Mobile Phone & Allied Products | Distributors

Sector Overview – June’20

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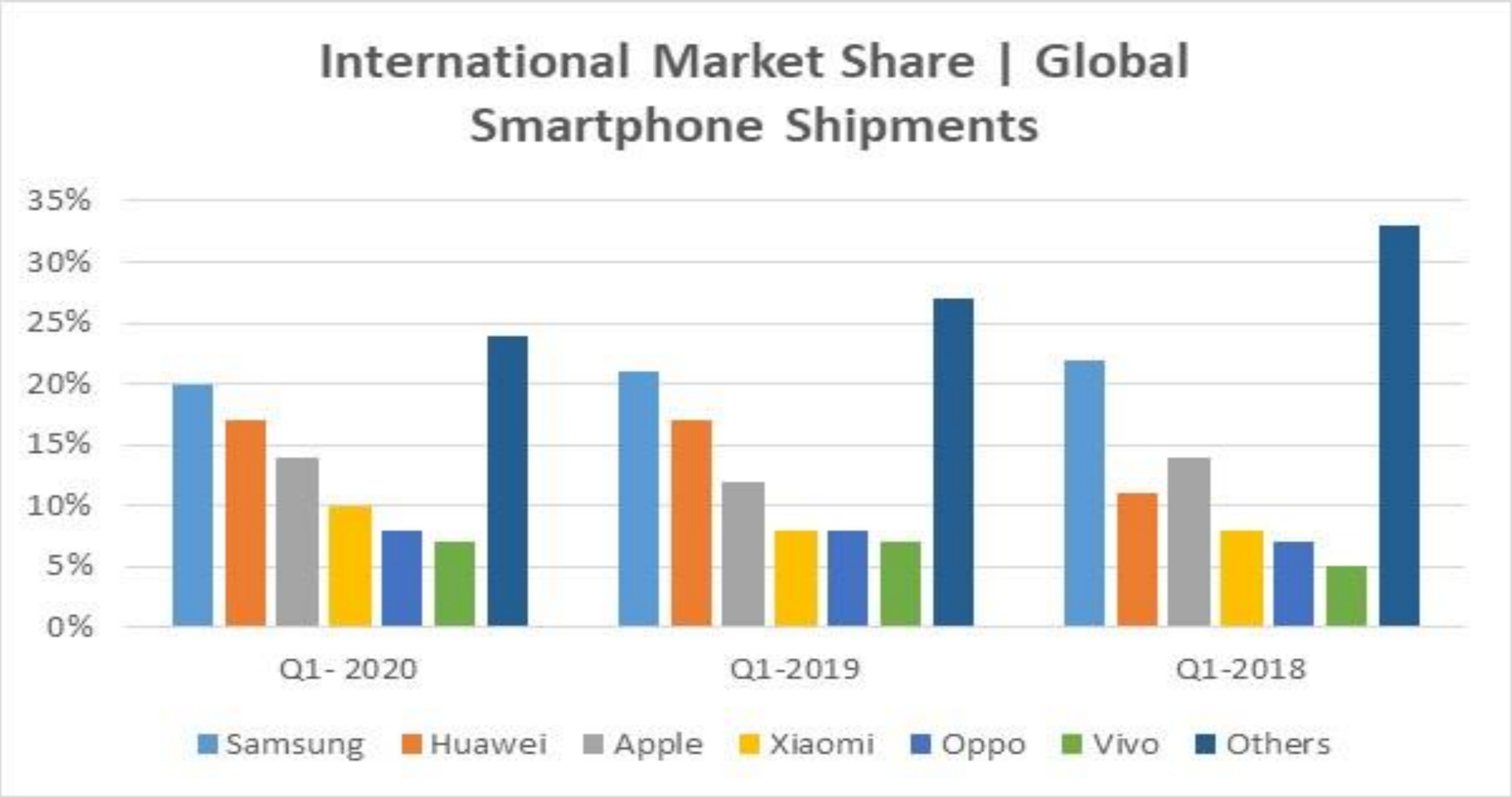


More than 600 mobile phone brands compete in international market

- Top 6 players dominate the market having a share of ~83%.
- Flagship products of Samsung and Apple continue to face tough competition from more affordable smartphones.
- Mobile phones claim ~46% share in global Technical Consumer Goods market in 2019.

Global Shipments

- Global Smartphone Shipments are dominated by flagship brands, i.e., Samsung, Huawei, Apple, Xiomi and Oppo.

- Global Smartphone shipments totaled ~1.38bln units in CY19 – down from 1.41bln units in CY18. The growth momentum could not be maintained in CY19 due to a slip in shipments in 4QCY19.

