

Flash Note

Tuesday, 25 July 2017

Automobile Assemblers

PSMC: 2QCY17 earnings up by +41%YoY; led by lower tax rate and higher volumes

- Pak Suzuki Motor Company Limited (PSMC) announced 2QCY17 earnings of PKR 685mn (EPS PKR 8.33), up by +41% YoY on the back of a) +9%YoY rise in total volumes led by +8%/+78%/+8%YoY rise in Cultus/Wagon-R/Mehran sales and b) lower tax rate of 31.6%. However, earnings declined by 48%QoQ in 2QCY17 on the back of 7% drop in sales volume and 3.8ppts decline in gross margins.
- Net revenues augmented by +21%YoY in 1QFY18 to stand at PKR 22.9bn as compared to PKR 18.9bn in the corresponding period last year on the back of a) launch of new Cultus Model in Apr-2017 leading to 9%YoY rise in total volumes, and b) increase in Wagon R price.
- However, company's gross margins declined by 3.8ppts to stand at 8.4% (12.2% in 1QCY17) in 2QCY17 likely owing to +11%YoY rise in CRC prices, thus leading to only +8%YoY rise in gross profit to PKR 1.9bn.
- Selling/distribution and admin expense increase by +24%YoY and +11%YoY to PKR 675mn and PKR 543mn respectively, offsetting the increase in gross profit.
- As a result, earnings growth emanated by drop in effective tax rate to 31.6% in 2QCY17 as compared to 55.2% in the same period last year (31.0% in 1QCY17).

Exhibit:

PSMC Result Highlights

PKRmn (Period end=Dec)	2QCY17	2QCY16	YoY	QoQ	1HCY17	1HCY16	YoY
Net Sales	22,938	18,995	21%	-4%	46,829	38,989	20%
Cost Of Sales	21,017	17,217	22%	0%	42,004	35,006	20%
Gross Profit	1,921	1,779	8%	-34%	4,825	3,983	21%
Selling & Dist.	675	543	24%	-4%	1,382	1,007	37%
Admin.	416	374	11%	30%	736	816	-10%
Operating Profit	830	862	-4%	-56%	2,707	2,160	25%
Other Income	260	311	-16%	40%	445	590	-25%
EBIT	1,016	1,091	-7%	-47%	2,937	2,566	14%
Finance Cost	13	3	318%	-53%	41	84	-51%
Profit Before Tax	1,002	1,088	-8%	-47%	2,896	2,482	17%
Taxation	317	600	-47%	-46%	904	1,046	-14%
Profit After Tax	685	488	41%	-48%	1,992	1,435	39%
EPS (PKR)	8.33	5.93			24.20	17.44	
DPS (PKR)	-	-			-	-	
KEY RATIOS							
Units sold (Units)	34,180	31,459	9%	-7%	70,992	66,126	7%
Gross Margins	8.4%	9.4%			10.3%	10.2%	
Effective Tax Rate	31.6%	55.2%			31.2%	42.2%	

SOURCE: IGI Research, Company accounts, PSX notifications

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