

# Automobile Sector

## Sector Overview

There are presently 82 vehicle assemblers in the industry producing passenger cars, light commercial vehicles, trucks, buses, tractors and 2/3 wheelers. Besides these there are over 600 players in the vendor industry. The total direct employment in the sector is over 192,000 with a total investment of over Rs.98 billion. The auto industry has played a significant role in the large scale manufacturing industry as it contributes \$3.6 billion to the economy besides import substitution resulting in annual foreign exchange savings of over \$ 1 billion.

## SEGMENTS OF PAKISTAN'S AUTOMOBILE INDUSTRY

- 1 Cars and Light Commercial Vehicles (LCVs)
- 2 Two and Three Wheelers
- 3 Tractors
- 4 Trucks and Buses
- 5 Vendor Industry

## Policy Incentives

- ◆ Tax relief: First year allowance or Initial Depreciation Allowance @ 50% of Plant, Machinery & Equipment.
- ◆ Remittance of capital, profits, dividends, etc. is allowed.
- ◆ 100% foreign equity is allowed.
- ◆ 5% Customs duty on import of PME not manufactured locally.
- ◆ No duty, no draw-back and DTRE Scheme for export industries
- ◆ Long Term Finance for Export Oriented Industries available

For more details please visit: <http://www.engineeringpakistan.com>

## TARIFF BASED SYSTEM (TBS) FOR AUTOMOTIVE SECTOR

As of July 1st 2006, the deletion programs for the Automotive Sector have been replaced by the Tariff Based System (TBS).

- SRO 655(I) / 2006 dated June 22, 2006 (For Vendors)
- SRO 656 (I) / 2006 dated June 22, 2006 (For OEMs)
- SRO 693 (I) / 2006 dated July 1, 2006 (For OEMs)

- **SRO 655(1)/2006**

	<i>Custom Duty</i>
▪ Raw Material	0%
▪ Sub-Components	5%
▪ Components	10%
▪ Sub-assemblers	15%

**The TBS has been developed with the following overriding objectives:**

- Promote job creation
- Protect the existing & planned investment by the OEMs & Vendors
- Promote new investment
- Encourage value addition
- Promote new technologies
- Expand the consumer base to create economies of scale

**The basic framework of Tariff Based System is as under:**

1. Imports in CKD condition would be allowed only to assemblers having adequate assembly facilities and registered as such with the Sales Tax Department.
2. Localized Parts imported in CKD kit for industrial assembly attract higher duty.
3. Parts not indigenized would be allowed at CKD rate of Custom Duty.

## PAKISTAN'S AUTO INDUSTRY - SUMMARY

	Assemblers		Vendors
<b>Units:</b>	<b>No of Units</b>	<b>Capacity in Units</b>	Organized Sector : 250
Cars	9	275,000	
LCVs	11	40,000	
Buses	6	5,000	
Trucks	6	26,900	
Tractors	7	65,000	
2/3 Wheelers	43	1.6 Million	
<b>Total</b>	<b>82</b>	<b>2,011,900</b>	
<b>Employment (direct)</b>	192,000		
<b>Investment</b>	Rs.98 billion		
<b>Contribution to GDP</b>	\$3.6 billion		
<b>Contribution to Revenue</b>	Indirect Taxes Rs.63 billion		
<b>Foreign Exchange Saving</b>	Rs.60.99 B / \$0.575 B	Rs.40-50 B / \$0.68 B	

### Vehicle Population Pakistan (2005-06)

Description	Thousand Units
Motorcycle / Scooter	3624
Motor Car	1445
Jeep	63
Tractor	812
Buses	103
Motor Rickshaws	79
Trucks	152
Others	569
<b>Total</b>	<b>6847</b>

## Other Countries Vehicle Production

Country	No. of Vehicles Per 1000 persons
USA	765
Malaysia	641
Japan	543
UK	426
Philippines	31
Srilanka	25
Iran	23
Indonesia	21
India	12
China	10
<b>Pakistan</b>	<b>9</b>

## Tariff Structure - Custom Duty (%)

Item	Cars	LCV	Buses (CNG)	Buses (Non CNG)	Trucks	Tractors	Prime Movers (Upto 280 HP)	Prime Movers (Above 280 HP)	Motorcycles
Raw Materials	0	0	0	0	0	0	0	0	0
Sub- components	5	5	0	5	5	0	0	0	5
Components	10	10	10	10	10	0	0	0	10
Sub- assemblies	20	15	0	15	15	0	0	0	20
CKD	35	20	0	5	10	0	10	0	30
CBU	50- 75*	60	15	20	30	0	30	15	90
* Cars upto 1500 cc				50%					
Cars 1500 cc to 1800 cc				65%					
Cars exceeding 1800 cc				75%					

