

# Flash Note

Tuesday, 25 July 2017

## Automobile Assemblers

### HCAR: 1QFY18 earnings up by +99%YoY; primarily driven by Improved volumes

- Honda Atlas Cars (Pakistan) Limited (HCAR) announced 1QFY18 earnings of PKR 2.09bn (EPS PKR 14.61), up by +99% YoY on the back of 53%YoY rise in total volumes on the back of new model launch of Civic and BRV. However, earnings declined by 2%QoQ in 1QFY18 on the back of 5% drop in sales volume.
- The company announced a surprise cash dividend of PKR 4.18/share along with the result.
- Net revenues almost doubled in 1QFY18 to stand at PKR 21.06bn as compared to PKR 10.53bn in the corresponding period last year on the back of a) launch of new Civic Model in Mar-2017 and b) launch of BRV in Jan-2017 leading to 53%YoY rise in total units sold.
- However, company's gross margins declined by 1.2ppts to stand at 14.2% in 1QFY18 owing to +11%YoY rise in CRC prices. On a quarterly basis margins improved by +0.9ppts as CRC prices declined by 18%QoQ.
- Effective tax rate increased by +2.8ppts to 28.4% in 1QFY18 as compared to 25.6% in the same period last year (24.3% in 4QFY17).

#### Recommendation

We are currently revising our investment case for HCAR.

Exhibit:

#### HCAR Result Highlights

PKRmn (Period end=Dec)	1QFY18	1QFY17	YoY	4QFY17	QoQ
Net Sales	21,058	10,533	100%	21,074	0%
Cost Of Sales	18,068	8,916	103%	18,260	-1%
Gross Profit	2,990	1,618	85%	2,813	6%
Selling & Dist.	149	92	62%	210	-29%
Admin.	136	98	40%	138	-1%
Operating Profit	2,705	1,428	89%	2,465	10%
Other Expenses	254	141	80%	113	125%
Other Income	466	128	265%	450	4%
EBIT	2,918	1,415	106%	2,802	4%
Finance Cost	3	2	60%	4	-21%
Profit Before Tax	2,914	1,413	106%	2,798	4%
Taxation	828	362	129%	678	22%
Profit After Tax	2,086	1,051	99%	2,119	-2%
EPS (PKR)	14.61	7.36		14.84	
DPS (PKR)	-	-		13.00	

#### KEY RATIOS

Units sold (Units)	10,983	7,184	53%	11,549	-5%
Gross Margins	14.2%	15.4%		13.3%	
Effective Tax Rate	28.4%	25.6%		24.3%	

SOURCE: IGI Research, Company accounts, PSX notifications

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IGI Finex Securities Limited

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