

Flash Note

Tuesday, 24 October 2017



Securities

SERVING YOU SINCE 1994

Automobile Assemblers

PSMC: 3QCY17 Earnings up by 2.5x YoY to PKR 13.43/share owing to volumetric increase

- Pak Suzuki Motor Company Limited (PSMC) announced its financial results for 3QCY17 with earnings clocking in at PKR 1.1bn (EPS: PKR 13.43), up by +61%QoQ (2.5xYoY) as compared to PKR 0.438bn (EPS PKR 5.32) in the same period last year.
- Overall net sales jumped by +46%YoY to PKR25.97bn owing to volumetric increase
- Gross margins improved by 290bps to 9.9% as against 7% in the corresponding period last year owing to high JPY/USD exchange rate (111 vs 102.7 during 3QCY16)
- Admin expenses increased by 18%YoY to PKR 386mn as opposed to PKR492mn in the same period last year
- The company also registered a loss from its associated company tuning at PKR14.7mn

Exhibit:

PSMC Result Highlights

| Period End Dec-PKRmn | 3QCY17 | 3QCY16 | YoY | 2QCY17 | QoQ | 9MCY17 | 9MCY16 | YoY |
|-------------------------|--------|--------|-------|--------|------|--------|--------|-----|
| Net Sales | 25,973 | 17,771 | 46% | 22,938 | 13% | 72,802 | 56,760 | 28% |
| Gross Profit | 2,565 | 1,251 | 1.0x | 1,921 | 34% | 7,390 | 5,234 | 41% |
| Selling/Marketing/Dist. | 588 | 492 | 20% | 675 | -13% | 1,970 | 1,499 | 31% |
| Admin. | 386 | 327 | 18% | 416 | -7% | 1,122 | 1,143 | -2% |
| EBIT | 1,692 | 638 | 165% | 1,016 | 67% | 4,630 | 3,204 | 44% |
| Finance Cost | 99 | 3 | 33.7x | 13 | 6.5x | 141 | 87 | 61% |
| Profit Before Tax | 1,578 | 635 | 1.5x | 1,002 | 57% | 4,475 | 3,117 | 44% |
| Tax | 474 | 197 | 1.4x | 317 | 49% | 1,378 | 1,243 | 11% |
| Profit After Tax | 1,105 | 438 | 1.5x | 685 | 61% | 3,097 | 1,874 | 65% |
| EPS | 13.4 | 5.3 | | 8.3 | | 37.6 | 22.8 | |
| DPS | - | - | | - | | - | - | |

Key Ratios

| | | | | | | | |
|--------------------|-------|-------|--|-------|--|-------|-------|
| Gross Margins | 9.9% | 7.0% | | 8.4% | | 10.2% | 9.2% |
| EBIT Margins | 6.5% | 3.6% | | 4.4% | | 6.4% | 5.6% |
| Effective Tax Rate | 30.0% | 31.0% | | 31.6% | | 30.8% | 39.9% |

Source: PSX, Company Financials, IGI Research

Analyst

Suleman Ashraf

suleman.ashraf@igi.com.pk

Tel: (+92-21) 111-234-234 Ext.: 957

Important Disclaimer and Disclosures

Research Analyst(s) Certification: The Research Analyst(s) hereby certify that the views about the company/companies and the security/securities discussed in this report accurately reflect his or her or their personal views and that he/she has not received and will not receive direct or indirect compensation in exchange for expressing specific recommendations or views in this report. The analyst(s) is principally responsible for the preparation of this research report and that he/she or his/her close family/relative does not own 1% or more of a class of common equity securities of the following company/companies covered in this report.

Disclaimer: The information and opinions contained herein are prepared by IGI Finex Securities Limited and is for information purposes only. Whilst every effort has been made to ensure that all the information (including any recommendations or opinions expressed) contained in this document (the information) is not misleading or unreliable, IGI Finex Securities Limited makes no representation as to the accuracy or completeness of the information. Neither, IGI Finex Securities Limited nor any director, officer or employee of IGI Finex Securities Limited shall in any manner be liable or responsible for any loss that may be occasioned as consequence of a party relying on the information. This document takes no account of the investment objectives, financial situation and particular needs of investors, who shall seek further professional advice before making any investment decision. This document and the information may not be reproduced, distributed or published by any recipient for any purpose. This report is not directed or intended for distribution to, or use by any person or entity not a client of IGI Finex Securities Limited, else directed for distribution.

Rating system: IGI Finex Securities employs three tier ratings system, depending upon expected total return (return is defined as capital gain exclusive of tax) of the security in stated time period, as follows:

| Recommendation | Rating System |
|----------------|--|
| Buy | If target price on aforementioned security(ies) is more than 10%, from its last closing price(s) |
| Hold | If target price on aforementioned security(ies) is in between -10% and 10%, from its last closing price(s) |
| Sell | If target price on aforementioned security(ies) is less than -10%, from its last closing price(s) |

Time Horizon: Dec - 2017

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

DCF (Discounted Cash Flow)

Risk: Investment in securities are subject to economic risk, market risk, interest rate risks, currency risks, credit risks, political and geopolitical risks. The performance of company(ies) covered herein might unfavorably be affected by multiple factors including, business, economic, and political conditions. Hence, there is no assurance or guarantee that estimates, recommendation, opinion, etc. given about the security(ies)/company(ies) in the report will be achieved.

