GAL, HCAR, INDUS, NPL, NCPL, LUCK, SAZEW, GHNI

PSX · PAKISTAN AUTO POLICY 2026-31

Can Pakistan's new Auto Policy 2026-31 bring vehicle prices down gradually while opening up EV, charging and export opportunities for the listed names we follow?

THE STORY

As you know, the government announced a new auto policy on Saturday. The aim of the policy is to bring down the prices of all vehicles, although, ironically, luxury vehicles may be excluded from this relief. We read the policy as revolving around six pillars: cheaper vehicles, exports, localisation, safety, EVs, and transparency. The focus is on introducing cheaper vehicles and EVs.

On prices and duties, we expect prices to fall gradually over the next five years. Duties on CBUs and CKD kits will also fall each year. Most importantly, tariffs will be reduced to **15%** by **2030-31**. The policymakers expect petrol car prices to fall by **8% to 10%**. Similarly, hybrid vehicle prices may fall by about **9%**, and small EV prices may fall by up to **22%**.

The tax structure is tilted towards cleaner vehicles. EVs will be subject to a **1%** sales tax, extended-range EVs (REEVs) to **6%**, and plug-in hybrids (PHEVs) to **9%**. In contrast, normal cars will continue to attract an **18%** sales tax. EVs priced above **$75,000** will be subject to a **10%** FED.

Financing is another important piece. The EV financing limit from banks will rise to **PKR 10 million**, which we see as very positive for the banking sector's ADR. Earlier, the limit was **PKR 3 million**. Now, banks are expected to focus more on auto lending. Simultaneously, the repayment period will rise to **5 years**, from an earlier repayment period of **3 years**.

On charging infrastructure, for players such as Nishat, Bestway, and HUBC, charging station machinery will attract only a **1%** tax and will also be subject to zero customs duty. There is a plan to install **3,000** charging stations by **2030**, which we see as positive for Nishat Group companies.

On exports, the policy envisions export targets of **$6.01 billion** over five years. For FY27, the policy sets a realistic export target of **$256.6 million**, which could be positive for auto companies such as BYD (HUBC). For FY31, the export target is **$2.19 billion**, which also appears realistic. In the EV segment, the target is for **30%** of new sales to be electric by FY30.

There are wider benefits as well. The policy may cut emissions by **4.5 million tons** and adds **45** safety standards. In addition, it may save **2.07 billion litres** of fuel yearly, which in turn may reduce the import bill, and it may save **$1 billion** in foreign exchange.

Our view: the auto policy may have more positives for Chinese assembly of EVs, where companies such as HUBC, NextGen (Nishat Mills), and Lucky Motors (LUCK) may have an opportunity to tap export markets.

THE NUMBERS

Tariff reduction target
15% by 2030-31
tariffs will be reduced to this level; duties on CBUs and CKD kits also fall each year

Petrol car prices, policymakers' expectation
fall by 8% to 10%
gradually over the next five years

Hybrid vehicle prices
may fall by about 9%

Small EV prices
may fall by up to 22%

Sales tax by vehicle type
1% EVs / 6% REEVs / 9% PHEVs / 18% normal cars
EVs priced above $75,000 will be subject to a 10% FED

EV financing limit from banks
PKR 10 million
earlier PKR 3 million; repayment period rises to 5 years from 3 years

Export targets
$6.01 billion over five years
FY27: $256.6 million; FY31: $2.19 billion

EV share of new sales target
30% by FY30
3,000 charging stations planned by 2030

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WHAT WE ARE WATCHING

- How gradually vehicle prices actually fall over the next five years, and whether luxury vehicles are in fact excluded from the relief.
- Whether the yearly duty cuts on CBUs and CKD kits and the tariff path to 15% by 2030-31 are delivered as announced.
- Whether banks respond to the higher EV financing limit and longer repayment period by focusing more on auto lending, and the effect on the banking sector's ADR.
- Progress on the plan for 3,000 charging stations by 2030, and the benefit to Nishat Group companies and other charging players.
- Whether the FY27 export target of $256.6 million and the FY31 target of $2.19 billion are met, particularly through Chinese assembly of EVs (HUBC, NextGen, Lucky Motors).

GENERAL CONCEPT · EDUCATION, NOT A VIEW ON THIS STOCK

CBU, CKD and customs duty

A CBU is a vehicle imported fully built, while a CKD kit is a set of parts imported to be assembled locally. Governments usually charge different customs duties on the two, which shapes whether it is cheaper to import finished cars or assemble them at home. Lowering these duties over time tends to reduce the landed cost of vehicles and parts, and it can change the competitive position of local assemblers. How quickly the duties fall matters as much as where they end up.

GENERAL CONCEPT · EDUCATION, NOT A VIEW ON THIS STOCK

ADR (advances-to-deposits ratio)

The ADR measures how much of a bank's deposits has been lent out as loans rather than held in government securities or other investments. A higher ratio generally means a bank is putting more of its deposit base into lending. When a bank widens a lending category, such as auto or EV financing through a higher limit and a longer repayment period, it can lift loan volumes and so the ADR. Whether this is good for a bank also depends on the quality of the loans it makes.

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