

Day Break

Thursday, 21 April 2016

Company Update

Indus Motor Company Limited

Automobile Assembler

Recommendation	HOLD
Target Price	1,020.0
Last Closing	950.9
Upside	7%

Market Data

Bloomberg Tkr.	INDU PA
Shares (mn)	78.6
Market Cap (PKRbn USDmn)	74.7 713.8
Exchange	KSE 100

Price Info.	90D	180D	365D
Abs. Return	(8.7)	(11.3)	(8.3)
Low	910.0	910.0	910.0
High	1,060.0	1,199.8	1,309.2

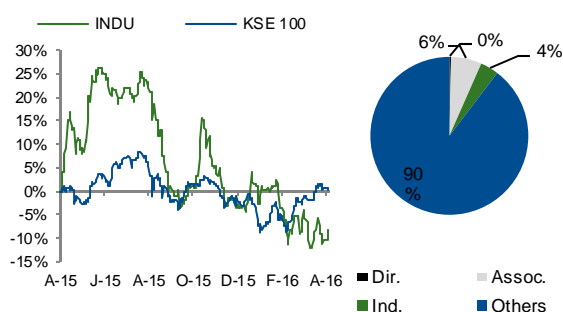
Key Company Financials

PKRbn	FY15A	FY16E	FY17F	FY18F
Total Revenue	96.5	108.5	108.4	113.9
Net Income	9.1	12.2	11.5	10.4
EPS (PKR)	115.9	155.8	146.6	132.1
DPS (PKR)	80.0	94.0	88.0	79.0
Total Assets	50.4	50.0	49.7	51.7
Total Equity	24.0	28.9	33.5	37.7

Key Financial Ratios

	FY15A	FY16E	FY17F	FY18F
ROE (%)	38%	42%	34%	28%
P/E (x)	8.2	6.1	6.5	7.2
P/B (x)	3.1	2.6	2.2	2.0
DY (%)	8.4	9.9	9.3	8.3

Relative Price Performance & Shareholding



About the Company

The Company was incorporated as a public limited company in Pakistan in December 1989 and started commercial production in May 1993. The company is the sole distributor of Toyota and Daihatsu vehicles in Pakistan.

Source: Bloomberg, KSE 100 & IGI Research

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Automobile Assemblers

INDU poised to post Earnings of PKR 41.38/share in 3QFY16

- Indus Motor Company's (INDU) board meeting is scheduled on 22nd Apr-16 to announce 3QFY16 financial results. We expect company to post profitability of PKR 3.3bn (EPS PKR 41.38) for 3QFY16, showing a fall of 1%YoY.
- Corolla sale is forecasted to fall by 10.6%/7.2%YoY for FY17/FY18 on the back of due launch of HCAR's 10th generation new Civic Model towards the mid of FY17 and dampening impact of 11TH generation Corolla from FY17.
- We have revised our Dec-16 TP to PKR 1,020/share from previous PKR 1,246/share, providing upside of 7%. Thus we recommend 'Hold' call on the scrip. INDU is currently trading at FY16E P/E of 6.1x and offers dividend yield of 9.9%

INDU: Poised to post earnings of PKR 41.38/share, down by 1%YoY

Indus Motor Company's (INDU) board meeting is scheduled on 22nd Apr-16 to announce 3QFY16 financial results. We expect company to post profitability of PKR 3.3bn (EPS PKR 41.38) for 3QFY16, showing a fall of 1%YoY. Our estimates are primarily based on a) drop in volumetric sales of high margin Fortuner/Hilux by 26%/22%YoY, leading to 2%YoY drop in revenue, despite the increase in Corolla sales by +1%YoY as well as prices in Dec-15 (to pass on additional 1% duty on CKD units), and b) unfavorable PKR movement against JPY and USD. Company is also expected to declare cash dividend of PKR 20.00/share along with the results, taking 9MFY16 payout to PKR 60.00/share.

Earnings are estimated to mount up by +42%YoY to PKR 9.1bn (EPS PKR 116.3) in 9MFY16 as a result of a) 20%/12%YoY ascend in sales of Corolla and Hilux, b) 34%YoY slump in CRC international prices and c) 6%YoY depreciation of PKR against JPY.

Exhibit: INDU Auto Sales Numbers (Units)

	3QFY16	3QFY15	YoY	9MFY16	9MFY15	YoY
Corolla	15,663	15,509	1%	43,344	36,238	20%
Fortuner	146	196	-26%	428	557	-23%
Toyota Hilux	1,214	1,553	-22%	3,732	3,346	12%
Total	17,023	17,258	-1%	47,504	40,141	18%

Source: IGI Research, PAMA

Thursday, 21 April 2016

Outlook

We have revised our volumetric sales assumption for Corolla, which is forecasted to fall by 10.6%/7.2% YoY for FY17/FY18 on the back of due launch of HCAR's 10th generation new Civic Model towards the mid of FY17 and dampening impact of 11th generation Corolla from FY17. In addition, CRC international prices have rebounded by +41% CYTD and going forward we expect them to further augment, resulting in additional cost for the company.

Recommendation

We have revised down our earnings by 6%/10% YoY to PKR 146.6/132.1/share in FY17/FY18 on the back of declining Corolla sales and rebounding international CRC prices, leading to our target price decline to PKR 1,020/share from previous PKR 1,246/share, providing upside of 7%. Thus we recommend 'Hold' call on the scrip. INDU is currently trading at FY16E P/E of 6.1x and offers dividend yield of 9.9%

Exhibit: Financial Highlights

PKRmn	3QFY16E	3QFY15	YoY	2QFY16	QoQ	9MFY16E	9MFY15	YoY
Net Revenue	28,444	29,077	-2%	26,476	7%	79,778	68,175	17%
Gross Profit	4,876	4,953	-2%	4,251	15%	13,320	9,599	39%
Dist and Admin	219	274	-20%	180	21%	616	929	-34%
Other Income	751	821	-9%	777	-3%	2,326	2,147	8%
EBIT	4,798	4,886	-2%	4,282	12%	13,347	9,489	41%
Finance Cost	15	20	-23%	20	-24%	55	41	33%
Tax	1,531	1,587	-4%	1,307	17%	4,150	3,024	37%
Profit After Tax	3,252	3,279	-1%	2,955	10%	9,142	6,423	42%
EPS (PKR)	41.38	41.72		37.60		116.31	81.72	
DPS (PKR)	20.00	20.00		20.00		60.00	40.00	
Key Ratios								
Gross Margin	17%	17%		16%		17%	14%	
Net Margin	11%	11%		11%		11%	9%	
Effective Tax Rate	32%	33%		31%		31%	32%	

Source: IGI Research, Company Financials

Analyst Certification

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Buy	If return on aforementioned security(ies) is more than 10%, from its last closing price(s)
Hold	If return on aforementioned security(ies) is in between -10% and 10%, from its last closing price(s)
Sell	If return on aforementioned security(ies) is more than -10%, from its last closing price(s)

Valuation Methodology

The analyst[^] has used following valuation methodology to arrive at the target price of the said security (ies):

- FCF(Free Cash Flow)

Time Horizon

- Dec - 2016

Risk

- Changes in State Bank of Pakistan Policy Rate
- Change in Country (Pakistan) macro-economic environment
- Changes in Company(ies) operating structure
- Changes in Exchange rate

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