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HCAR: MY26 EPS to rise 19% to PKR23; DPS: PKR 9

Honda Altas Cars (Pakistan) Limited

PSX: HCAR | Bloomberg: HCAR PA | Reuters: HATC.PSX

- HCAR is expected to announce its MY26 results, where we expect the company to report an EPS of PKR 6.94 in 4QMY26, down 45% YoY. This will take MY26 EPS to PKR 23, up 19% YoY. The company is also expected to announce dividend of PKR 9/share.
- Net sales for 4QMY26 are expected to clock in at PKR 37.9bn, up 37% YoY mainly backed by increase in volume. However, PBT will likely rise by 24% due to margin contraction and higher finance cost. PAT will likely fall 41% YoY due to higher tax expense. 4QMY26 effective tax rate will likely clock in at 46% against -15% during 4QMY25.
- MY26 recorded a strong recovery with volumes rising 59% YoY leading to a 57% YoY growth in revenues. Lower margins will likely limit gross profit growth to 48% YoY. Due to a relatively contained increase in admin expenses and distribution and marketing costs (relative to revenue growth) PBT will likely rise 71% YoY despite 61% growth in finance cost. A 197% expected growth in tax expense will limit earnings growth to 19% YoY in MY25. Effective tax rate for MY26 will likely clock in at 42% vs 17% during MY25.
- We maintain our 'BUY' recommendation on the stock based on our Dec-26 target price (TP) of PKR 327/share, which provides a capital upside of 44% along with a dividend yield of 4%.

Key Data

PSX Ticker	HCAR
Target Price (PKR)	327
Current Price (PKR)	227
Upside/(Downside) (%)	44%
Dividend Yield (%)	4%
Total Return (%)	48%
12-month High (PKR)	321
12-month Low (PKR)	146
Outstanding Shares (mn)	143
Market Cap (PKR mn)	32,010

Source: PSX, Akseer Research

Financial Estimates (PKR mn)	4QMY25	4QMY26E	YoY	MY25	MY26E	YoY
Sales	27,653	37,949	37%	78,066	122,933	57%
Cost of Sales	24,864	34,764	40%	71,402	113,054	58%
Gross profit	2,788	3,185	14%	6,664	9,879	48%
Distribution and Marketing cost	544	517	-5%	1,132	1,616	43%
Administrative expenses	602	588	-2%	1,889	2,388	26%
Operating expenses	1,146	1,105	-4%	3,021	4,004	33%
Operating Profit	1,642	2,080	27%	3,643	5,875	61%
Finance cost	346	553	60%	1,042	1,624	56%
Other Income	370	374	1%	989	1,795	82%
Other operating expenses	197	83	-58%	315	442	40%
Profit before taxation	1,469	1,818	24%	3,275	5,604	71%
Taxation/Levies	214	827	287%	804	2,387	197%
Profit after taxation	1,682	991	-41%	2,709	3,217	19%
EPS	12	7	-41%	19	23	19%
DPS	8	9		8	9	

Source: Company Accounts, Akseer Research

Key Financial Ratios	FY23A	FY24A	FY25A	FY26E	FY27F	FY28F
EPS (PKR)	2	16	19	23	25	30
EPS Growth	-90%	797%	16%	19%	12%	19%
DPS (PKR)	-	7	8	9	11	14
PER	124.6	13.9	12.0	10.1	9.0	7.6
Dividend Yield	0%	3%	4%	4%	5%	6%
ROE	1.3%	11.4%	12.0%	13.5%	14.3%	15.7%

Source: Company Account, Akseer Research

Valuation Basis

Our Dec-26 target price of PKR 327/share for Honda Atlas Cars (Pakistan) Limited (HCAR) is derived using a Discounted Cash Flow (DCF) framework. Key assumptions underpinning our valuation include a risk-free rate of 11%, a beta of 1.28x, and an equity risk premium of 6%, yielding a cost of equity of 19%. At current levels, our TP implies a total return of 48%, comprising a 44% price upside and a dividend yield of 4%, on the basis of which we maintain our "BUY" recommendation on the stock.

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 assembles and sells Honda passenger vehicles including the Civic, City, BR-V, and HR-V, through a nationwide dealership network, operating a CKD manufacturing facility in Lahore. As a CKD assembler, HCAR's margins are inherently sensitive to PKR/JPY exchange rate movements and import-related input costs. The company recently expanded its portfolio with the launch of the HR-V Hybrid in August 2025 and the Honda City 1.5L Aspire S CVT in September 2025, which meaningfully supported a 59% YoY volume increase in MY26, reflecting strong demand momentum across its sedan and cross over lineup.

Financial Highlights - HCAR

Income Statement (PKR mn)	FY23A	FY24A	FY25A	FY26E	FY27F	FY28F
Sales	95,087	55,071	78,066	122,933	140,798	162,362
Cost of Sales	87,926	50,563	71,402	113,054	129,825	149,777
Gross profit	7,161	4,508	6,664	9,879	10,973	12,585
Distribution and Marketing cost	902	915	1,132	1,616	1,917	2,211
Administrative expenses	1,322	1,480	1,889	2,388	2,508	2,633
Operating expenses	2,224	2,395	3,021	4,004	4,425	4,844
Operating Profit	4,937	2,113	3,643	5,875	6,548	7,742
Finance cost	346	1,219	1,042	1,624	1,624	1,624
Other Income	2,322	2,252	989	1,795	1,795	1,795
Other operating expenses	4,930	394	315	442	442	442
Profit before taxation	1,983	2,753	3,275	5,604	6,277	7,470
Taxation/Levies	1,723	419	566	2,387	2,673	3,182
Profit after taxation	260	2,334	2,709	3,217	3,603	4,288

Source: Company Accounts, Akseer Research

Balance sheet (PKR mn)	FY23A	FY24A	FY25A	FY26E	FY27F	FY28F
PPE	9,365	7,580	6,274	6,033	9,767	12,892
Other LT assets	1,925	1,952	3,098	3,843	3,843	3,843
Non-current assets	11,290	9,532	9,371	9,876	13,610	16,736
Current assets	51,398	40,299	39,750	55,356	50,251	54,654
Total assets	62,688	49,830	49,121	65,233	63,861	71,389
Non-current liabilities	4,603	3,979	3,259	2,864	2,864	2,864
Current liabilities	38,820	24,196	22,422	38,160	34,776	39,996
Total liabilities	43,424	28,175	25,682	41,024	37,640	42,860
Equity	19,264	21,655	23,439	24,208	26,220	28,529
Total equity & liabilities	62,688	49,830	49,121	65,232	63,860	71,389

Source: Company Accounts, Akseer Research

Cashflow statement (PKR mn)	FY23A	FY24A	FY25A	FY26E	FY27F	FY28F
Net income	260	2,334	2,709	3,217	3,603	4,288
Non-cash charges	3,964	23,102	8,732	13,639	1,630	3,221
Operating cash flows	1,924	18,988	13,050	8,508	4,166	10,040
FCFF	5,519	18,982	12,747	10,181	1,761	4,384
Net borrowings	267	5,330	5,884	275	-	-
FCFE	5,252	13,652	6,863	10,456	1,761	4,384
Closing cash	6,366	13,992	7,704	10,481	11,473	9,070

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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