

HOUSEHOLD APPLIANCES



January 2018

Domestic Industry | Manufacturing

Composition of Manufacturing & Mining at end-FY17

Small Scale Manufacturing (14%)		Large Scale Manufacturing (80%) ↓		Slaughtering (6%)
Textile	Food, Beverage & Tobacco	Coke & Petroleum Products	Iron & Steel Products	Non-Metallic Mineral Products
Automobiles	Fertilizers	Pharmaceuticals	Paper & Board	Electronics

Manufacturing sector is vital to Pakistan's Economy as it constitutes to the second largest sector contributing to the GDP with 13.5%.

It comprises mainly of the three following components:

Manufacturing Sector	Contribution to GDP
Large Scale Manufacturing	10.7%
Small Scale Manufacturing	1.8%
Slaughtering	0.9%

Large Scale Manufacturing | Composition

Sr. #	Large Scale Manufacturing Composition	Weights - Quantum Index of Large Scale Manufacturing
1	Textile	20.9
2	Food, Beverages & Tobacco	12.3
3	Coke & Petroleum Products	5.5
4	Iron & Steel Products	5.3
5	Non-Metallic Mineral Products	5.3
6	Automobiles	4.6
7	Fertilizers	4.4
8	Pharmaceuticals	3.6
9	Paper & Board	2.3
10	Electronics	1.9
11	Chemicals	1.7
12	Leather Products	0.8
13	Wood Products	0.5
14	Engineering Products	0.4
15	Rubber Products	0.2

- LSM recorded significant growth of 10.5% in Mar-17 (against 7.6% of Mar-16).
- Electronics witnessed a sharp turnaround of 15.2% growth as against a contraction of 5.6% during July-March FY16.
- Consumer Durables like refrigerators recorded growth of 25.6% and deep freezers 45.2% which contributed to Electronics' improved performance.
- The increase in consumer financing due to low interest rate environment, foreign investment and better market access for the rural population helped to spur the growth.