Basic Definitions and Terminologies used: **Target Price:** A price target is the projected price level of a financial security stated by an investment analyst or advisor. It represents a security's price that, if achieved, results in a trader recognizing the best possible outcome for his investment. **Market Cap.:** Market capitalization is calculated by multiplying a company's shares outstanding by current trading price. **ROE:** Return on equity is the amount of net income returned as a percentage of shareholders' equity. **P/E:** Price to Earnings ratio of a company's share price to its per-share earnings. **P/B:** Price to Book ratio used to compare a stock's market value to its book value. **DY:** The dividend yield is dividend per share, divided by the price per share.

IGI Finex Securities Limited

Research Analyst(s)

Research Identity Number: BRP009

© Copyright 2017 IGI Finex Securities Limited

Contact Details

Research Team

| | | | |
|-------------------|----------------------|------------------------------------|----------------------------|
| Saad Khan | Head of Research | Tel: (+92-21) 111-234-234 Ext: 810 | saad.khan@igi.com.pk |
| Abdullah Farhan | Senior Analyst | Tel: (+92-21) 111-234-234 Ext: 912 | abdullah.farhan@igi.com.pk |
| Syed Daniyal Adil | Research Analyst | Tel: (+92-21) 111-234-234 Ext: 973 | daniyal.adil@igi.com.pk |
| Suleman Ashraf | Research Analyst | Tel: (+92-21) 111-234-234 Ext: 957 | suleman.ashraf@igi.com.pk |
| Muhammad Saad | Research Analyst | Tel: (+92-21) 111-234-234 Ext: 973 | muhammad.saad@igi.com.pk |
| Tanweer Kabbeer | Research/Fund Select | Tel: (+92-21) 111-234-234 Ext: 966 | tanweer.kabbeer@igi.com.pk |
| Umesh Solanki | Database Manager | Tel: (+92-21) 111-234-234 Ext: 974 | umesh.solanki@igi.com.pk |

Equity Sales

| | | | |
|-------------------|--|---------------------------|----------------------------|
| Faisal Jawed Khan | Head of Equities | Tel: (+92-21) 35301779 | faisal.jawed@igi.com.pk |
| Zaeem Haider Khan | Regional Head (North) | Tel: (+92-42) 35777863-70 | zaeem.haider@igi.com.pk |
| Muhammad Naveed | Regional Manager (Islamabad & Upper North) | Tel: (+92-51) 2604861-62 | muhammad.naveed@igi.com.pk |
| Ejaz Rana | Regional Manager (Faisalabad) | Tel: (+92-41) 2540843-45 | ejaz.rana@igi.com.pk |
| Asif Saleem | Branch Manager (RY Khan) | Tel: (+92-68) 5871652-56 | asif.saleem@igi.com.pk |
| Mehtab Ali | Branch Manager (Multan) | Tel: (+92-61) 4512003 | mehtab.ali@igi.com.pk |
| Zeeshan Kayani | Branch Manager (Abbottabad) | Tel: (+92-992) 408243-44 | zeeshan.kayani@igi.com.pk |
| Ihsan Mohammad | Branch Manager (Peshawar) | Tel: (92-91) 5253035 | ihsan.mohammad@igi.com.pk |

IGI Finex Securities Limited

Trading Rights Entitlement Certificate (TREC) Holder of
Pakistan Stock Exchange Limited |
Corporate member of Pakistan Mercantile Exchange Limited

Head Office

Suite No 701-713, 7th Floor, The Forum, G-20,
Khayaban-e-Jami Block-09, Clifton, Karachi-75600
UAN: (+92-21) 111-444-001 | (+92-21) 111-234-234
Fax: (+92-21) 35309169, 35301780

Website: www.igisecurities.com.pk

Stock Exchange Office

Room # 719, 7th Floor, PSX Building, Stock Exchange Road, Karachi.
Tel: (+92-21) 32429613-4, 32462651-2, Fax: (+92-21) 32429607

Lahore Office

5-F.C.C. Ground Floor, Syed Maratib Ali Road,
Gulberg II, Lahore
Tel: (+92-42) 35777863-70, 35876075-76
Fax: (+92-42) 35763542

Faisalabad Office

Room #: 515-516, 5th Floor, State Life
Building, 2- Liaqat Road, Faisalabad
Tel: (+92-41) 2540843-45
Fax: (+92-41) 2540815

Multan Office

Mezzanine Floor, Abdali Tower,
Abdali Road, Multan
Tel: (92-992) 408243 - 44

Peshawar Office

2nd Floor, The Mall Tower,
35 The Mall Peshawar Cantt.
Tel: (92-91) 5253035, 5278448

Islamabad Office

Mezzanine Floor, Office 5, 6 & 7, Kashmir Plaza,
Block- B, Jinnah Avenue, Blue Area, Islamabad
Tel: (+92-51) 2604861-2, 2604864, 2273439
Fax: (+92-51) 2273861

Rahim Yar Khan Office

Plot # 12, Basement of Khalid Market,
Model Town, Town Hall Road, Rahim Yar Khan
Tel: (+92-68) 5871653-6, 5871652
Fax: (+92-68) 5871651

Abbottabad Office

Ground Floor, Al Fatah Shopping Center, Opp. Rad
Station, Mansehra Road, Abbottabad
Tel: (+92-99) 2408243 - 44

Sialkot Office

Suite No. 10 & 11, 1st Floor, Soni Square,
Mubarak Pura, Sialkot.
Tel: (+92-52) 3258437, 3258762