- The Shipments witnessed a considerable decline in 1QCY20 due to the outbreak of COVID-19 crisis across the Globe. Samsung's shipments declined to ~58.3mln units in 1QCY20 from ~69.4mln units in the previous quarter, while Apple and Huawei's shipments declined from ~73.8mln units and ~56.2mln units to ~36.7mln units and ~49mln units respectively.

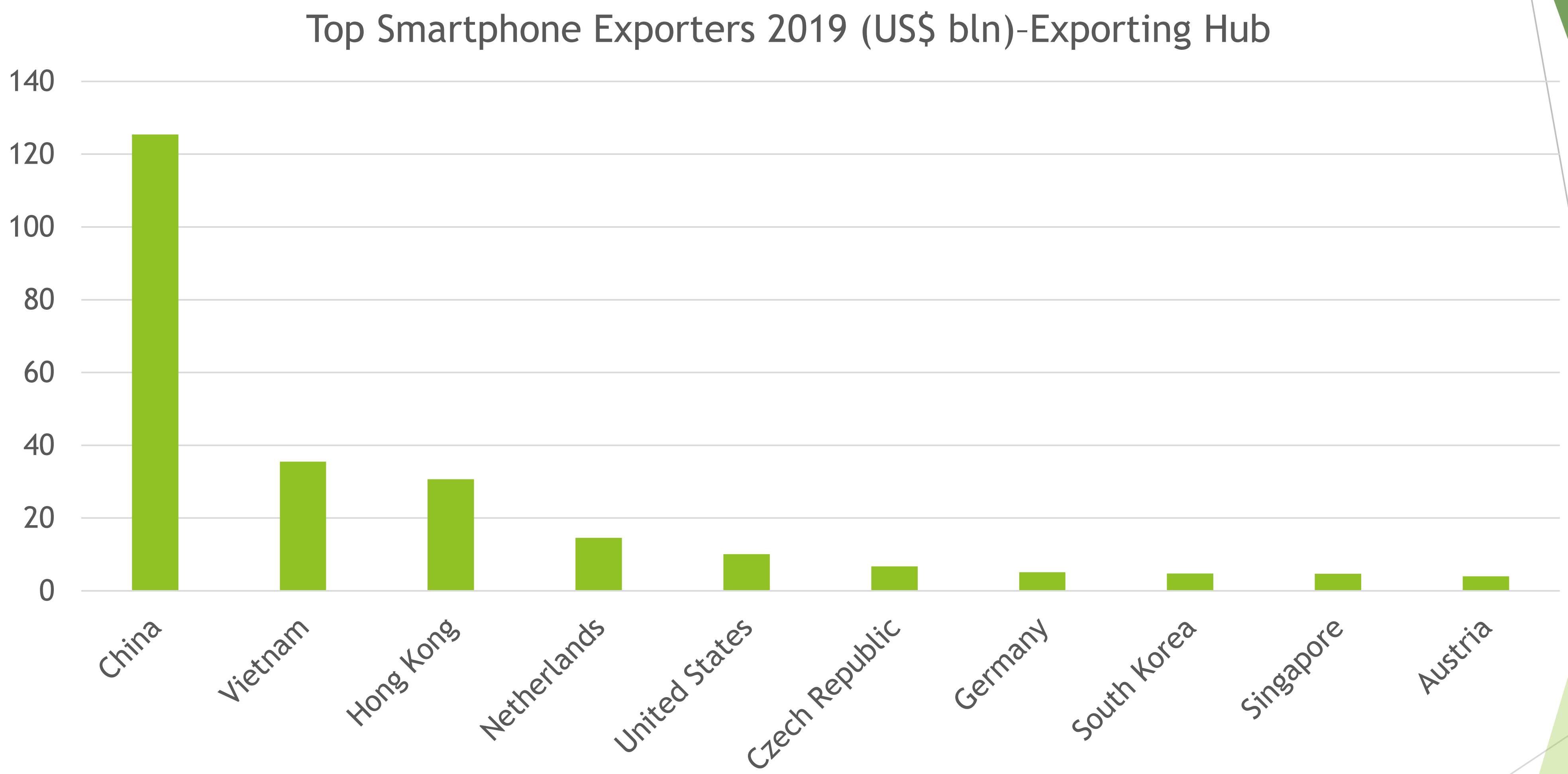
- Global shipments of all mobile phones are forecast to decline 14.6 percent in 2020, while the smartphone shipments will witness a relatively lower fall of 13.7 percent this year. Total Shipments expected in 2020 are approx. 1.2bln units. Source: *https://gadgets.ndtv.com/mobiles/news/global-mobile-phone-shipments-2020-coronavirus-gartner-2236075* and https://www.techrepublic.com/article/idc-worldwide-smartphone-shipments-to-drop-11-9-in-2020/