## INSTALLED CAPACITY & PRODUCTION OF VEHICLES / AUTOMOTIVES

	Installed Capacity	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07 (July-Dec)
<b>CARS</b>	275,000	32,461	39,573	41,233	63,095	98,461	126,403	160,642	77,452
<b>LCVs</b>	40,000	7,036	7,424	9,055	12,548	14,896	25,177	32,053	17,366
<b>Buses</b>	5,000	1,460	1,326	1,086	1,296	1,380	3,204	825	462
<b>Trucks</b>	26,900	913	912	1,134	1,929	2,022	1,762	4,518	2,327
<b>Tractors</b>	65,000	34,559	31,635	23,801	26,240	35,770	43,200	48,887	25,054
<b>Motorcycles*</b>	1.6 Million	86,959	108,850	120,627	165,105	371,000	570,700	751,667	402,285

## Installed Capacity and Production of Cars

Name of Unit	Products	Installed Capacity	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07 (July-Dec)
SUZUKI	Baleno, Alto, Mehran, Cultus	150,000	19,640	32,228	49,864	64,174	82,597	47,179
TOYOTA	Corolla, Daihatsu Cuore	50,000	8,608	17,441	26,993	31,532	38,977	22,489
HONDA	Civic, City	50,000	8,001	8,396	13,415	24,130	30,464	7,104
KIA, HYUNDAI (Deewan Farooq Motors)	Santro Plus, Kia Sportage, Kia Spectra, Kia Classic NGV	25,000	4,271	4,777	8,163	6,567	8,604	680
<b>Total</b>		<b>275,000</b>	<b>40,007</b>	<b>62,022</b>	<b>98,453</b>	<b>126,403</b>	<b>160,642</b>	<b>77,452</b>

## Prices

Unit / Model	Price (In Rs.)
Suzuki Mehran VX	315,000
Suzuki Alto VX	419,000
Suzuki Cultus VX	555,000
Suzuki Baleno JXR	749,000
Toyota Corolla XLI	879,000
Toyota Corolla 2.OD	1,039,000
Daihatsu Cuore	359,000
Honda City	886,000
Honda Civic EXI M/T	1, 003,000
Hyundai Santro EXEC	639,000
KIA RIO EX M/T (1.4L)	999,000

Prices are for standard model

## Projected Growth in Car Industry

Year	Actual					Projection						
	2000-01	01-02	02-03	03-04	04-05	05-06	06-07	07-08	08-09	09-10	10-11	11-12
Production	39,573	41,233	63,095	98,461	126,403	160,642	200,000	250,000	310,000	380,000	440,000	516,000
% Increase Over previous year		4	53	56	28	27	25	25	24	23	16	17

## Installed Capacity and Production of Light Commercial Vehicles

Name of Unit	Products	Installed Capacity	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07 (July-Dec)
SUZUKI	Jeep, Bolan, Ravi	40,000	4,637	6,434	8,093	11,749	17,137	12,413
TOYOTA	Hilux		1,697	3,045	2,229	3,394	2,575	0
DONG FENG			-	-	304	21	24	3
HYUNDAI	Shehzore		2,721	3,069	4,270	8,022	9,368	3,618
SIGMA	Defender					444	1,182	677
MASTER						1,547	1,767	655
<b>Total</b>			<b>40,000</b>	<b>9,055</b>	<b>12,548</b>	<b>14,896</b>	<b>25,177</b>	<b>32,053</b>
<b>SUV (Sports Utility Vehicle)</b>								
KIA	Sportage		513	820	802	414	0	0

## Installed Capacity and Production of BUSES

Name of Unit	Products	Installed Capacity	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07 (July-Dec)
HINO PAK	Hino	5,000	630	756	1,195	1,392	668	354
GHANDHARA	Nissan		36	60	96	120	48	12
SINDH ENGG	Mazda / Dong Feng		420	480	89	110	40	6
NATIONAL MOTORS	Isuzu		-	-	-	119	63	89
MASTER						21	6	1
<b>Total:</b>		<b>5,000</b>	<b>1,086</b>	<b>1,296</b>	<b>1,380</b>	<b>1,762</b>	<b>825</b>	<b>462</b>

## Installed Capacity and Production of TRUCKS

Name of Unit	Products	Installed Capacity	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07 (July-Dec)
HINO PAK	Hino	26,900	618	792	1,020	1,196	1,499	1,195
GHANDHARA	Nissan		206	627	898	1,306	1,652	399
SINDH ENGG.	Mazda / Dong Feng		310	510	104	23	4	2
MASTER			-	-	-	551	466	227
ISUZU			-	-	-	128	897	504
<b>Total</b>		<b>26,900</b>	<b>1,134</b>	<b>1,929</b>	<b>2,022</b>	<b>3,204</b>	<b>4,518</b>	<b>2,327</b>

## Installed Capacity And Production Of Tractors

Name of Unit	Products	Installed Capacity	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07 (July-Dec)
AI-GHAZI	Fiat	50,000	9,138	12,114	16,637	20,840	24,574	13,407
MASSEY FERGUSON	Millat		14,663	14,126	19,133	22,360	24,313	11,647
<b>Total:</b>		<b>50,000</b>	<b>23,801</b>	<b>26,240</b>	<b>35,770</b>	<b>43,200</b>	<b>48,887</b>	<b>25,054</b>

