

Flash Note

Tuesday, 24 July 2018

Automobile Assembler

PSMC: 2QCY18 Earnings down by 43%YoY to PKR 4.78/share as margins compressed by ~300bps

- Pak Suzuki Motor Company Limited (PSMC) announced its financial result for 1HCY18 with earnings clocking in at PKR 1.29bn (EPS: PKR 15.77) down by 35%YoY. For the 2QCY18 alone, profitability decreased substantially by 43%YoY to PKR 0.39bn (EPS: PKR 4.78) compared to PKR 0.69bn (EPS: PKR 8.32) in the corresponding period last year.
- Net sales jumped by +35%YoY to PKR 30.9bn during the quarter supported by growth (+24%YoY) in volumes along with the price increase across all units.
- Gross margins for the quarter suffered a downfall of 271bps YoY to 5.77%, which we believe is likely attributed to exchange losses arising from volatility in exchange rate with PKR sliding down against USD during mid-June-18.
- Effective tax rate for the quarter stood at 46% owing to super-tax charge.

Exhibit:

PSMC 1HCY18 Result Highlights

PKRmn (Period end=Dec)	2QCY18	2QCY17	YoY	1HCY18	1HCY17	YoY
Net Sales	30,881	22,938	35%	62,392	46,829	33%
Cost Of Sales	29,132	21,017	39%	58,026	42,004	38%
Gross Profit	1,749	1,921	-9%	4,365	4,825	-10%
Selling & Dist.	642	675	-5%	1,446	1,382	5%
Admin.	517	416	24%	1,016	736	38%
Operating Profit	589	830	-29%	1,904	2,707	-30%
Other Income	213	260	-18%	389	445	-13%
EBIT	748	1,016	-26%	2,141	2,937	-27%
Finance Cost	20	13	47%	93	41	125%
Profit Before Tax	728	1,002	-27%	2,048	2,896	-29%
Taxation	335	317	6%	750	904	-17%
Profit After Tax	394	685	-43%	1,298	1,992	-35%
EPS (PKR)	4.78	8.32		15.77	24.20	
DPS (PKR)	-	-		-	-	

KEY INDICATORS

Units sold (kUnits)	42.5	34.2	24.4%	86.1	71.0	21.3%
Gross Profit Margins	5.7%	8.4%		7.0%	10.3%	
Effective Tax Rate	46.0%	31.6%		36.6%	31.2%	

SOURCE: IGI Research, Company accounts, PSX notifications

No of shares(mn):82.30

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Time Horizon: Dec – 2018

Valuation Methodology: The analyst(s) has used following valuation methodology to arrive at the target price of the said security (ies):
(Discounted Cash Flow)

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