

Flash Note

Wednesday, 19 February 2020

Automobile Assembler

Indus Motor Company Limited (INDU)

Earnings declined massively by 71%/y/y to PKR 12.5/share as volumes fell during 2QFY20; DPS: PKR 6.0

- ✓ Indus Motor Company (INDU) announced its financial results for the 2QFY20 wherein the company reported earnings of PKR 0.9bn (EPS: PKR 12.5), compared to PKR 3.4bn (EPS: PKR 43.3) in the same quarter last year, down 71%/y/y. For the six month period profitability is down 67%/y/y to PKR 2.3bn (EPS: PKR 29.3).
- ✓ The company announced a cash dividend of PKR 6.0/share compared to PKR 25.0/share in the same period last year.
- ✓ Net sales decreased by 47%/y/y to PKR 22.1bn primarily on the back of ~60%/y/y drop in volumes.
- ✓ Gross margins weakened by ~400bps y/y to 8.0% attributed to rising costs from PKR depreciation. However, despite stable exchange rate on sequential basis, margins suffered 100bps drop which we think is due to lower sales in high margin segment.
- ✓ Other income failed to support profitability witnessing 49%/y/y decrease attributed to drop in short term investments, stemming from declining advances.
- ✓ Effective tax rate for the 2QFY20 stood at 30% as against 32% in the corresponding period last year.

Exhibit: INDU 2QFY20 Result Highlights

PKRmn (Period end =Jun)	2QFY20	2QFY19	Y/Y	1HFY20	1HFY19	Y/Y
Net Sales	22,059	41,547	-47%	42,775	76,538	-44%
Cost Of Sales	20,300	36,458	-44%	39,008	66,389	-41%
Gross Profit	1,759	5,089	-65%	3,767	10,149	-63%
Selling & Dist.	337	307	10%	738	627	18%
Admin.	367	343	7%	691	633	9%
Operating Profit	1,007	4,367	-77%	2,243	8,812	-75%
Other Income	532	1,045	-49%	1,227	2,098	-42%
Profit Before Tax	1,416	5,019	-72%	3,195	10,039	-68%
Taxation	430	1,615	-73%	890	3,127	-72%
Profit After Tax	986	3,404	-71%	2,304	6,912	-67%
EPS	12.5	43.3		29.3	87.9	
DPS	6.0	25.0		13.0	57.5	
Key Indicators						
Unit Sold (Ths)	7.5	17.2		14.2	32.6	
Gross Profit Margins	8.0%	12.2%		8.8%	13.3%	
Effective Tax Rate	30.4%	32.2%		27.9%	31.1%	
Source: IGI Research, Company accounts, PSX				No of shares(mn): 78.6		

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