## Installed Capacity and Production of MOTORCYCLE

Name of Unit	Products	Installed Capacity	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07 (July-Dec)
Atlas Honda	Atlas	1.6 Million	90,111	115,924	190,679	287,271	360,561	162,265
Dawood Yamaha	Yamaha		22,444	27,427	50,407	71,560	74,423	26,240
Suzuki			8,072	13,610	27,863	26,234	16,954	12,299
PICICS (Sohrab)	Sohrab		-	6,801	12,255	12,065	14,804	3,285
Triwheeler (Sohrab)			-	1343	3,051	3,258	2,166	1,037
Qingqi			-	10,064	19,007	15,801	17,198	4,818
Fateh	Hero		-	-	-	-	34,018	14,341
<b>Others</b>			-	-	67,717	154,511	231,534	177,917
<b>Total</b>		<b>1.6 Million</b>	<b>120,627</b>	<b>175,169</b>	<b>371,0003</b>	<b>570,700</b>	<b>751,667</b>	<b>402,202</b>

## Opportunities for Investment in Component Manufacturing

The Estimated gaps in component sector are based on the car production of 0.5 million by the year 2011-12

Tier 2 & Tier 3 VENDORS	Process	Total Annual Requirement by 2011-12
	AC	525,000 nos
	Aluminum Castings	44,000 tons
	Audio Systems	525,000 nos
	Ball Bearing	73.8 million nos
	Batteries	550,000 nos
	Casting	71,500 tons
	Door Hardware	2,750 tons
	Fasteners	1,907 million nos
	Forgings	16,500 tons
	Friction Material	7,458 tons
	Glass	1.625 million m2
	Interiors / trims	525,000 sets
	Lights	4,800 tons
	Machining (Al. Parts)	57,200 tons
	Machining (Casted Parts)	92,950 tons
	Machining (Forged Parts)	15,750 tons
	Plastic	72,000 tons
	Radiators	525,000 tons
	Rubber	38,400 tons
Sheet Metal	270,000 tons	
Shock Absorbers	2,100,000 nos	
Silencers	550,000 nos	
Speedometers	510,000 nos	

<b>Tier 2 &amp; Tier 3 VENDORS</b>	Tyre	287,5000 nos
	Wire Harness	525,000 sets
	Water Pump	505,000 nos
	Fuel Pump	505,000 units
	Fuel Filter	2,000,000 units
	Alternator	505,000 units
	Air Cleaner	2,000,000 units
	Seat Recliner	505,000 units
	Heat treatment Plants (Contract)*	* Approximately 8 additional manufacturing units required to achieve the 0.5 million car targets.
	Brake Assemblies*	* Approximately 5 additional manufacturing units required to achieve the 0.5 million car targets.
	Die & Mold Making*	* Approximately 4 additional manufacturing units required to achieve the 0.5 million car targets.
	Pattern Shop*	* Approximately 4 additional manufacturing units required to achieve the 0.5 million car targets.
	Paint Shops (contact)*	* Approximately 4 additional manufacturing units required to achieve the 0.5 million car targets.
<b>Tier 1 Vendors</b>	Engine	510,000 nos
	Gear Box / Transmission	510,000 nos
	Axle	525,000 sets
	Suspension / Mcpherson struts	525,000 sets
	Steering / Power steering Assembly	510,000 units

## LONG TERM AUTO POLICY

Government of Pakistan has approved a five year tariff policy for the car / LCV sector. The applicable customs duty on CBU and CKD Kits would be as under:

	06-07	07-08	08-09	09-10	10-11	11-12
<b>CARS</b>	(Present)					
<u>CAR CKD</u>						
Localized Part	50%	50%	50%	47.5%	45%	45%
Non-Localized Parts	35%	35%	32.5%	32.5%	30%	30%
<u>CBU</u>						
Cars upto 1500 cc	50%					
Cars 1500 cc to 1800 cc	65%			60%		
Cars exceeding 1800 cc	75%			70%		
<b>LCV</b>						
<u>LCV-CKD</u>						
Localized Parts	50%	50%	50%	47.5%	45%	45%
Non-Localized Parts	20%					
<u>CBU</u>						
	60%					

Long term policy has the objective to pre-announce tariffs for five years to make the business environment transparent, predictable and conducive to investment in the auto sector.

## Important Addresses

### Engineering Development Board

Address Software Technology Park, SEDC Building, 5-A, Constitution Avenue,  
Islamabad  
Tel 92 51 9207174  
Fax 92 51 9202108  
Website <http://edb.gov.pk>

### Pakistan Automotive Manufactures Association (PAMA)

Address 11, Ilace House, Abdullah Haroon Road, Karachi  
Contact Mr. Mumtaz A Hanfi- Secretary  
Tel 92 21 5662493, 5672349  
Fax 92 21 5687247  
Website [www.pama.org.pk](http://www.pama.org.pk)

### Pakistan Association of Automotive Parts & Accessories (PAAPAM)

Address 501-5<sup>th</sup> Floor, Mehdi Tower, S.M.C.H.S.,  
Main Shahrah-e-Faisal, Karachi  
Contact Mr Shariq Suhail-Chairman  
Tel 92 21 541 2514  
Fax 92 21 431 1499  
Website [www.paapam.com](http://www.paapam.com)