

# Flash Note

Friday, 24 February 2017



Securities

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## Automobile Assembler

### INDU: 2QFY17 earnings clocked in at PKR 38.5/share, up by +2%YoY

- Indus Motor Company Limited's (INDU) earnings increased by +2%YoY to PKR 3.03bn (EPS PKR 38.5) in 2QFY17 compared to PKR 2.96bn (EPS PKR 37.7) in the corresponding period last year. The company also announced a cash dividend of PKR 25.0/share along with results.
- Revenue for 2QFY17 clocked in at PKR 25.65bn depicting a decrease of 3%YoY, owing to volumetric slowdown of 10%YoY to 14.1k units on the back of decrease in flagship Corolla variant sales (8%YoY).
- Gross Margins for 2QFY17 stood at 18.3%, portraying an increase of 226bpsYoY owing to favorable exchange rate movement of JPY against USD.
- Company's selling and distribution cost increased by +61%YoY to PKR 290mn owing to launch of new Hilux and Fortuner variants. Moreover administration expenses augmented by +4%YoY to PKR 230mn.

#### Recommendation

INDU is currently trading at FY17E P/E multiple of 12.4x. We recommend 'HOLD' call on the scrip with our Dec-17 TP of PKR 1,816/share, offering return of +8%.

#### Exhibit:

#### INDU Financial Highlights

PKRmn	2QFY17	2QFY16	YoY	1HFY17	1HFY16	YoY
Net Sales	25,648	26,476	-3%	51,400	51,334	0%
Gross Profit	4,697	4,251	10%	8,875	8,444	5%
S & D Exp	290	180	61%	494	397	25%
Admin Exp	230	220	4%	451	409	10%
Post-tax Profits	3,027	2,961	2%	6,075	5,895	3%
EPS (PKR)	38.5	37.7		77.3	75	
DPS (PKR)	25.0	20.0		50	40	
<i>Key Ratios</i>						
Gross Margins	18%	16%		17%	16%	
Net Margin	12%	11%		12%	11%	
Effective Tax rate	32%	31%		31%	31%	

Source: IGI Research and Company Financials

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Recommendation	Rating System
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**Time Horizon:** Dec - 2017

**Valuation Methodology:** The analyst(s) has used following valuation methodology to arrive at the target price of the said security (ies):

DCF (Discounted Cash Flow)

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