2,909	3,185
Profit before taxation	**2,753**	**3,275**	**5,088**	**7,762**	**9,868**	**11,385**
Taxation/Levies	419	566	1,855	2,872	3,651	4,212
Profit after taxation	**2,334**	**2,709**	**3,234**	**4,890**	**6,217**	**7,172**

Source: Company Accounts, Akseer Research

Balance sheet (PKR mn)	MY24A	MY25A	MY26A	MY27F	MY28F	MY29F
PPE	7,580	6,274	6,075	6,055	6,034	6,011
Other LT assets	1,952	3,098	3,035	2,861	3,141	3,318
Non-current assets	9,532	9,371	9,111	8,916	9,175	9,329
Current assets	40,299	39,750	50,000	60,895	68,151	77,349
Total assets	**49,830**	**49,121**	**59,111**	**69,811**	**77,326**	**86,677**
Non-current liabilities	3,979	3,259	2,350	3,288	2,932	2,549
Current liabilities	24,196	22,422	31,322	37,623	41,142	45,855
Total liabilities	**28,175**	**25,682**	**33,673**	**40,911**	**44,074**	**48,405**
Equity	21,655	23,439	25,438	28,900	33,252	38,273
Total equity & liabilities	**49,830**	**49,121**	**59,111**	**69,811**	**77,326**	**86,677**

Source: Company Accounts, Akseer Research

Cashflow statement (PKR mn)	MY24A	MY25A	MY26A	MY27F	MY28F	MY29F
Net income	2,334	2,709	3,234	4,890	6,217	7,172
Non-cash charges	23,102	8,732	6,241	3,488	2,881	1,590
Operating cash flows	**(18,988)**	**13,050**	**(1,427)**	**9,887**	**7,910**	**9,040**
FCFF	(18,982)	12,747	(2,809)	8,398	6,326	7,354
Net borrowings	(5,330)	(5,884)	(369)	(1,578)	(920)	(446)
FCFE	(13,652)	6,863	(3,178)	9,977	5,406	6,908
Closing cash	**14,046**	**5,414**	**4,235**	**9,568**	**12,888**	**17,531**

Source: Company Accounts, Akseer Research

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To arrive at our 12-months Price Target, the JV uses different valuation methods which include: 1). DCF methodology, 2). Relative valuation methodology, and 3). Asset-based valuation methodology.

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JV employs a three-tier ratings system to rate a stock, as mentioned below, which is based upon the level of expected return for a specific stock. The rating is based on the following with time horizon of 12-months.

Rating	Expected Total Return
Buy	Greater than or equal to +15%
Hold	Between -5% and +15%
Sell	Less than or equal to -5%

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