

Flash Note

Tuesday, 23 October 2018

Automobile Assemblers

Pak Suzuki Motor Company Limited (PSMC)

Shrinking margins and hefty tax eroded profitability by 91%YoY to PKR 1.15/share for 3QCY18

- Pak Suzuki Motor Company Limited (PSMC) announced its financial result for 9MCY18 with earnings clocking in at PKR 1.39bn (EPS: PKR 16.92) down by 55%YoY. For the 3QCY18 alone, profitability decreased substantially by 91%YoY to PKR 94.78mn (EPS: PKR 1.15) compared to PKR 1.10bn (EPS: PKR 13.43) in the corresponding period last year.
- Net sales inched up by +3%YoY to PKR 26.63bn during the quarter supported by price hike with the impact arrested by a decrease of 7%YoY in volumes.
- Gross margins for the quarter suffered a downfall of 350bps YoY to 6.3%, which we believe is likely attributed to exchange losses arising from volatility in exchange rate with PKR sliding down against USD during Jul-18.
- Operating profit suffered a decline of 74%YoY to PKR 0.42mn owing to rise of 67%/7%YoY in selling /admin expenses.
- Major erosion to earnings came from hefty increase in effective rate tax rate to 78% as against 30% in the corresponding period last year.

Exhibit:

PSMC Result Highlights

PKRmn (Period end=Dec)	3QCY18	3QCY17	YoY	9MCY18	9MCY17	YoY
Net Sales	26,627	25,973	3%	89,018	72,802	22%
Cost Of Sales	24,936	23,408	7%	82,962	65,412	27%
Gross Profit	1,691	2,565	-34%	6,056	7,390	-18%
Selling & Dist.	628	588	7%	2,074	1,970	5%
Admin.	644	386	67%	1,660	1,122	48%
Operating Profit	418	1,591	-74%	2,322	4,298	-46%
Other Income	90	219	-59%	479	664	-28%
Finance Cost	32	99	-67%	125	141	-11%
Profit Before Tax	442	1,578	-72%	2,491	4,475	-44%
Taxation	348	474	-27%	1,098	1,378	-20%
Profit After Tax	95	1,105	-91%	1,393	3,097	-55%
EPS (PKR)	1.15	13.43		16.92	37.63	
Key Indicators						
Unit Sold (Ths)	35.14	37.79	-7.0%	121.27	108.78	11%
Gross Profit Margins	6.3%	9.9%	(353)	6.8%	10.2%	(335)
Effective Tax Rate	78.6%	30.0%	4,860	44.1%	30.8%	1,328

Source: IGI Research, Company accounts, PSX

No of shares(mn): 82.3

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