

Day Break

Wednesday, 22 January 2020

COMPANY UPDATE

Honda Atlas Cars (Pakistan) Limited

Automobile Assembler

Recommendation NEUTRAL

Target Price: Dec/20 196.0

Last Closing: 21-Jan-20 212.2

Upside: - 7.6

Valuation Methodology: Discounted Cash Flow (DCF)

Time Horizon: 11M

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) 30.3 | 196.2

Exchange KSE 100

Price Info. 90D 06M 12M

Abs. Return 64.6 74.6 (6.3)

Lo 127.1 121.7 115.9

Hi 232.1 232.1 272.0

Key Company Financials

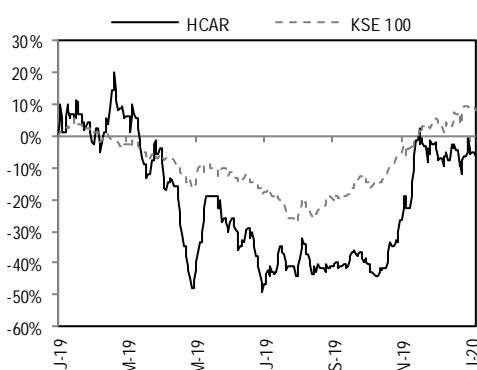
Period End: Mar

PKRbn	FY18a	FY19a	FY20e	FY21f
Total Revenue	91.5	95.1	52.1	63.1
Net Income	6.5	3.9	1.0	1.6
EPS (PKR)	45.5	27.0	7.1	11.1
DPS (PKR)	22.8	12.2	3.2	5.1
Total Assets	58.8	32.1	26.3	31.1
Total Equity	17.1	17.6	18.2	19.1

Key Financial Ratios

ROE (%)	43.1	22.2	5.6	8.5
P/E (x)	4.7	7.9	30.0	19.1
P/B (x)	1.8	1.7	1.7	1.6
DY (%)	10.7	5.7	1.5	2.4

Relative Price Performance



Source: Bloomberg, PSX & IGI Research

Suleman Ashraf

Analyst

Suleman.ashraf@igi.com.pk

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

Automobile Assemblers

HCAR: Earnings to decline 60%/y to PKR 6.3/share for 9MMY20

- ✓ 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 collapse by 60%/y to PKR 6.3/share for 9MMY20

HCAR is scheduled to announce its 3QMY20 financial result on 23rd Jan-20, wherein we expect the company to report profitability of PKR 154mn (EPS: PKR 1.08), down 74%/y. Accordingly, 9MMY20 earnings may collapse by 60%/y to PKR 6.34/share.

Volumetric decline, higher finance cost and turnover tax may lead to drop of 74%/y to PKR 1.08/share during 3QMY20

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. We estimate 57%/y drop in net sales as volumes exhibited 66%/y decline during the quarter to the tune of 3.7k units. On the positive side, we expect margins to slightly improve owing to stable PKR and impact of price pass-over. To note, company's margins have remained stable during the last 4 quarters (avg. 8.4%). Furthermore, other income is expected to slide down owing to drop in cash and cash equivalents. Along with this, we estimate finance cost rising up to PKR250mn with company availing short term borrowings (PKR 9bn) for funding capital requirements.

Exhibit: HCAR 3QMY20 Result Highlights

PKRmn (Period end =Mar)	3QMY20	3QMY19	Y/Y	9MMY20	9MMY19	Y/Y
Net Sales	9,093	21,293	-57%	38,619	70,964	-46%
Gross Profit	871	1,629	-47%	2,086	3,277	-36%
Selling & Dist.	91	292	-69%	448	648	-31%
Operating Profit	671	1,166	-42%	1,528	2,433	-37%
Finance Cost	253	2	133.x	507	8	60.5x
Profit Before Tax	290	868	-67%	1,393	4,114	-66%
Taxation	136	266	-49%	488	1,431	-66%
Profit After Tax	154	602	-74%	663	1,632	-59%
EPS	1.08	4.21		6.34	18.78	
Key Indicators						
Unit Sold (Ths)	3.7	10.8		16.5	36.8	
Gross Profit Margins	9.6%	7.7%		5.4%	4.6%	
Effective Tax Rate	47.0%	30.7%		35.0%	34.8%	

Source: IGI Research, Company accounts, PSX

No of shares(mn): 142.8

Recommendation

We have a "HOLD" call on the scrip based on our Dec-20 target price of PKR 196/share offering 8% downside from its last closing. The company is currently trading at FY20 P/E of 30x, offering a dividend yield of 1.5%.

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. The subject Company (ies) is a client of the IGI Finex Securities Limited and IGI Finex Securities offers brokerage services to subject company (ies) on a regular basis, in line with industry practice. 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 – 2019

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

Risk: Investment in securities are subject to economic risk, market risk, interest rate risks, currency risks, and 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, **Last Closing:** Latest closing price, **Market Cap.:** Market capitalization is calculated by multiplying a company's shares outstanding by current trading price. **EPS:** Earnings per Share. **DPS:** Dividend per Share. **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 2018 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
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: 816	muhammad.saad@igi.com.pk
Bharat Kishore	Database Officer	Tel: (+92-21) 111-234-234 Ext: 974	bharat.kishore@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) 38303559-68	zaeem.haider@igi.com.pk
Muhammad Naveed	Regional Manager (Islamabad & Upper North)	Tel: (+92-51) 2604861-62	muhammad.naveed@igi.com.pk
Irfan Ali	Regional Manager (Faisalabad)	Tel: (+92-41) 2540843-45	irfan.ali@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	mahtab.ali@igi.com.pk
Zeeshan Kayani	Branch Manager (Abbottabad)	Tel: (+92-992) 408243-44	zeeshan.kayani@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 # 134, 3rd Floor, Stock Exchange Building,
Stock Exchange Road, Karachi.
Tel: (+92-21) 32429613-4, 32462651-2
Fax: (+92-21) 32429607

Lahore Office

Shop # G-009, Ground Floor,
Packages Mall
Tel: (+92-42) 38303560-69
Fax: (+92-42) 38303559

Faisalabad Office

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

Multan Office

Mezzanine Floor, Abdali Tower,
Abdali Road
Tel: (92-61) 4512003, 4571183

Islamabad Office

Mezzanine Floor, Office 5, 6 & 7, Kashmir Plaza,
Block- B, Jinnah Avenue, Blue Area
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
Tel: (+92-68) 5871652-3
Fax: (+92-68) 5871651

Abbottabad Office

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

IGI Finex Securities Limited

Research Analyst(s)

Research Identity Number: BRP009

© Copyright 2019 IGI Finex Securities Limited



Jama Punji
 سرمایہ کاری سمجھداری کے ساتھ
<http://www.jamapunji.pk>