Electronics | Composition | Categories

Home Appliances Category

Air Conditioners

Refrigerators

Deep Freezers

Washing Machine

LED Television

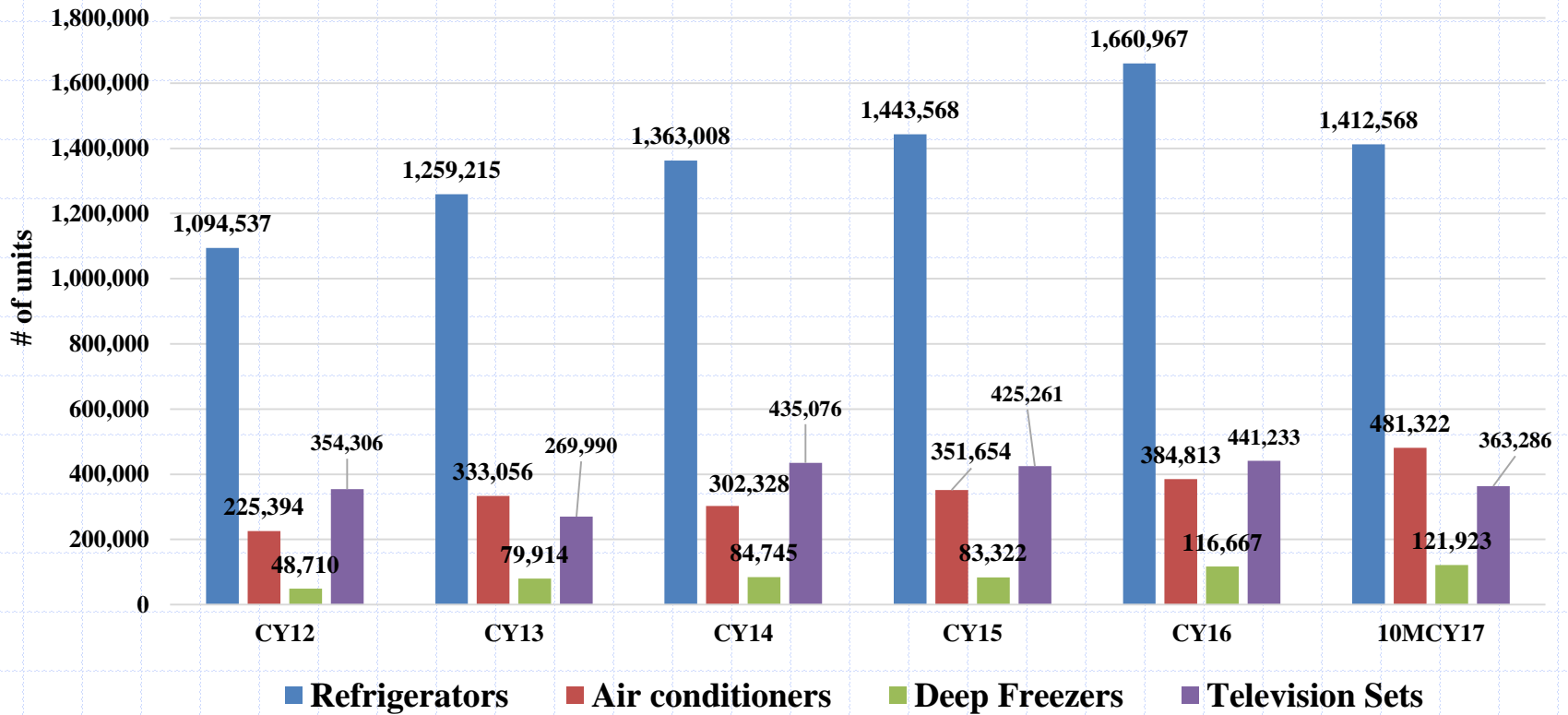
Microwave Oven

Water dispensers

- Various market players; healthy competition in the market
- Strong presence of market players in domestic market; Sale through outlets as well as dealers
- Diversified dealers network associated with players
- Most companies following business model in sales to dealers

Domestic Industry | Production | Supply Dynamics

Home Appliances | Pakistan Production



- Rising production of home appliances primarily on account of urbanization trend, advancements in technology and awareness among consumers
- Refrigerators and deep freezers witnessed 15% and 40% growth respectively YoY in last year

Domestic Industry | Demand Dynamics

Factor	Status	
GDP Growth	FY16: 4.51%	FY17: 5.28%
GDP Per Capita	FY16: USD 1,530.8	FY17: USD 1,629.8
Population	207.8 mil	
Urban Population	76 mil	
Average Persons per Household	6.31	
Number of Households	33mln	

- Total population of Pakistan grows at a rate of 2.4% annually (since 1998-2017)
- Urban population has 36.4% share in total population; among provinces higher urbanisation trend witnessed in Punjab
- Macro economic indicators indicate a growing economy and increasing disposable income.
- Rising per capita income with changing demographic distribution and an anticipated influx of young people in the economically active workforce will provide a stimulus to the industry to expand and grow.
- Improvement in standard of living. Hence, high potential for demand growth of home appliances

