Result Review | Pakistan Research

Laiba Arshad Ali
laiba.arshad@akseerresearch.com

REN # REP - 004 REN # REP - 400 R

25 November 2026

HCAR: 2QMY27 EPS up 95% YoY on SIDC reversal; core EPS up 14%

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

- HCAR announced its 2QMY27 results today, where the company reported an EPS of PKR 10.14, up 95% YoY, as earnings were boosted by the reversal of the Sindh Infrastructure Development Cess (SIDC) provision following the Federal Constitutional Court (FCC) ruling. Excluding the one-off, core EPS at PKR 5.9, up 14% YoY but down 5% QoQ. This takes 1HMY27 EPS to PKR 27.55, up 150% YoY (core: PKR 12.2, up 11% YoY). The company did not announce any cash dividend.
- On 19-Nov-26, the FCC ruled that the Sindh infrastructure cess law was beyond provincial legislative competence. Following the ruling, HCAR reversed PKR 3.39bn (70%) of its PKR 4.85bn SIDC liability, boosting gross profit. This was partly offset by the reversal of PKR 1.59bn discounting income booked in 1QMY27, resulting in a net gain of PKR 1.80bn in 2QMY27. The cumulative 1HMY27 gain stood at PKR 3.39bn. The remaining PKR 1.45bn (30%), relating to the first two 15% instalments under the settlement, was not reversed. Tax expense increased to PKR 1.77bn, taking the effective tax rate to 55%, due to tax on the reversal and the reversal of the related deferred tax asset.
- On a YoY basis, net sales increased 28% to PKR 32.5bn, driven by 52% volume growth, partly offset by a 16% decline in revenue per unit. Excluding the SIDC reversal, gross profit grew 40% to PKR 2.7bn, with gross margin expanding ~70bps to 8.3%, as lower cost per unit and improved fixed cost absorption more than offset the decline in revenue per unit. On a QoQ basis, net sales declined 13%, with both volumes and revenue per unit down 7%. However, core gross profit fell by a relatively lower 6%, supported by a ~55bps improvement in gross margin. For 1HMY27, net sales grew 34% to PKR 69.7bn, while core gross profit increased 32% to PKR 5.6bn. Core gross margin remained broadly stable at 8.0% (1HMY26: 8.1%).
- On a YoY basis, operating expenses rose 27% to PKR 1.16bn, driven by a 53% increase in distribution costs, while finance cost declined 10% to PKR 283mn. Other income turned negative at PKR 1.07bn, which we believe reflects the reversal of the PKR 1.59bn discounting income booked in 1QMY27; excluding this, core other income grew 5% to PKR 520mn. Other expenses increased to PKR 343mn (2QMY26: PKR 67mn), likely reflecting higher WPPF and WWF provisions. On a sequential basis, operating expenses increased 17% QoQ to PKR 993mn, while finance costs declined 55% QoQ to PKR 631mn. For 1HMY27, finance cost increased 77% to PKR 914mn, while other income remained broadly flat at PKR 1.02bn, as the 1QMY27 discounting gain appear to have been reversed in 2QMY27.

Key Data	
PSX Ticker	HCAR
Target Price (PKR)	321
Current Price (PKR)	210
Upside/(Downside) (%)	53%
Dividend Yield (%)	5%
Total Return (%)	58%
12-month High (PKR)	288
12-month Low (PKR)	148
Outstanding Shares (mn)	143
Market Cap (PKR mn)	29,988

Source: PSX, Akseer Research

REN # REP - 004 REN # REP - 400 R

- On the balance sheet, the SIDC long-term payable (Jun-26: PKR 1.8bn) has been eliminated following the reversal, while the current portion of non-current liabilities fell to PKR 0.55bn (Jun-26: PKR 1.29bn). Net cash declined to PKR 1.3bn (Jun-26: PKR 2.2bn), following the PKR 1.3bn final dividend payout, while short-term borrowings stood at PKR 0.56bn. Meanwhile, inventory increased 12% QoQ to PKR 27.6bn. On the cash flow front, operating cash flow improved to an inflow of PKR 0.8bn in 1HMY27, compared to an outflow of PKR 1.9bn in 1HMY26.
- We maintain our 'BUY' recommendation on the stock based on our June-27 target price (TP) of PKR 321/share, which provides an upside of 53% along with a dividend yield of 5%.

