

**Honda Atlas Cars (Pakistan) Ltd.**

43-Km Multan Road,  
Manga Mandi, Lahore. (Pakistan)  
Tel : (042) 35384671-80  
Fax : (042) 35384691-92  
Web: www.honda.com.pk

Date: 09 August, 2023

**Mr. Hafiz Maqsood Munshi,**  
Head, Listed Companies Compliance–RAD,  
Pakistan Stock Exchange Limited (PSX),  
Stock Exchange Building, Stock Exchange Road,  
Karachi – 74000, Pakistan

**SUBJECT:      REPLY TO PAKISTAN STOCK EXCHANGE LIMITED LETTER RE UNUSUAL**  
**MOVEMENT IN PRICE IN SHARES OF M/S HONDA ATLAS CARS (PAKISTAN)**  
**LIMITED**

Dear Sir,

This is with reference to your letter dated 08 August, 2023 titled "*Unusual movement in price in the shares of M/s Honda Atlas Cars (Pakistan) Limited (HACPL)*", reference no. PSX/Gen-1276 (the "*Letter*") addressed to our Company Secretary, Honda Atlas Cars (Pakistan) Limited ("*HACPL*"), wherein the Pakistan Stock Exchange Limited ("*PSX*") advised HACPL to furnish reasons and/or any material information in the Company's knowledge which may have resulted in substantial increase in price of HACPL's traded securities from 03 July, 2023 to 31 July, 2023.

In this regard, we would like to inform your kind office in terms of section 97 of the Securities Act, 2015 and PSX Regulation 5.6.3, that HACPL is not aware of any matter or development and/or material information relating to the company that resulted in the unusual movement of share price of M/s Honda Atlas Cars (Pakistan) Limited during the period 03 July, 2023 to 31 July, 2023. We submit this price movement is on account of market forces, including market sentiment and analysis of market players about HACPL as a corporate entity and the state of the national economy.

Kindly note that the HACPL's stock price stood at PKR 99.29 at end of day 03 July, 2023 and PKR 142.59 at end of day 31 July, 2023, whereas market stocked index moved from July 03 to July 31, i-e 43,899.01 to 48,034.60 ↑. The possible reasons for this increase in stock price could be the following external factors:

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- 1. International Monetary Fund (IMF) reaching a Staff Level Agreement with the state of Pakistan:** One of the primary reasons in the increase in HACPL's stock price between 03 July, 2023 to 31 July, 2023, can be attributed to the IMF loan deal with Pakistan. On 29 June, 2023<sup>1</sup>, the IMF staff team announced that it had reached a staff-level agreement with Pakistani authorities on a nine-month Stand-by Arrangement (SBA) in the amount of SDR 2,250 million (about \$3 billion). The said announcement saw an immediate upshot in Pakistan's stock market, surging to a fifteen (15) year all-time single-day high following the IMF loan deal<sup>23</sup>. The same momentum naturally contributed to increased investor confidence in the Pakistani market in the coming month which resulted in the increase of stock price of numerous public listed companies, including HACPL. The continued positive effects of the IMF deal on the Pakistani stock market are prevalent and well-documented, as Pakistani stocks crossed the 49,000 points for the first time in six years in early August, 2023<sup>4</sup>.
- 2. State Bank of Pakistan withdrawing restrictions on Import of Goods:** As is well known, corporations in Pakistan's automobile industry, including HACPL, faced significant issues in the import of completely knocked-down kits (CKD) in 2022 and 2023, due to restrictions imposed by the State Bank of Pakistan (SBP). The Exchange Policy Department of the SBP issued circular dated 27 December, 2022<sup>5</sup> instructing authorized dealers to prioritize and facilitate certain imports not including motorcar CKDs, which therefore posed delays and challenges to HACPL's import requirements. The said circular prioritizing other imports was withdrawn vide SBP circular dated 23 June, 2023<sup>6</sup> with immediate effect. Since the latter circular allowed automobile companies, including HACPL, to import CKDs without restriction, it is more than reasonable to assume that the same also led to increased investor confidence in HACPL's production capability and future financial earnings, thereby incentivizing investment in HACPL's stock. The latter SBP circular having been issued on 23 June, 2023 directly coincides with the period of time during which HACPL's stock price rose as inquired by the PSX i.e. 03 July, 2023 to 31 July, 2023.

2

<sup>1</sup> "IMF Reaches Staff-level Agreement with Pakistan on a US\$3 billion Stand-By Arrangement", imf.org, <https://www.imf.org/en/News/Articles/2023/06/30/pr23251-imf-reaches-staff-level-agreement-with-pakistan-on-a-us-3-billion-stand-by-arrangement>

<sup>2</sup> "Pakistan Stocks Surge Most in 15 Years After IMF Deal", Bloomberg.com, <https://www.bloomberg.com/news/articles/2023-07-03/pakistan-stocks-rise-most-in-three-years-to-trigger-market-halt#xj4y7vzkg>

<sup>3</sup> "Pakistan shares see biggest one-day gain in 15 years post IMF deal", Reuters.com <https://www.reuters.com/markets/asia/pakistan-shares-see-biggest-one-day-gain-15-years-post-imf-deal-2023-07-03/>

<sup>4</sup> "Pakistan stocks cross 49,000 mark for first time in six years post IMF deal", arabnews.com, <https://www.arabnews.com/node/2349151/pakistan>

<sup>5</sup> <https://www.sbp.org.pk/epd/2022/FECL20.htm>

<sup>6</sup> <https://www.sbp.org.pk/epd/2023/FECL10.htm>

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3. **Reasonable Investor Behavior:** Coupled with the above, it should be noted that HACPL's stock stood at PKR 82.41 as of 23 June, 2023 – which was the lowest recorded HACPL stock price in nearly 10 years. It is reasonable to assume that reasonable investors deemed the extremely low HACPL stock to be mispriced, and as such saw an opportunity to obtain above average returns by investing in HACPL – which is undoubtedly one of the most reliable market leaders in Pakistan's automobile industry. Investor behavior should not be discounted when considering movement in stock prices, and the aforementioned IMF deal stabilizing the market and the lifting of import restrictions lends further support to the idea that HACPL stock was an attractive option for investors in early July, 2023.

We hope you find the above information to be helpful.



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Maqsood Ur Rehman Rehmani  
Company Secretary  
Honda Atlas Cars (Pakistan) Ltd  
43-Km Multan Road, Lahore