

Flash Note

Tuesday, 25 October 2016

Automobile Assembler

PSMC: 9MCY16 Earnings clock in at PKR 22.8/share, down by 56%YoY

- Pak Suzuki Motor Company Limited's (PSMC) earnings declined by 56%YoY to PKR 1.9bn (EPS PKR 22.8) in 9MCY16 compared to PKR 4.2bn (EPS PKR 51.5) in the corresponding period last year. Profitability for 3QCY16 registered a significant drop of 76%YoY to PKR 438mn (EPS PKR 5.3).
- Revenue for 3QCY16 decreased by 16%YoY to PKR 17.8bn owing to 22% decrease in total sales unit (passenger car and motorcycles) to 29.5k units. This also includes discontinuation of Punjab Governments "Apna Rozgar" Taxi Scheme.
- Gross margins for 3QCY16 stood at 7.0% compared to 9.4% in previous quarter, despite a ~3% increase in unit prices effective from Aug-16. We highlight unfavorable exchange rate movements in particularly that of JPY and recent recovery in international steel prices.
- Company's other income also declined by 19%YoY (down by 19%QoQ) to PKR 253mn.
- In addition, effective tax rate reverted back to normal levels (31% in 3QFY16) compared to last quarter inflated effective tax rate of 55% due to super tax.

Recommendation

We are currently revising our investment case on the company.

Exhibit: Financial Highlights

PKRmn	3QCY16	3QCY15	YoY	2QCY16	QoQ	9MCY16	9MCY15	YoY
Net Sales	17,771	21,188	-16%	18,995	-6%	56,760	61,185	-7%
Gross Profit	1,251	3,368	-63%	1,779	-30%	5,234	8,467	-38%
S & D Exp	492	487	1%	543	-9%	1,499	1,500	0%
Admin Exp	327	317	3%	374	-12%	1,143	879	30%
Other Exp	47	199	-76%	81	-42%	231	474	-51%
Other Income	253	313	-19%	311	-19%	843	740	14%
EBIT	638	2,678	-76%	1,091	-42%	3,204	6,354	-50%
Finance Cost	3	2	59%	3	-10%	87	26	240%
PBT	635	2,676	-76%	1,088	-42%	3,117	6,328	-51%
PAT	438	1,820	-76%	488	-10%	1,874	4,240	-56%
EPS (PKR)	5.3	22.1		5.9		22.8	51.5	
DPS (PKR)	0.0	0.0		0.0		0.0	0.0	
<i>Key Ratios</i>								
Gross Margins	7.04%	15.89%		9.36%		9.22%	13.84%	
Net Margin	2%	9%		3%		3%	7%	
Effective Tax Rate	31%	32%		55%		40%	33%	

Source: IGI Research and Company Financials

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Time Horizon: Jun - 2017

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

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