

Flash Note

Thursday, 24 January 2019

Automobile Assembler

Honda Atlas Cars (Pakistan) Limited (HCAR)

Weak margins and higher operating expenses take its toll on earnings; EPS down by 58%YoY to PKR 4.21 for 3QMY19

- Honda Atlas Cars (Pakistan) Limited (HCAR) announced its financial results for 3QMY19 (period end-March) wherein the company reported earnings of PKR 0.61mn (EPS: PKR 4.21), compared to PKR 1.42bn (EPS: PKR 9.92) in the same quarter last year, down by 58%YoY. On cumulative basis for the 9MMY19 profitability is substantially down by 48%YoY to PKR 2.69bn (EPS: PKR 18.78)
- Net sales inched down by 2%YoY to PKR 21.2bn primarily on the back of decrease in volumes and high discounts despite price hikes.
- Gross margins collapsed significantly by ~300bpsYoY to 7.66% attributed to rising costs from PKR depreciation. However, on sequential basis, margins improved by +130bpsQoQ owing to price increase.
- Other income was also down by 50%YoY to PKR 0.23bn owing to decrease in short term investments and cash deposits. While operational expenses have further dragged down earnings by +67%YoY (possibly high WPPF/WWF) to PKR 0.53mn.
- Effective tax rate for the 3QMY19 stood at 30.7% as against 32.9% in the corresponding period last year.

Exhibit:

HCAR 3QMY19 Result Highlights

| PKRmn (Period end=Mar) | 3QMY19 | 3QMY18 | YoY | 9MMY19 | 9MMY18 | YoY |
|--------------------------|--------------|--------------|-------------|--------------|--------------|-------------|
| Net Sales | 21,293 | 21,798 | -2% | 70,964 | 65,746 | 8% |
| Cost Of Sales | 19,664 | 19,519 | 1% | 65,544 | 57,759 | 13% |
| Gross Profit | 1,629 | 2,279 | -29% | 5,421 | 7,987 | -32% |
| Selling & Dist. | 292 | 157 | 85% | 648 | 499 | 30% |
| Admin. | 171 | 150 | 14% | 553 | 447 | 24% |
| Other operating expenses | 528 | 316 | 67% | 1138 | 826 | 38% |
| Operating Profit | 1,166 | 1,971 | -41% | 4,219 | 7,041 | -40% |
| Other Income | 232 | 460 | -50% | 1,042 | 1,414 | -26% |
| Finance Cost | 1.88 | 2.93 | -36% | 8.25 | 9.41 | -12% |
| Profit Before Tax | 868 | 2,112 | -59% | 4,114 | 7,619 | -46% |
| Taxation | 266 | 696 | -62% | 1,431 | 2,499 | -43% |
| Profit After Tax | 602 | 1,416 | -58% | 2,682 | 5,120 | -48% |
| EPS | 4.21 | 9.92 | | 18.78 | 35.86 | |

Key Indicators

| | | | | | | |
|----------------------|-------|--------|--------|-------|--------|-------|
| Unit Sold (Ths) | 10.82 | 12.18 | -11.1% | 36.76 | 35.77 | 2.76% |
| Gross Profit Margins | 7.65% | 10.45% | (280) | 7.64% | 12.15% | (451) |
| Effective Tax Rate | 30.7% | 32.9% | (226) | 34.8% | 32.8% | 200 |

Source: IGI Research, Company accounts, PSX

No of shares(mn): 142.8

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