

### **Honda seeks lifting of 1,300cc limit for non-filers**

KARACHI: Honda Atlas Cars Pakistan (HCAR) has found itself in a tricky spot following government's decision to allow non-filers to purchase 1,300cc vehicles since it only manufactures vehicles of and above 1,339cc.

The Japanese automaker assembles 1,339cc and 1,500cc City variants, 1,500cc BR-V and 1,800cc Civic models.

Vice President HCAR Maqsood-ur-Rahmani has asked the finance minister to allow non-filers to purchase 1,350cc vehicles instead of the 1,300cc as announced in the mini-budget.

In addition to Honda, Suzuki Swift also falls outside the permissible engine capacity limit by a hairline margin. It has 1,328cc engine capacity but spokesperson of Pak Suzuki Motor Company Limited Shafiq Ahmed Sheikh said, "there will be no major impact on company's overall sales as Swift's production and sales volumes are low."

Finance Minister Asad Umar in his speech on Wednesday said that ban on purchase of vehicles for non-filers has been lifted for locally manufactured cars of 1,300cc capacity, but higher taxes will apply.

According to Shajar Capital, the government has decided to increase withholding tax for non-filers by 50 per cent on all segments of vehicles while it has maintained tax for filers.

Profits plunge by 48pc

Honda Atlas Cars Ltd unveiled results for the nine months April-Dec 2018 posting profit after tax at Rs 2.68 billion, translating into earning per share (EPS) at Rs18.78. The earnings were down 48pc from profit-after-tax at Rs5.12bn and EPS at Rs35.86 for the same period last year.

The drop in profit was attributable to shrinkage of gross margins by 38pc; higher operating expenses by 7.9pc and fall in other operating income by 26pc.

Topline Securities stated that the HCAR's third quarter ended Dec 31, 2018 earnings were below expectations, with EPS clocking in at Rs4.21 compared to Rs9.92 in the previous similar quarter (down 58pc YoY), dragged down by both lower sales as well as lower gross profit margins.

"The primary reason for falling gross profit margins is the 26pc depreciation between Dec 2017 and Dec 2018 which led to increase in cost of both local and imported parts," analysts said.

Aamir Shafaat Khan