

Flash Note

Thursday, 28 July 2016

Automobile Assembler

PSMC: Dismal Earning Performance Post Rozgar Scheme

- Pak Suzuki Motors Limited (PSMC) reported its 2QCY16 earnings at PKR 488mn (EPS PKR 5.93) down by 67%YoY as compared to PKR 1.5bn (EPS PKR 17.91) in the same period last year. Cumulative earnings for 1HCY16 stand at 1.4bn (EPS PKR 17.44).
- Net revenues decreased by 7%YoY to PKR 19.0bn owing to conclusion of 'Apna Rozgar Scheme' in Jan-16.
- Gross margins contracted by 498bpsYoY to 9.4% in 2QCY16 on the back of reduced capacity utilization, rebound in commodity prices and exchange losses due to appreciation of JPY.
- Administration cost surge by +28%YoY to PKR 374mn as compared to PKR 292mn in the corresponding period.
- During the 2QCY16, company booked in super tax charge taking effective tax rate to 55% from 34% in the same period last year.

Recommendation

We will shortly be reviewing our investment case on PSMC.

Exhibit: Financial Highlights

PKRmn	2QCY16	2QCY15	YoY	1HCY16	1HCY15	YoY
Net income	18,995	20,352	-7%	38,989	39,997	-3%
Gross profit	1,779	2,920	-39%	3,982	5,099	-22%
Admin. Cost	374	292	28%	816	562	45%
Dist. Cost	513	511	1%	1,007	1,014	-1%
Other income	311	295	5%	590	427	38%
EBIT	1,091	2,242	-51%	2,566	3,676	-30%
Finance Cost	3	2	67%	84	24	254%
PBT	1,088	2,240	-51%	2,482	3,653	-32%
Taxation	600	767	-22%	1,046	1,233	-15%
PAT	488	1,474	-67%	1,435	2,420	-41%
EPS	5.93	17.91		17.44	29.41	
<i>Key Ratios</i>						
Gross margin	9%	14%		10%	13%	
Net Margins	3%	7%		4%	6%	
Effective tax rate	55%	34%		42%	34%	

Source: IGI Research and Company Financials

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Analyst Certification

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Buy	If return on aforementioned security(ies) is more than 10%, from its last closing price(s)
Hold	If return on aforementioned security(ies) is in between -10% and 10%, from its last closing price(s)
Sell	If return on aforementioned security(ies) is more than -10%, from its last closing price(s)

Valuation Methodology

The analyst[^] has used following valuation methodology to arrive at the target price of the said security (ies):

- FCF (Free Cash Flow)

Time Horizon

- Dec - 2016

Risk

- Changes in State Bank of Pakistan Policy Rate
- Change in Country (Pakistan) macro-economic environment
- Changes in Company(ies) operating structure
- Changes in Exchange rate

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