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Honda Pakistan Reports 310% Profit Surge in Q1 MY26, Defying Market Pressures

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Honda Atlas Cars Pakistan Limited (HCAR) has posted a staggering 310% increase in its profit after tax (PAT) for the first quarter of Model Year 2026 (1QMY26), reaching Rs828 million compared to Rs202.6 million during the same period last year. Earnings per share (EPS) rose to Rs5.80. The results signal a strong comeback by the automaker, driven by robust volume growth and improved input cost management.

In a year where much of the auto industry continues to face headwinds, Honda's performance stands out. The company reported net sales of Rs 26.46 billion in Q1, a 66% jump year-on-year from Rs 15.97 billion in 1QMY25. This significant uptick was fueled by a fivefold increase in vehicle deliveries, totaling 5,682 units. Among these, 5,154 were Civic

and City sedans, while the remaining 366 were BR-V and HR-V sport utility vehicles (SUVs). The clear preference for Honda's core sedan offerings suggests that brand loyalty and consumer trust remain strong in Pakistan's urban centers.

One of the main contributors to Honda's profit rebound was its improved gross profit margin, which climbed to 8.6% from 6.33% last year. This was largely due to a drop in the price of Cold Rolled Coil (CRC)—a key raw material used in auto manufacturing—allowing Honda to produce more cost-effectively. While distribution costs rose by 35% and administrative expenses surged by 54%, these were largely offset by improved operating leverage and higher vehicle volumes.

In addition to operational gains, the company saw a 61% boost in other income, further lifting the bottom line. Meanwhile, finance costs dropped by 29%, reflecting more favorable borrowing conditions and a reduction in debt exposure. Honda also benefited from a lower effective tax rate—43.29% this year compared to 47.14% in the previous year—which helped sustain its net profit growth.

Quarter-on-quarter, the picture remains steady. Despite a slight 3% drop in sales volume compared to the final quarter of MY25, revenue dipped just 4%, indicating relative stability amid ongoing market challenges. The fact that Honda was able to maintain profitability despite these minor declines reflects sound cost control and an adaptable business model.

Honda's results arrive at a time when most industries in Pakistan are under pressure from inconsistent policies and economic uncertainty. While the current government has claimed to support business, many local manufacturers continue to face regulatory and financial hurdles that undercut long-term planning. Honda's success appears to be more a result of internal discipline and strategic product positioning than any meaningful policy support.

In summary, Honda Pakistan's first-quarter results show resilience, strategic clarity, and operational efficiency. If current trends continue, HCAR is well-placed to outperform the broader market and maintain its stronghold in Pakistan's competitive automotive landscape.