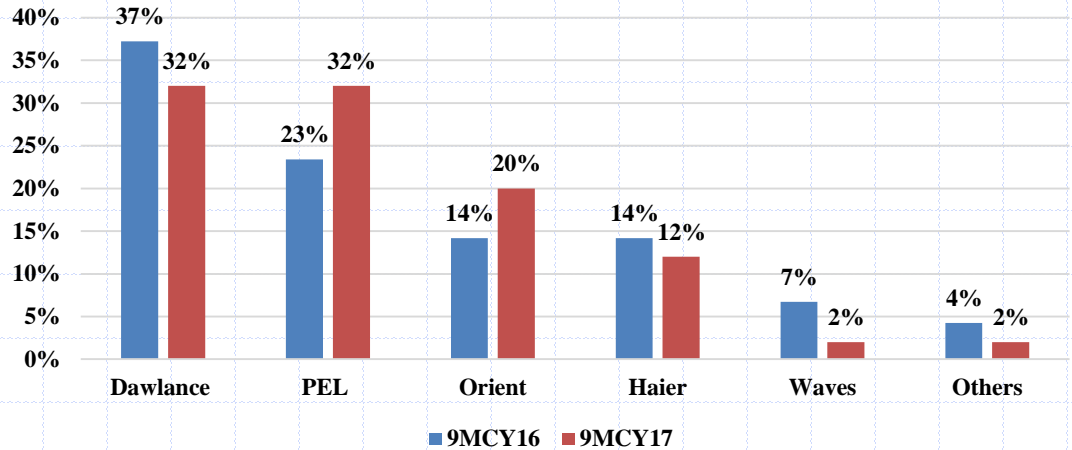
Sources:

1. http://www.pbs.gov.pk/sites/default/files/tables/Table-1_0.pdf
2. http://www.finance.gov.pk/survey/chapters_17/Economic_Indicators.pdf
3. http://www.pbscensus.gov.pk/sites/default/files/Population_Results.pdf
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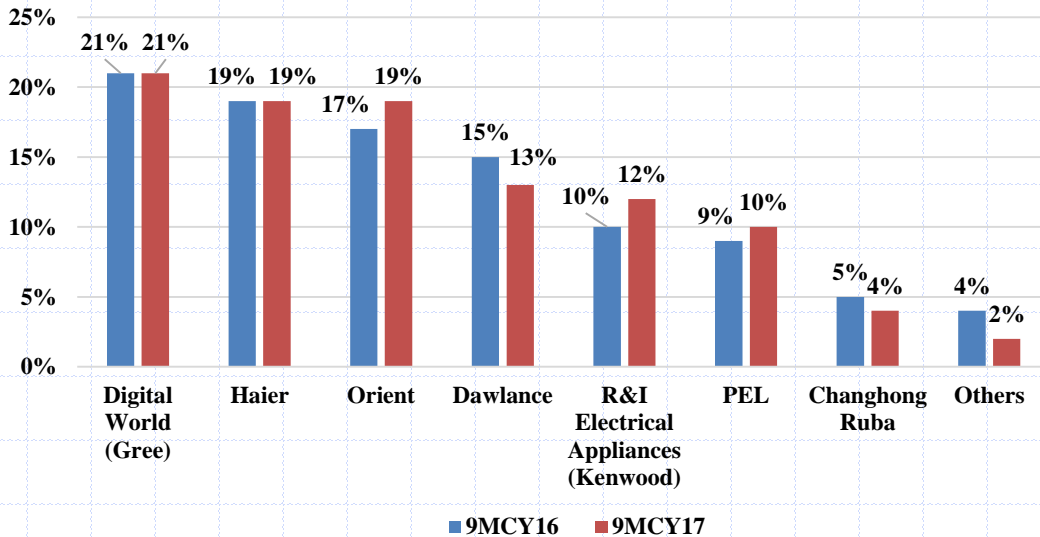
Domestic Industry | Competitors



Pakistan | Refrigerator | Market Share



Pakistan | Air Conditioners | Market Share



Refrigerator:

