

Flash Note

Thursday, 23 January 2020

Automobile Assembler

Honda Atlas Cars (Pakistan) Limited (HCAR)

Higher input and finance cost acted as a major drag to earnings; LPS: PKR 0.29 for 3QMY20

- ✓ Honda Atlas Cars (Pakistan) Limited (HCAR) announced its financial results for 3QMY20 wherein the company reported loss of PKR 41mn (LPS: PKR 0.29), compared to earnings of PKR 0.61bn (EPS: PKR 4.21) in the same quarter last year. On a cumulative basis for the 9-month period profitability collapsed significantly by 71%/y to PKR 0.47bn (EPS: PKR 4.97).
- ✓ Net sales decreased by 54%/y to PKR 9.87bn primarily on the back of 66%/y drop in sales.
- ✓ Gross margins squeezed by 100bps/y to 6.6% attributed to rising costs from PKR depreciation and possibility of low sales in high margin segment in our view. To note, margins have dropped significantly by 300bps on sequential basis despite stable exchange rate.
- ✓ Other income failed to lift up earnings, owing to decrease in short term investments and cash deposits, stemming from drop in advances
- ✓ Major drag to earnings came from increase in finance cost owing to company availing short term borrowings to fund its capital requirement.
- ✓ The company booked a tax reversal of PKR 12mn during 3QMY20.

Exhibit: HCAR 3QMY20 Result Highlights

| PKRmn (Period end =Mar) | 3QMY20 | 3QMY19 | Y/Y | 9MMY20 | 9MMY19 | Y/Y |
|---|--------|--------|-------|-------------------------|--------|-------|
| Net Sales | 9,865 | 21,293 | -54% | 39,391 | 70,964 | -44% |
| Cost Of Sales | 9,218 | 19,664 | -53% | 36,179 | 65,544 | -45% |
| Gross Profit | 646 | 1,629 | -60% | 1,862 | 3,277 | -43% |
| Selling & Dist. | 241 | 292 | -17% | 598 | 648 | -8% |
| Admin. | 173 | 171 | 1% | 549 | 553 | -1% |
| Operating Profit | 232 | 1,166 | -80% | 1,089 | 2,433 | -55% |
| Other Income | 10 | 232 | -96% | 210 | 1,042 | -80% |
| Finance Cost | 323 | 2 | 170.x | 577 | 8 | 68.9x |
| Loss Before Tax | (53) | 868 | n.m | 1,050 | 4,114 | -74% |
| Taxation | (12) | 266 | n.m | 340 | 1,431 | -76% |
| Loss After Tax | (41) | 602 | n.m | 468 | 1,632 | -71% |
| EPS | (0.29) | 4.21 | | 4.97 | 18.78 | |
| DPS | - | - | | - | - | |
| Key Indicators | | | | | | |
| Unit Sold (Ths) | 3.7 | 10.8 | | 16.5 | 36.8 | |
| Gross Profit Margins | 6.6% | 7.7% | | 4.7% | 4.6% | |
| Effective Tax Rate | 21.9% | 30.7% | | 32.4% | 34.8% | |
| Source: IGI Research, Company accounts, PSX | | | | No of shares(mn): 142.8 | | |

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