Smartphone Penetration

Rank	Country	Total Population (mln)	Smart Phone Users (mln)	Smartphone Penetration
1	China	1,393	851	**61%**
2	India	1,353	345	25%
3	US	327	260	80%
4	Brazil	210	97	46%
5	Russia	145	95	66%
6	Indonesia	268	84	31%
7	Japan	127	73	57%
8	Mexico	126	66	52%
9	Germany	83	66	80%
10	United Kingdom	67	56	84%
11	Pakistan	212	33	16%

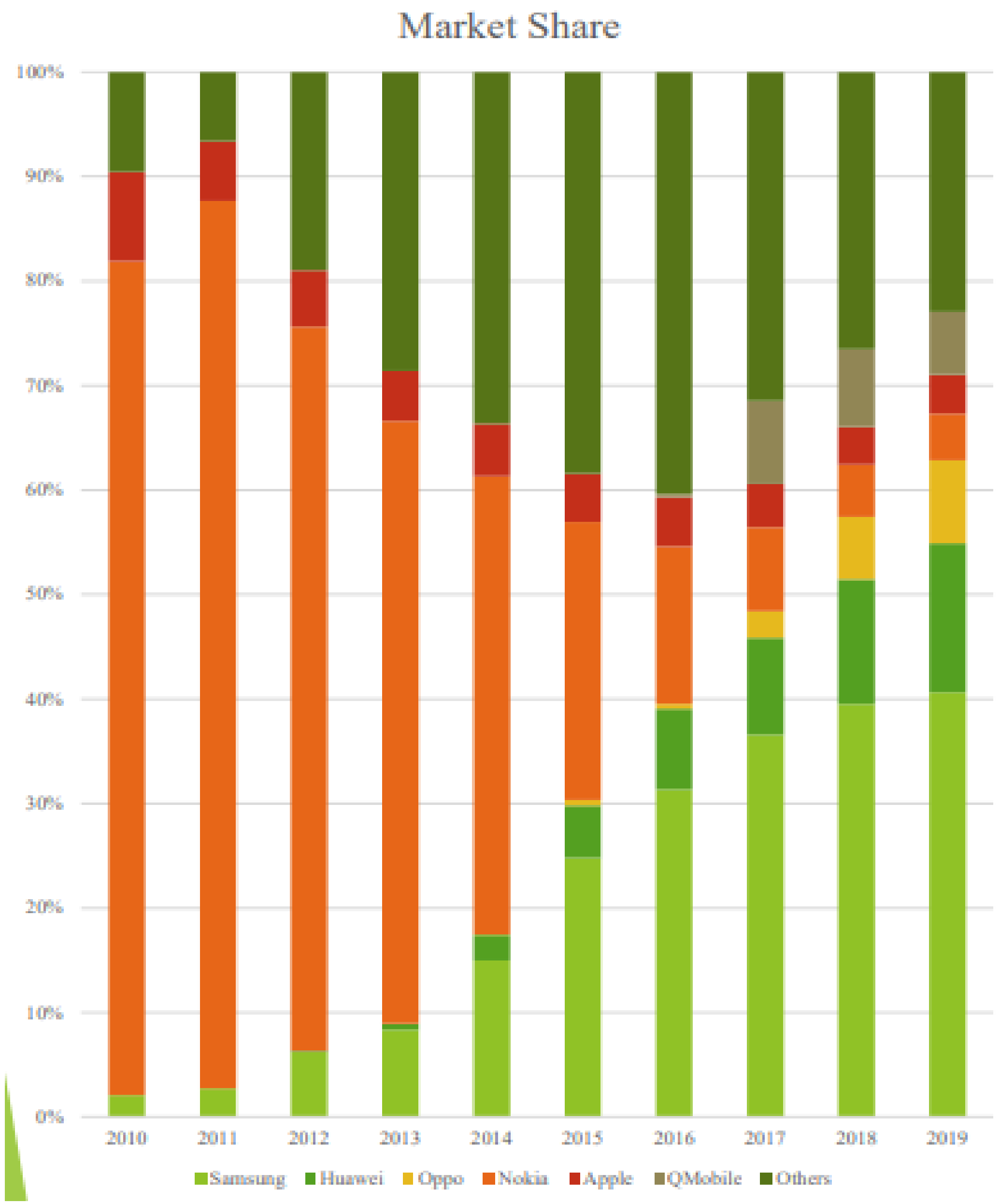
- China has the highest number of smartphone users of ~851 million which increased 9% as compared to the last year. Second ranked India having ~345 million users as at September 2019.
- India has 25% smartphone penetration - very low as compared to other top ranked countries.
- Pakistan is ranked 18th in terms of smart phone users.

