

# Flash Note

Wednesday, 19 August 2020

## Automobile Assemblers

### Pak Suzuki Motor Company Limited (PSMC)

#### Decline in volumes and negative margins extended losses by 3xy/y to LPS PKR 18.5 in 2QCY20

- ✓ PSMC announced its financial result for 2QCY20, reporting a loss of PKR 1.52bn (LPS PKR 18.5) as compared to loss of PKR 0.54bn (LPS PKR 6.6) witnessed during the same period last year. On a cumulative basis for 1HCY20 total loss clocked in at 2.46bn (LPS PKR 29.9) as compared to loss of PKR 1.52bn (LPS PKR 18.5).
- ✓ Net sales decreased by 69%y/y to PKR 9.74bn during 2QCY20 as compared to PKR 31.04bn in the same period last year. This decline in net revenue is mainly attributable to drop in volumetric sales which was mainly accredited to close down of plant and lower demand amid COVID-19 outbreak. This takes total sales for 1HCY20 to PKR 27.48bn as against PKR65.49bn, down by 58%y/y SPLY.
- ✓ Gross margins for the quarter suffered a massive downfall during 2QCY20 and went in to negative territory to 6.3% which we believe is attributed to PKR depreciation.
- ✓ Major dent to the earnings came from increase in finance cost, up by +2xy/y during 2QCY20, stemming from short term borrowings availed.

#### Exhibit: Pak Suzuki Motor Company Limited (PSMC) Financial Highlights

Period end= Dec	Growth							
	2Qcy20	1Qcy20	2Qcy19	q/q	y/y	1hCY20	1hCY19	y/y
Net Sales	9,738	17,741	31,040	-45%	-69%	27,479	65,487	-58%
Cost of Manu. & Trading	10,350	17,169	30,728	-40%	-66%	27,519	64,057	-57%
<b>Gross Profit/(loss)</b>	<b>(612)</b>	<b>573</b>	<b>312</b>	<b>n.m.</b>	<b>n.m.</b>	<b>(40)</b>	<b>1,430</b>	<b>n.m.</b>
Operating Income/(loss)	(1,326)	(322)	(1,270)	4x	4%	(1,648)	(1,521)	8%
EBIT	(1,185)	(269)	(1,217)	4x	-3%	(1,454)	(1,418)	3%
Finance Cost	886	1,055	380	-16%	2x	1,941	706	3x
<b>Profit/(loss) Before Tax</b>	<b>(2,072)</b>	<b>(1,326)</b>	<b>(1,597)</b>	<b>56%</b>	<b>30%</b>	<b>(3,398)</b>	<b>(2,126)</b>	<b>60%</b>
Tax	551	384	1,053	43%	-152%	935	601	n.m.
<b>Net Income/(loss)</b>	<b>(1,521)</b>	<b>(941)</b>	<b>(545)</b>	<b>62%</b>	<b>3x</b>	<b>(2,462)</b>	<b>(1,525)</b>	<b>61%</b>
<b>EPS</b>	<b>(18.5)</b>	<b>(11.4)</b>	<b>(6.6)</b>			<b>(29.9)</b>	<b>(18.5)</b>	
<b>DPS</b>	-	-	-			-	-	-
Sales (gr. y/y)	-69%	-48%	1%					
Cost of Manu. & Trading (gr. y/y)	-66%	-48%	5%					
Net Income (gr. y/y)	179%	-4%	-238%					
Gross Profit Margin	-6.3%	3.2%	1.0%					
EBIT Margin	-12.2%	-1.5%	-3.9%					
Effective tax rate	-27%	-29%	66%					
Net Margin	-16%	-5%	-2%					
Total Sales	9,176	18,377	35,912					
Sales Volume (gr. y/y)	-74%	-57%	-16%					

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