

INDUS MOTOR COMPANY LTD.

3 April 2017

Mr. Muhammad Ghufan
Deputy General Manager - Operations
Pakistan Stock Exchange Limited
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Subject: **Article printed in The News on 2 April, 2017**

Dear Sir,

We are writing with reference to the Article printed in The News on 2 April, 2017 titled, "Indus Motor Company unveils Rs. 4bln investment to expand production". A copy of the article is enclosed herewith for your information.


We would like to inform you that some facts and figures have been misreported in the subject article relating to the Company's paint shop de-bottlenecking activity, and we have written to The News to point out the errors.

The said article has misreported a total investment of Rs. 4bln shall be utilized for expanding production, whereas up to Rs. 3bln may be invested in a paint shop de-bottlenecking activity. Furthermore, the article incorrectly states that the Company plans to expand its annual production capacity by 200,000 units. We would like to clarify and confirm that the Company has no plan to increase capacity by 200,000 units and this has been incorrectly stated in the article.

To clarify, the Company has been investing in the paint shop de-bottlenecking activity to increase efficiency and improve production. The effects of this investment shall not be felt for at least another 10- 12 months. With production over time, the Company presently produces approximately 65,000 units per annum. Following the de-bottlenecking activity, the Company shall be in a position to reach an annual production capacity of 65,000 units without any overtime whatsoever. Should the Company decide to work overtime, it will accordingly be able to increase production by an additional 10,000 units to 75,000 units. This could result in an annual increase of up to 20,000 units, subject to overtime being decided upon and carried out in the future.

We trust the above clarifies the position, and thank you for your understanding.

Yours faithfully,
For INDUS MOTOR COMPANY LIMITED


for **Ali Asghar Jamali**
Chief Executive

CC: Mr. Muhammad Farooq
Additional Director (B.O)
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Securities Market Division
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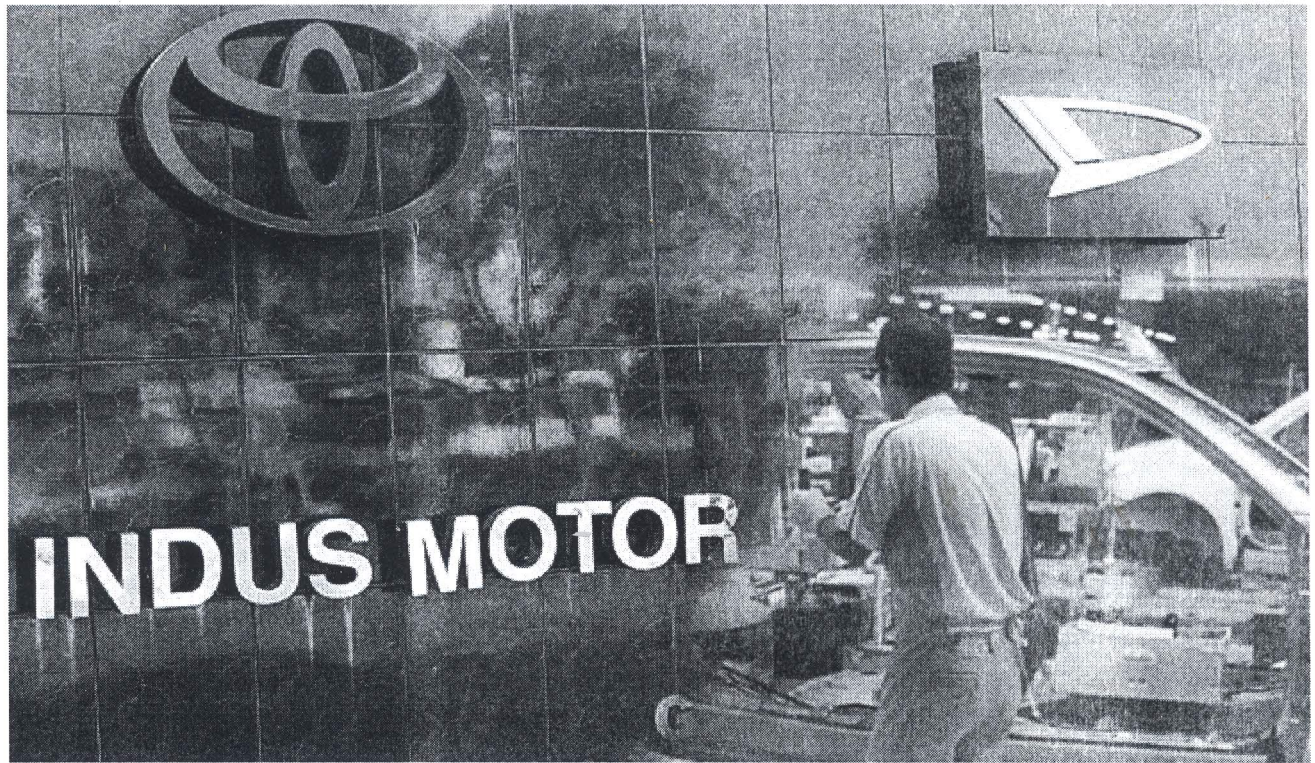
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Indus Motor Company unveils Rs4bln investment plan to expand production



