

Flash Note

Friday, 26 August 2016

Automobile Assembler

INDU: FY16 Earnings clock in at PKR 145.7/share, up by +26%YoY

- Indus Motor Company Limited's (INDU) earnings surged by +26%YoY to PKR 11.5bn (EPS PKR 146) in FY16 as compared to PKR 9.1bn (EPS PKR 116) in the corresponding period last year. Profitability for 4QFY16 reported a meager drop of 2%YoY to PKR 2.6bn (EPS PKR 33.4).
- Company also announced a cash dividend of PKR 40.0/share, taking FY16 cumulative dividend to PKR 100.0/share.
- Revenues increased by +11%YoY to PKR 129.7bn in FY16 owing to +12%YoY rise in automobile sales to 64kunits, primarily due to growth in Corolla sales.
- Gross margins improved by 155bpsYoY to 16.3% in FY16, on the back of 35%YoY slump in international steel price to USD 438/ton from USD 593/ton in the same period last year.
- Other income surged by +9%YoY to 3.2bn owing to healthy cash position.

Recommendation

INDU is currently trading at FY17 P/E multiple of 10.2x and offers a dividend yield of 5.4%. With our Dec-16 TP of PKR 1,075/share, the stock seems fairly valued at current market price, hence we recommend '**HOLD**' call on the scrip.

Exhibit: Financial Highlights

PKRmn	4QFY16	4QFY15	YoY	FY16	FY15	YoY
Gross Sales	33,680	33,875	-1%	129,680	116,339	11%
Net Sales	29,079	28,342	3%	108,759	96,516	13%
Gross Profit	4,839	4,645	4%	17,731	14,244	24%
S & D Exp	353	67	431%	1,061	996	7%
Admin Exp	277	217	27%	931	799	17%
Other Exp	402	425	-5%	1,429	1,172	22%
Other Income	781	760	3%	3,164	2,907	9%
EBIT	4,587	4,696	-2%	17,475	14,184	23%
Finance Cost	12	11	11%	77	52	49%
PBT	4,575	4,686	-2%	17,397	14,133	23%
PAT	2,627	2,688	-2%	11,455	9,110	26%
EPS (PKR)	33.42	34.20		145.74	115.91	
DPS (PKR)	40.0	40.0		100.0	80.0	
<i>Key Ratios</i>						
Gross Margins	17%	16%		16%	15%	
Net Margin	9%	9%		11%	9%	
Effective Tax rate	43%	43%		34%	36%	

Source: IGI Research and Company Financials

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Analyst Certification

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

Valuation Methodology

The analyst[^] has used following valuation methodology to arrive at the target price of the said security (ies):

- DCF (Discounted Cash Flow)

Time Horizon

- Dec - 2016

Risk

- Changes in State Bank of Pakistan Policy Rate
- Change in Country (Pakistan) macro-economic environment
- Changes in Company(ies) operating structure
- Changes in Exchange rate

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