Financial (PKR mn)	2QMY26	2QMY27	YoY	1HMY26	1HMY27	YoY
Sales	25,418	32,503	28%	51,880	69,704	34%
Cost of Sales	23,498	26,424	12%	47,685	60,759	27%
Gross profit	**1,920**	**6,079**	**217%**	**4,195**	**8,945**	**113%**
Distribution and Marketing cost	298	455	53%	648	875	35%
Administrative expenses	613	706	15%	1,217	1,280	5%
Operating expenses	**911**	**1,161**	**27%**	**1,865**	**2,154**	**15%**
Operating Profit	**1,009**	**4,918**	**387%**	**2,330**	**6,791**	**191%**
Finance cost	315	283	-10%	517	914	77%
Other Income	495	(1,070)	n.m.	1,048	1,020	-3%
Other operating expenses	67	343	413%	277	591	113%
Profit before taxation	**1,122**	**3,222**	**187%**	**2,583**	**6,306**	**144%**
Taxation/Levies	380	1,774	367%	1,012	2,373	134%
Profit after taxation	**742**	**1,448**	**95%**	**1,571**	**3,934**	**150%**
EPS	5.20	10.14	95%	11.00	27.55	150%
DPS	-	-		-	-	

Source: Company Accounts, Akseer Research

REN # REP - 004 REN # REP - 400 R

Disclaimer

This report has been prepared and marketed jointly by Akseer Research (Pvt) Limited and Alpha Capital (Pvt) Limited, hereinafter referred jointly as "JV" and is provided for information purposes only. Under no circumstances this is to be used or considered as an offer to sell or solicitation of any offer to buy. While reasonable care has been taken to ensure that the information contained therein is not untrue or misleading at the time of publication, we make no representation as to its accuracy or completeness and it should not be relied upon as such. From time to time, the JV and/or any of their officers or directors may, as permitted by applicable laws, have a position, or otherwise be interested in any transaction, in any securities directly or indirectly subject of this report. This report is provided only for the information of professionals who are expected to make their own investment decisions without undue reliance on this report. Investments in capital markets are subject to market risk and the JV accepts no responsibility whatsoever for any direct or indirect consequential loss arising from any use of this report or its contents. In particular, the report takes no account of the investment objectives, financial situation and particular needs of investors, who should seek further professional advice or rely upon their own judgment and acumen before making any investment. The views expressed in this report are those of the JV's Research Department and do not necessarily reflect those of the JV or its directors. Akseer Research and Alpha Capital as firms may have business relationships, including investment--banking relationships, with the companies referred to in this report. The JV or any of their officers, directors, principals, employees, associates, close relatives may act as a market maker in the securities of the companies mentioned in this report, may have a financial interest in the securities of these companies to an amount exceeding 1% of the value of the securities of these companies, may serve or may have served in the past as a director or officer of these companies, may have received compensation from these companies for corporate advisory services, brokerage services or underwriting services or may expect to receive or intend to seek compensation from these companies for the aforesaid services, may have managed or co-managed a public offering, take-over, buyback, delisting offer of securities or various other functions for the companies mentioned in this report.

All rights reserved by the JV. This report or any portion hereof may not be reproduced, distributed or published by any person for any purpose whatsoever. Nor can it be sent to a third party without prior consent of the JV. Action could be taken for unauthorized reproduction, distribution or publication.

Valuation Methodology

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.

Ratings Criteria

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%

Ratings are updated to account for any development impacting the economy/sector/company, changes in analysts' assumptions or a combination of these factors.

Research Dissemination Policy

The JV endeavors to make all reasonable efforts to disseminate research to all eligible clients in a timely manner through either physical or electronic distribution such as email, fax mail etc.

Analyst Certification

The research analyst, denoted by 'AC' on the cover of this report, has also been involved in the preparation of this report, and is a member of JV's Equity Research Team. The analyst certifies that (1) the views expressed in this report accurately reflect his/her personal views and (2) no part of his/her compensation was, is or will be directly or indirectly related to the specific recommendations or views expressed in this report.

Contact Details

Akseer Research (Pvt) Limited
1st Floor, Shaheen Chambers, KCHS block 7 & 8,
off. Shahrah-e-Faisal
T: +92-21-34320359 -60
E: info@akseerresearch.com

Alpha Capital (Pvt) Limited
3rd Floor, Shaheen Chambers, A-4 Central Commercial Area,
KCH Society, Block 7 & 8, Near Virtual University, Karachi
T: +92-21-38694242
E: info@alphacapital.com.pk

www.jamapunji.pk