

Flash Note

Monday, 10 August 2020

Automobile Assemblers

Indus Motor Company Limited (INDU)

Decline in volumes and weak margins drags earnings down by 63%y/y to PKR 64.66/share for FY20; Dividend at PKR 30.00/share

- ✓ Indus Motor Company Limited announced its financial result for 4QFY20 with earnings clocking in at PKR 0.98bn (EPS: PKR 1.25) compared to PKR 2.6bn (EPS: PKR 34.1) in the same period last year. This takes full year FY20 earnings to PKR 5.0bn, (down 63%y/y).
- ✓ In conjunction with result the company announced cash dividend of PKR 7/share. Thus leading to full year payout to PKR 30/share.
- ✓ Net sales decreased by 74%y/y to PKR 10bn during 4QFY20 as compared to PKR 33bn in the same period last year. This decline is mainly attributable to drop in volumetric sales whereas, volumetric decline was mainly accredited to close down of plant and lower demand amid COVID-19 outbreak.
- ✓ Gross margins went into negative territory at 3.1% during 4QFY20 versus 12.1% in the corresponding period last year. This decline is due to rising cost, PKR depreciation and possibility of lower sales in high margin segment.
- ✓ Other income failed to support profitability, witnessing a decline of 26%y/y during 4QFY20 on the back of reduction in policy rate.
- ✓ Earning attrition was further enhanced as effective tax rate stood at 47% during 4QFY20 (3QFY20: 31%) against 17% in the same period last year. This brings total effective tax rate for FY20 to 30% compared to 28% in the similar period last year.

Exhibit: Indus Motor Company Limited (INDU) Financial Highlights

Period end= Jun	6/20A	3/20a	6/19a	Growth		Period Average		
				q/q	y/y	FY2020e	FY2019a	y/y
Net Sales	10,337	33,055	39,922	-69%	-74%	86,167	157,996	-45%
Cost of Manu. & Trading	10,661	29,047	35,749	-63%	-70%	78,716	138,805	-43%
Gross Profit	(325)	4,008	4,173	-108%	-108%	7,451	19,192	-61%
Operating Income	(963)	3,121	3,245	-131%	-130%	4,400	16,143	-73%
EBIT	218	3,922	4,087	-94%	-95%	7,373	19,043	-61%
Finance Cost	31	16	(65)	94%	-148%	86	67	27%
Profit Before Tax	187	3,906	4,152	-95%	-96%	7,287	18,976	-62%
Tax	88	1,227	697	-93%	-87%	2,205	5,261	-58%
Net Income	98	2,679	3,455	-96%	-97%	5,082	13,715	-63%
EPS	1.25	34.09	43.96			64.66	174.49	
DPS	7.0	10.0	27.5			30.0	115.0	
Sales (gr. y/y)	-74%	-20%	0%			-45%	13%	
Cost of Manu. & Trading (gr. y/y)	-70%	-21%	8%			-43%	20%	
Net Income (gr. y/y)	-97%	-20%	-21%			-63%	-15%	
Gross Profit Margin	-3.1%	12.1%	10.5%			8.6%	12.1%	
EBIT Margin	2.1%	11.9%	10.2%			8.6%	12.1%	
Effective tax rate	47%	31%	17%			30%	28%	
Net Margin	1%	8%	9%			6%	9%	
Total Sales	3,078	11,125	15,833			28,378	65,399	63,068
Sales Volume (gr. y/y)	-81%	-34%	-5%			-57%	4%	4%

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