Top Smartphone Exporters | Global



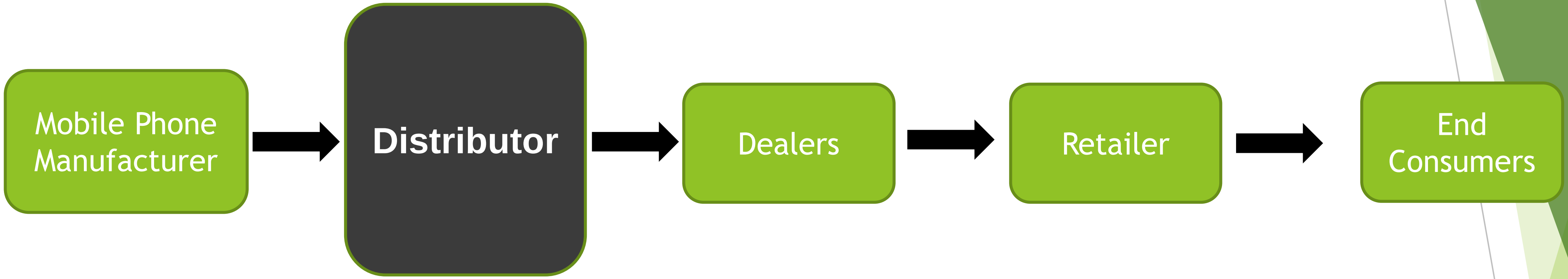
- China is the largest exporter of mobile phones in the world with 47% market share of total exported value.

Market Share | Pakistan



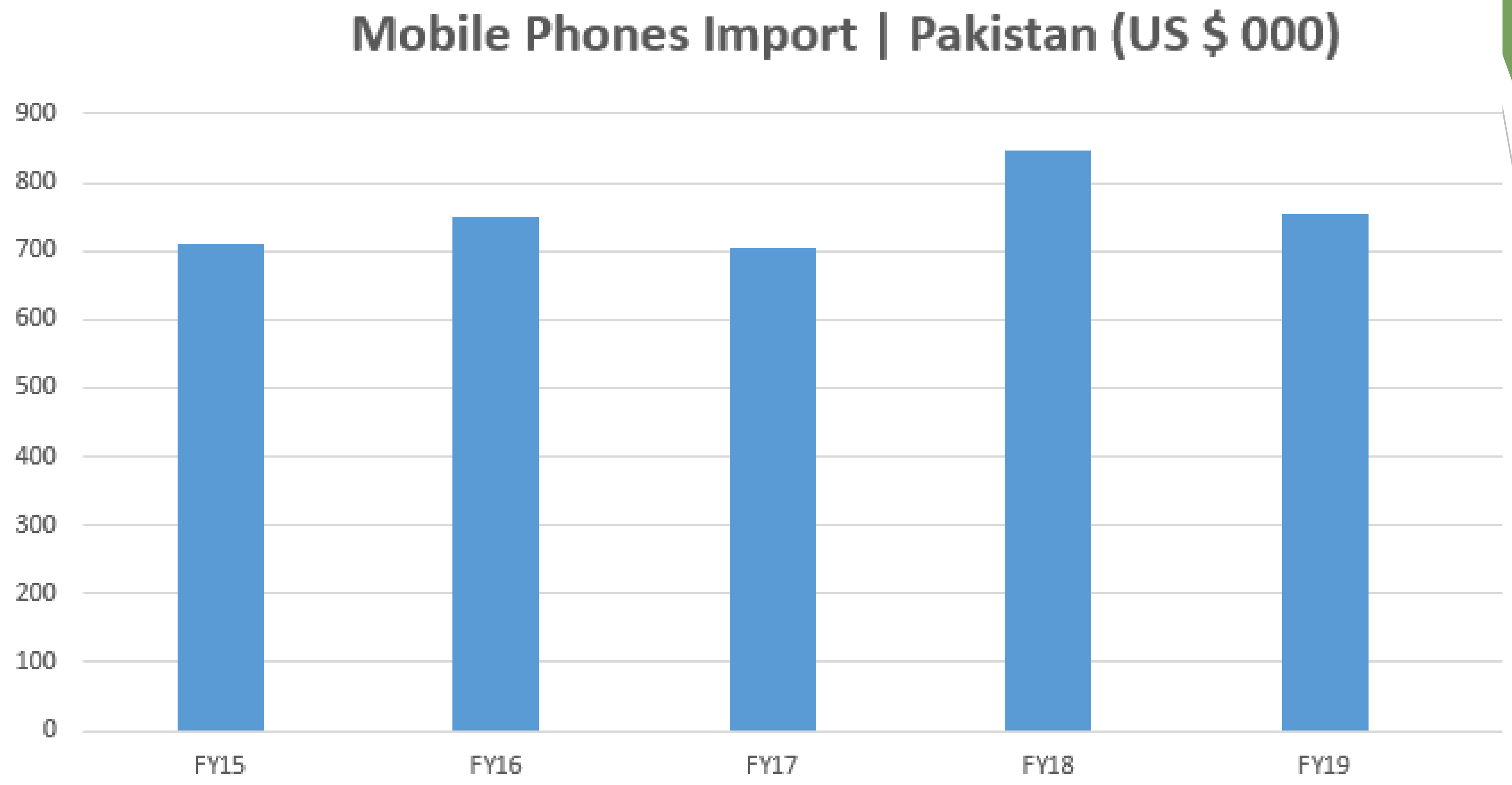
- Much like international mobile phone market, Pakistan's market is also dominated by few players.
- Top five brands constitute 77% market share of total market while remaining is held by other players.
- Samsung is the largest player with 34% market share followed by Apple 26% and Huawei 11%.
- The emergence of Chinese brands, including Tecno, Infinix and vivo is taking up share in the mid price range phones of the market.