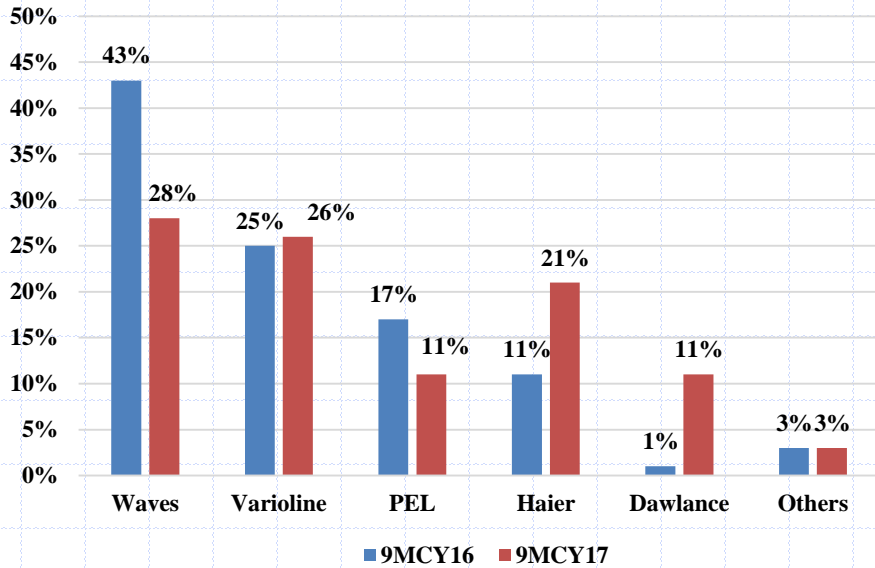
- 84% market share resides with Top 3 players; signifying high concentration
- Market share of PEL witnessed improvement on account of energy efficient ‘invert-o-cool’ series launched in Jun16

Air Conditioner:

- DWP and Haier maintained market share YoY

Domestic Industry | Competitors

Pakistan | Deep Freezers | Market Share



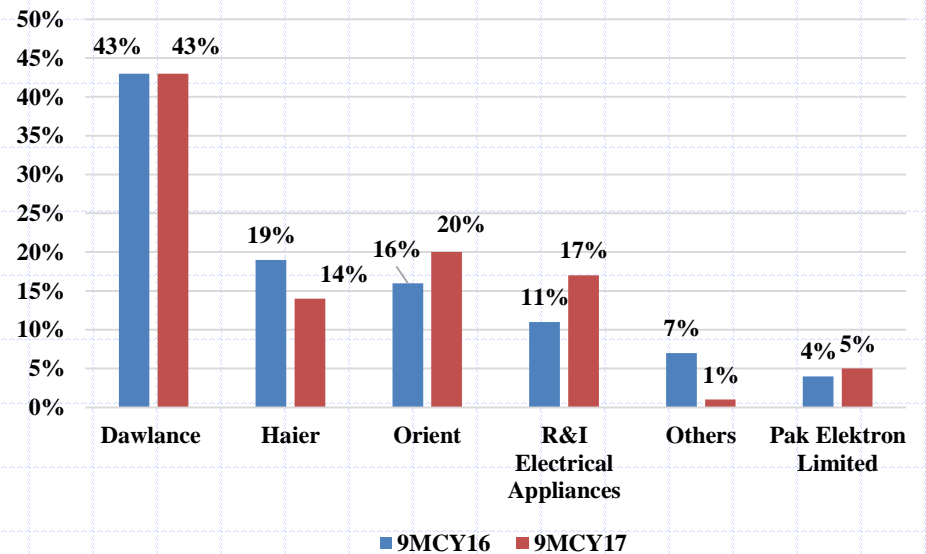
Haier



Dawlance



Pakistan | Microwave Ovens | Market Share



Deep Freezer:

- Dawlance and Haier penetrated the market in year of increased production



Duty Structure | Air Conditioners

Duty Factor on Air Conditioners	CBU	AC Parts
Customs Duty	20%	13%
Additional Custom Duty	1%	0%
Regulatory Duty	40%	0%
Sales Tax	17%	17%
Additional Sales Tax	3%	0%
Income Tax	6%	5%
Cumulative Duty Factor	106.9%	40.2%

Note: Additional Custom Duty 1% & Regulatory Duty 10% on some parts impact added in Custom Duty against Parts

Domestic Industry | Outlook

- + Growing population and urbanization trend
- + Improved standard of living and growing awareness with trends of technology
- + Higher disposable income
- + Low product penetration – room for growth
- Expected depreciation of PAK Rupee – higher cost of production

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