

Day Break

Monday, 24 May 2021

COMPANY UPDATE

Honda Atlas Cars (Pakistan) Limited

Automobile Assembler

Recommendation	BUY
Target Price: Dec-21	398.0
Last Closing: 21-May-21	326.1
Upside (%):	22.1
Valuation Methodology:	Discounted Cash Flow (DCF)
Time Horizon:	7M

Market Data

Bloomberg Tkr.	HCAR PA		
Shares (mn)	142.8		
Free Float Shares (mn)	28.6		
Free Float Shares (%)	20.0%		
Market Cap (PKRbn USDmn)	46.6	279	
Exchange	KSE 100		
Price Info.	90D	06M	12M
Abs. Return	9.6	15.4	81.9
Lo	235.4	235.4	178.9
Hi	326.1	332.6	367.8

Key Company Financials

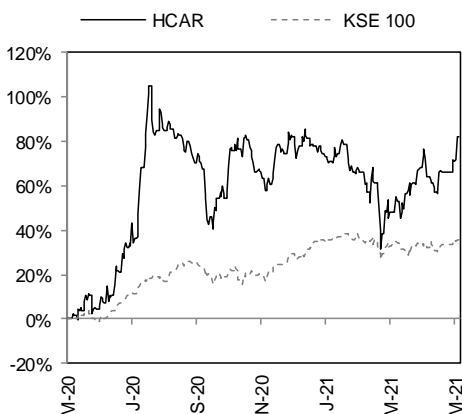
Period End: Mar

PKRbn	2019a	2020a	2021f	2022f
Total Revenue	95.1	55.0	68.6	70.4
Net Income	3.9	0.7	2.0	4.6
EPS (PKR)	27.0	4.8	14.3	31.9
DPS (PKR)	12.2	1.8	6.0	10.0
Total Assets	32.1	31.8	45.6	33.2
Total Equity	17.6	16.6	17.7	20.9

Key Financial Ratios

ROE (%)	43.1	22.2	4.0	11.9
P/E (x)	12.1	68.3	22.8	10.2
P/B (x)	2.7	2.6	2.8	2.6
DY (%)	3.7	0.5	1.8	3.1

Relative Price Performance



Source: Bloomberg, PSX & IGI Research

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Automobile Assemblers

Meek performance showcased; profitability up by 2.9xy/y to PKR 2,043mn (EPS: PKR 14.31) for MY21

- ✓ HCAR is scheduled to announce its 3QMY20 financial result on 23rdJan-20, wherein we expect company to report profitability of PKR 154mn (EPS: PKR 1.08)
- ✓ We factor drop in sales, fall in other income, high finance cost and provision of turnover tax (1.5%) for the substantial decline in earnings.

HCAR: Earnings to increase by 2.9Xy/y to PKR 14.31/share for MY21:

HCAR is scheduled to announce its 4QMY20 financial result on 25th May-21, wherein we expect the company to report profitability of PKR 1,146mn (EPS: PKR 8.02) as against net loss of PKR 28.4mn. Accordingly, MY21 earnings may increase by 2.9xy/y to PKR 14.31/share. In line with trends, we expect company to announce an interim cash dividend of PKR 6/share for full year.

Volumetric increase, PKR stability and lower finance cost may lead to rise in earnings to PKR 8.02/share during 4QMY21: We factor increase in sales, PKR stability and higher prices for the substantial increase in earnings. We estimate 53%y/y increase in net sales as volumes exhibited 36%y/y increase during the quarter to the tune of 8k units. On the other hand, we expect margins to improve owing to stable PKR and impact of price pass-over. To note, company's margins have remained stable during the last 2 quarters (avg. 6.7%). Along with this, we estimate finance cost declining up to PKR45mn amid lower interest rate regime and consequent reduction in borrowings.

Exhibit: HCAR Financial Highlights

PKRmn	4QMY21E	4QMY20	YoY	3QMY21	QoQ	MY21E	MFY20	YoY
Net Sales	24,014	15,655	53%	17,650	36%	68,602	55,046	25%
Gross Profit	1,729	880	97%	1,150	50%	4,324	4,091	6%
S/M/D	317	259	22%	296.515	7%	1,285	1,407	-9%
Other expenses	71	401	-82%	-9.764	n.m.	212	1,049	-80%
Other Income	317	428	-26%	244	30%	719	639	13%
EBIT	1,658	647	156%	1,107	50%	3,546	2,275	56%
Finance Cost	45	150	-70%	33.375	35%	185.253	727	-75%
PBT	1,613	497	224%	1,074	50%	3,361	1,547	117%
PAT	1,146	(28.4)	n.m.	752	52%	2,043	682	200%
EPS (PKR)	8.02	(0.20)		5.26		14.31	4.77	
DPS (PKR)	6.00	-		-		6.00	1.00	

Source: IGI Research and Company Financials

No of Shares: 143mn

Recommendation: We have a "BUY" call on the scrip based on our Dec-21 target price of PKR 371/share, implying an upside of 14% from the last closing price. The company is currently trading at MY22E P/E of 10.2x and offers a dividend yield of 3%.

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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)
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Time Horizon: Dec – 2021

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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