

# Flash Note

Tuesday, 23 July 2019

## Automobile Assembler

### Honda Atlas Cars (Pakistan) Limited (HCAR)

#### Volumetric decline and a likely occurrence of exchange loss drags earnings down by 77%YoY to PKR 1.69/share for 1QMY20

- Honda Atlas Cars (Pakistan) Limited (HCAR) announced its financial results for 1QMY20 (period end-March) wherein the company reported earnings of PKR 0.24bn (EPS: PKR 1.69), compared to PKR 1.05bn (EPS: PKR 7.36) in the same quarter last year, down by 77%YoY.
- Net sales decreased by 25%YoY to PKR 17.88bn primarily on the back of 33.1%YoY drop in volumes.
- Gross margins collapsed by ~140bpsYoY to 7.55% attributed to rising costs from PKR depreciation and possibility of lower sales in high margin segment. On sequential basis margins merely are inched down by 30bps. To note, margins are being maintained at 7% level since the last three quarters attributed to price hikes and possibility of cost curtailment.
- Erosion to earnings also stemmed from increase (~2.0xYoY) in operating expenses, signaling a likely exchange loss owing to 26%YoY PKR depreciation against USD.
- Other income failed to support profitability, witnessing 61%YoY decline owing to decrease in short term investments.
- Effective tax rate for the 1QMY20 stood at 32% as against 44% in the corresponding period last year.

Exhibit:

#### HCAR 1QMY19 Result Highlights

PKRmn (Period end =Mar)	1QMY20	1QMY19	YoY	4QMY19	QoQ
Net Sales	17,880	23,854	-25%	24,164	-26%
Cost Of Sales	16,530	21,711	-24%	22,281	-26%
<b>Gross Profit</b>	<b>1,350</b>	<b>2,144</b>	<b>-37%</b>	<b>1,883</b>	<b>-28%</b>
Selling & Dist.	178	191	-7%	284	-37%
Admin.	197	166	18%	247	-20%
Other exp.	740	347	2.1x	142	5.2x
<b>Operating Profit</b>	<b>975</b>	<b>1,786</b>	<b>-45%</b>	<b>1,353</b>	<b>-28%</b>
Other Income	175	449	-61%	272	-36%
Finance Cost	54	4.	13.5x	3	18x
Profit Before Tax	356	1,884	-81%	1,480	-76%
Taxation	114	834	-86%	311	-63%
<b>Profit After Tax</b>	<b>242</b>	<b>1,050</b>	<b>-77%</b>	<b>1,169</b>	<b>-79%</b>
EPS	1.69	7.36		8.18	
DPS	-	-		12.15	

#### Key Indicators

Unit Sold (Ths)	8.35	12.48		11.61	
Gross Profit Margins	7.55%	8.99%		7.79%	
Effective Tax Rate	32.1%	44.2%		21.0%	

Source: IGI Research, Company accounts, PSX

No of shares(mn): 142.8

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