

Flash Note

Friday, 26 April 2019

Automobile Assembler

Indus Motor Company Limited (INDU)

Earnings down to PKR 42.56/share for 3QFY19 as gross margins compressed by 580bpsYoY to 11.7%; Dividend at PKR 30.00/share

- Indus Motor Company Limited (INDU) announced its financial results for 3QFY19 wherein the company reported earnings of PKR 3.35bn (EPS: PKR 42.56), compared to PKR 4.27bn (EPS: PKR 54.35) in the same quarter last year, down by 22%YoY. On a cumulative basis, earnings for 9MFY19 decreased by 12%YoY to PKR 10.26 (EPS: PKR 130.50).
- The company announced a cash dividend of PKR 30.00/share along with the result, compared to PKR 32.50/share in the same period last year.
- Net sales increased by +13%YoY to PKR 41.533bn led by volumetric increase (+4%YoY) and price hikes (18%YoY on average).
- Major erosion to earnings came from weak gross margins which have collapsed by 580bpsYoY to 11.7% owing to rising costs from PKR depreciation and lower sales in high margins segment. To note, margins have been on a declining trajectory since 1QFY19.
- Operating profit decreased by 29%YoY to PKR 4.08bn spurred by increase of +22%YoY in selling and distribution expenses. However, the impact was arrested by rise in other income, up by +16%YoY to PKR 1.06bn.

Exhibit:

INDU 3QFY19 Result Highlights

PKRmn (Period end=Jun)	3QFY19	3QFY18	YoY	9MFY19	9MFY18	YoY
Net Sales	41,533	36,869	13%	118,072	100,083	18%
Cost Of Sales	36,666	30,424	21%	103,056	82,609	25%
Gross Profit	4,867	6,445	-24%	15,016	17,474	-14%
Selling & Dist.	401	329	22%	1,027	910	13%
Admin.	338	387	-12%	971	1,070	-9%
Operating Profit	4,084	5,726	-29%	12,896	15,420	-16%
Other Income	1,059	909	16%	3,157	2,679	18%
Finance Cost	13	129	-90%	132	297	-55%
Profit Before Tax	4,783	6,061	-21%	14,822	16,574	-11%
Taxation	1,438	1,789	-20%	4,564	4,938	-8%
Profit After Tax	3,345	4,272	-22%	10,257	11,636	-12%
EPS	42.6	54.35		130.50	148.04	
DPS	30.00	32.50		87.50	95.00	

Key Indicators

Unit Sold (Ths)	16.94	16.29	3.9%	49.57	46.43	6.8%
Gross Profit Margins	11.72%	17.48%	(576)	12.72%	17.46%	(474)
Effective Tax Rate	30.1%	29.5%	54	30.8%	29.8%	60

Source: IGI Research, Company accounts, PSX

No of shares(mn): 78.6

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