MURREE: Indus Motor Company Limited (IMC), a country's leading automaker, on Saturday unveiled four billion rupees investment plan to expand its annual production capacity by 200,000 units in a bid to capitalise on the growing consumer demand.

Currently, IMC holds an annual production capacity of 54,800 units, which are sold under the brand name of Toyota. The planned capacity enhancement would bring the production to 75,000 vehicles a year.

"Pakistan's auto industry future looks very promising," IMC Chief Executive Officer Ali Asghar Jamali told media at its third auto workshop.

"I am hopeful that Pakistan will be producing 500,000 cars per year by 2022," Jamali said.

The demand for local as well as used cars has exponentially been growing for the last three years due to overall improvement in the macroeconomic activities.

Despite being a world's biggest densely-populated country, Pakistan has, however, not seen rapid motorisation. The country has only 16 cars per 1,000 people. By 2020 the ratio is likely to reach 20 cars per 1,000.

Industry experts are expecting a fast growth in car sales due to growing and young middle-class in the country.

The experts said the country is the third largest growing economy in emerging market and it could benefit from the ongoing \$57 billion worth of China-Pak Economic Corridor (CPEC) projects.

IMC recorded five percent drop in sales during the July-February period of 2016/17, but in light commercial vehicle -- vans and jeeps -- sales of Toyota Fortuner increased to 568 during the period from 368 units in the corresponding period.

Analyst Sohaib Subzwari at Taurus Securities Limited attributed the fall in sales to "strong demand for Honda Civic and operational issues restricting production."

Subzwari, however, said the growing construction and road network development activities on account of CPEC would contribute to growth in volumes of heavy and light commercial vehicles.

In July-February, IMC emerged as the second leading player by number of sold vehicles. Pak Suzuki was the first, while Honda was the third.

The government recently announced auto policy 2016-21 containing a number of incentives for Greenfield and Brownfield projects in the country's Japanese-dominated auto market.

IMC started its operation as a joint venture of House of Habib of Pakistan, Toyota Motor Corporation and Toyota Tsusho Corporation of Japan in 1989.

Analysts said auto industry generally feels comfortable about the new auto policy, which they say has provided a solid road map to the investors to plan investment for a long period.

On premium (own money) and black marketing, Jamali said the government should impose Rs100,000 as a levy per car if the first owner sells it within six months of the purchase. "This will eliminate the middleman and investors who create artificial shortage of cars in the market," he added.

Car manufacturers said import of used cars poses the biggest threat to the local industry's survival.

"We purchase local parts of Rs150 million on every working day, which becomes Rs40 billion per year," said IMC executive.

Pakistan imports more than 46,500 used cars in a year, around 15 percent of the total car sales of 283,000 units in 2016.

Aamir Allawalla, ex-chairman of Pakistan Association of Automotive Parts and Accessories Manufacturers (Paapam) said import of five-year old used vehicles dented the industry as it led to shutdown of several plants.

"New variants to be introduced by local players in the next years would, however, give a tough competition to the imported cars," Allawalla said.

He said local industry wants long-term auto policies to get return on their investment and in order to avert 'sudden shocks'. A huge investment in the sector has been planned, he added.

The industry leader said Chinese companies are establishing auto industry in Gwadar on a 400-acre land. International automotive brands, such as Renault-Nissan, Kia and Hyundai have also expressed their interest to invest in auto assembling in the country.

Chairman Paapam Mashood Ali Khan said the association's members have started investment in production expansion in view of increasing demand of vehicles.