

Flash Note

Monday, 12 November 2018

Automobile Assembler

Honda Atlas Cars (Pakistan) Ltd (HCAR)

Earnings down by 36%YoY to PKR 7.22/share as gross margins compressed by 550bpsYoY to 6.4% during 2QMY19

- Honda Atlas Cars (HCAR) announced its financial results for 2QMY19 wherein the company reported earnings of PKR 1.03bn (EPS: PKR 7.22), compared to PKR 1.62bn (EPS: PKR 11.33) in the same quarter last year, down by 36%YoY. On cumulative basis for the 1HMY19 profitability is substantially down by 44%YoY to PKR 2.08bn (EPS: PKR 14.57)
- Net sales increased by +13%YoY to PKR 25.82bn primarily on the back of increase in car prices and increased sales volume
- Gross margins collapsed significantly by 550bpsYoY to 6.4% attributed to rising costs from PKR depreciation and low sales in high margin segment in our view.
- Other income was also down by 26%YoY to PKR 0.36bn owing to decrease in short term investments and cash deposits.
- Effective tax rate for the 2QMY19 stood at 24.4% as against 37.6% in the corresponding period last year.

Exhibit:

HCAR 2QMY19 Result Highlights

PKRmn (Period end=Mar)	2QMY19	2QMY18	YoY	1HMY19	1HMY18	YoY
Net Sales	25,817	22,890	13%	49,672	43,948	13%
Cost Of Sales	24,169	20,172	20%	45,880	38,240	20%
Gross Profit	1,648	2,718	-39%	3,792	5,708	-34%
Selling & Dist.	165	193	-14%	356	341	4%
Admin.	215	160	35%	382	296	29%
Operating Profit	1,267	2,365	-46%	3,054	5,070	-40%
Other Income	360	487	-26%	809	954	-15%
Finance Cost	1.97	3.06	-36%	6.37	6.48	-2%
Profit Before Tax	1,362	2,593	-47%	3,246	5,507	-41%
Taxation	332	975	-66%	1,165	1,803	-35%
Profit After Tax	1,030	1,618	-36%	2,081	3,704	-44%
EPS	7.22	11.33		14.57	25.94	
DPS	-	-		-	4.18	

Key Indicators

Unit Sold (Ths)	13.45	12.61	6.7%	25.94	23.60	10%
Gross Profit Margins	6.4%	11.9%	(549)	7.6%	13.0%	(535)
Effective Tax Rate	24.4%	37.6%	(1,326)	35.9%	32.7%	315

Source: IGI Research, Company accounts, PSX

No of shares(mn): 142.8

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