

Day Break

Friday, 25 October 2019

COMPANY UPDATE

Pak Suzuki Motor Company Limited

Automobile Assembler

Recommendation	SELL		
Target Price:	Dec/20	126.9	
Last Closing:	24-Oct-19	152.8	
Upside:		-	16.9
Valuation Methodology:	Discounted Cash Flow (DCF)		
Time Horizon:	14M		

Market Data

Bloomberg Tkr.	PSMC PA		
Shares (mn)	82.3		
Free Float Shares (mn)	21.8		
Free Float Shares (%)	26.4%		
Market Cap (PKRbn USDmn)	12.6	80.9	
Exchange	KSE ALL		
Price Info.	90D	06M	12M
Abs. Return	(17.0)	(36.3)	(34.8)
Lo	148.8	148.8	148.8
Hi	192.5	310.1	340.4

Key Company Financials

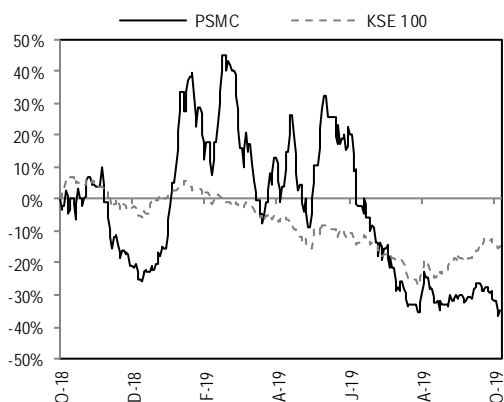
Period End: Dec

PKRbn	CY18a	CY19e	CY20f	CY21f
Total Revenue	119.9	82.3	76.3	80.4
Net Income	1.3	(3.1)	(1.6)	0.2
EPS (PKR)	15.8	(37.4)	(19.9)	2.2
DPS (PKR)	3.2	-	-	-
Total Assets	61.5	51.0	48.9	51.6
Total Equity	29.2	32.5	34.0	35.4

Key Financial Ratios

ROE (%)	4.4	(10.0)	(4.9)	0.5
P/E (x)	9.7	-	4.1	-
P/B (x)	0.4	0.4	0.4	0.4
DY (%)	2.1	-	-	-

Relative Price Performance



Source: Bloomberg, PSX & IGI Research

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Automobile Assemblers

PSMC: Multiple factors to keep 3q 2019 in losses; LPS 9.6/share

- PSMC is scheduled to announce its 3QCY19 financial result on 25th Oct-19 wherein we expect the company to post loss of PKR 0.79bn (LPS: PKR 9.61), taking total loss for the 9M CY19 to PKR 2.32bn (LPS: PKR 28.15), compared to profitability reported (PKR 1.39bn) during the same periods last year
- We attribute increase in losses owing to decline in sales, high input costs (PKR depreciation) putting pressure on margins and short-term financing arrangements.
- We have a "SELL" call on the scrip, based on our roll over Dec-20 target price of PKR 126.9/share, implying 17% downside from its last closing.

Expecting a loss of PKR 0.79bn (LPS: PKR 9.61) for 3QCY19

PSMC (Pak Suzuki Company Limited) is scheduled to announce its 3QCY19 financial result on 25th Oct-19 wherein we expect the company to post loss of PKR 0.79bn (LPS: PKR 9.61), taking total loss for the 9M CY19 to PKR 2.32bn (LPS: PKR 28.15), compared to profitability reported (PKR 1.39bn) during the same period last year.

Amid low volumes, weak margins and high finance cost takes on toll

We attribute increase in losses owing to decline in sales, high input costs (PKR depreciation) putting pressure on margins and short-term financing arrangements. Net sales for the quarter are estimated to inch down by a mere 2%YoY to PKR 26.0bn, despite 20%YoY decrease in volumes with ~18% increase in car prices offsets the impact. Gross margins are estimated to taper down by 300bpsYoY to ~3% owing to PKR depreciation and lower units. Furthermore, finance cost to the tune of PKR 225mn may further push up losses in our view. In addition, owing to pretax loss imposition of turnover tax (1.5%) may also act as a drag.

Exhibit: PSMC 3QCY19 Result Highlights

PKRmn (Dec)	3QCY19E	3QCY18	YoY	9M CY19E	9M CY18	YoY
Unit Sold (Ths)	28.2	35.1	-20%	106.5	121.3	-77%
Net Sales	26,054	26,627	-2%	91,541	89,018	3%
Cost Of Sales	25,157	24,936	1%	89,214	82,962	8%
Gross Profit	897	1,691	-47%	2,327	6,056	-62%
Gross Profit Margin	3.40%	6.35%		2.50%	6.80%	
Selling & Dist.	639	628	2%	2,383	2,074	15%
Admin.	460	644	-29%	1,667	1,660	0%
Operating Profit	-202	418	n.m	-1,723	2,322	n.m
Other Income	27	90	-70%	129	479	-73%
Finance Cost	225	32	5.97x	931	125	6.44x
Profit Before Tax	-400	442	n.m	-2,526	2,491	n.m
Taxation	391	348	12%	1,896	1,098	73%
Effective Tax Rate	-97.60%	78.60%		-75.00%	44.10%	
Profit After Tax	-791	95	n.m	-2,317	1,393	n.m
EPS	-9.61	1.15		-28.15	16.92	
DPS	-	-		-	-	

Source: IGI Research, Company accounts, PSX

No of shares(mn): 82.3

Recommendation

We have a "SELL" call on the scrip, based on our roll over Dec-20 target price of PKR 126.9/share, implying 17% downside from its last closing.

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Time Horizon: Dec – 2019

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

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