

Flash Note

Wednesday, 22 November 2017

Automobile Assembler

HCAR: High cost of goods cripples quarterly margins to 12%, resulting in earnings of PKR 11.33/share (+10%YoY) for 2QFY18

- Honda Atlas Cars (Pakistan) Limited (HCAR) announced its financial results for 2QFY18 with earnings clocking in at PKR 1.62bn (EPS: PKR 11.33) up by +10%YoY as compared to PKR 1.47bn (EPS PKR 10.32) in the same period last year. This takes earnings for 1HFY18 to PKR3.7bn (EPS: PKR 25.9) at a growth level of +59%YoY.
- Overall net sales jumped by +48%YoY to PKR 22.8bn during the period supported by peak sales witnessed during the quarter. As a result, cumulative net sales for the 1HFY18 now stand at PKR 43.9bn, up by +69%YoY.
- Gross margins during the quarter stroked at 12%, down by 400bps YoY owing to multiple factors: high steel prices, high inventory booked during the period (~136 units of City and Civic) and a possible loss in foreign exchange hedging.
- Distribution costs leaped up by +43%YoY to PKR193mn as compared to PKR135mn in the same period last year. However, other income supported company's earnings by posting a growth of +116%YoY to PKR487mn possibly due to advance payments made by the customers for the new face-lift model of City.
- Effective tax rate stood at 38%, during 2QFY18 compared to 36% in the same period last year.

Exhibit:

HCAR Result Highlights

PKRmn (Period end=Mar)	2QFY18	2QFY17	YoY	1QFY18	QoQ	1HFY18	1HFY17	YoY
Net Sales	22,890	15,482	48%	21,058	9%	43,948	26,015	69%
Cost Of Sales	20,172	12,978	55%	18,068	12%	38,240	21,893	75%
Gross Profit	2,718	2,504	9%	2,990	-9%	5,708	4,122	38%
Selling & Dist.	193	135	43%	149	29%	341	227	51%
Admin.	160	116	38%	136	17%	296	214	39%
Operating Profit	2,365	2,253	5%	2,705	-13%	5,070	3,682	38%
Other Income	487	226	116%	466	5%	954	354	170%
EBIT	2,596	2,302	13%	2,918	-11%	5,514	3,717	48%
Finance Cost	3	10	-70%	3	-11%	6	12	-48%
Profit Before Tax	2,593	2,291	13%	2,914	-11%	5,507	3,704	49%
Taxation	975	818	19%	828	18%	1,803	1,181	53%
Profit After Tax	1,618	1,473	10%	2,086	-22%	3,704	2,524	47%

EPS (PKR)	11.33	10.32	10%	14.61	-22%	25.94	17.67	47%
DPS (PKR)	-	-	-	4	-	4	-	-

KEY RATIOS

Units sold (kUnits)	13	8	64%	11	20%	24	15	59%
Gross Margins	12%	16%	-	14%	-	13%	16%	-
Effective Tax Rate	38%	36%	-	28%	-	33%	32%	-

SOURCE: IGI Research, Company accounts, PSX notifications

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