Mobile Distribution Supply Chain | Pakistan



- Distributors are responsible to sell products and provide after sales services to clients.

- Manufacturers set the prices of their products and all distributors and dealers are obliged to sell the phones at predetermined prices, therefore competition in terms of price amongst distributors and dealers becomes very low.



- Pakistan largely relies on imports to meet the demand of mobile phones.

- Pakistan imported mobile phones worth $1,139 million during July to May 2019-20 compared to the imports of $698 million during July to May 2018-19, depicting a growth of 63.17 per cent

Duty Structure | Imported Phones

Following are the sales tax and levy on imported mobile phones.

Sr	CIF SLABS	Sales Tax	Regulatory DUTY	Levy	Income Tax	Taxes Total (PKR)	PRA
		PKR	PKR	PKR	PKR	PKR	%age
1	Up to $ 30	130.00	165.00	-	70	365.00	0.9%
2	$ 31 - $ 100	200.00	1,620.00	-	100	1,920.00	0.9%
3	$ 101 - $ 200	1,680.00	2,430.00	400.00	930	5,440.00	0.9%
4	$ 201 - $ 350	1,740.00	3,240.00	1,200.00	970	7,150.00	0.9%
5	$ 351 - $ 500	5,400.00	9,450.00	2,800.00	3000	20,650.00	0.9%
6	Above $ 500	9,270.00	16,650.00	5,600.00	5200	36,720.00	0.9%

Local Distributors' Network

Distributor	Airlink Communication	Mobile Sales & Distribution	Muller & Phipps	Advance Telecom	Oppo	Vivo	Q Mobile
Samsung	✓	✓					
Huawei	✓		✓				
Oppo					✓		
Vivo						✓	
Tecno	✓						
Apple	✓						
Itel	✓						
Q Mobile							✓

- Distribution Models for Oppo,Vivo and Q Mobile differ from others as they have established their own distribution networks.

- In terms of overall Market Share, Airlink takes up the highest rank as it has lately entered into distribution services in almost all of the price ranges including Apple, Tecno and Itel.

Industry Outlook

- The country's demand for Huawei has been on a reducing trend following May'2019. Meanwhile, Samsung, Apple, Oppo and Vivo are well poised to increase their market shares. Also, new Chinese brands, including Tecno, Infinix and Itel are gradually creating their space in the mid-range price segments.

- Implementation of Device Identification Registration and Blocking System (DIRBS) has been a positive development for the sector, since illegally imported mobile phones are blocked by PTA which benefits local distributors.

- Devaluation of local currency is expected to impact the demand negatively, as it directly influences the phone prices.

- Lockdown in consequence to COVID-19 pandemic had created a supply and demand glut in the industry but for a short span of time. Most of the shipments coming directly from China and Hong Kong have not been impacted.

- Overall outlook of the Industry remains stable, though increased mobile phone prices coupled with reduced purchasing power amidst COVID-19 crisis may create negative pressure on demand.

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