

Flash Note

Wednesday, 24 July 2019

Automobile Assemblers

Pak Suzuki Motor Company Limited (PSMC)

Increase in finance cost, weak margins and turnover tax eroded bottom line; company reported a loss of PKR 6.62/share for 2QCY19

- Pak Suzuki Motor Company Limited (PSMC) announced its financial result for 2QCY19, reporting a loss of PKR 545mn (LPS: PKR 6.62) compared to profitability of PKR 394mn (EPS: PKR 4.78) witnessed during the same period last year. On a cumulative basis for the 1HCY19 total loss clocked in at PKR 1.53bn (LPS: PKR 18.53) compared to profitability reported at PKR 1.30bn (EPS: PKR 15.77).
- Net sales merely inched up by +1%YoY to PKR 31.04bn during the quarter supported by price hikes, offsetting 16%YoY drop in volumes.
- Gross margins for the quarter suffered a massive downfall of ~480bpsYoY to 1.00% which we believe is attributed to PKR depreciation and sales mix.
- Major dent to the earnings came from increase in finance costs (4.45xYoY), stemming from short term borrowings availed (PKR 9.56bn) and corresponding interest rate hike
- Effective tax rate for the quarter increased to 66% owing to turnover tax rate.

Exhibit:

PSMC 2QCY19 Result Highlights

| PKRmn (Period end =Dec) | 2QCY19 | 2QCY18 | YoY | 1HCY19 | 1HCY18 | YoY |
|-------------------------|----------------|--------------|-------------|----------------|--------------|-------------|
| Net Sales | 31,040 | 30,881 | 1% | 65,487 | 62,392 | 5% |
| Cost Of Sales | 30,728 | 29,132 | 5% | 64,057 | 58,026 | 10% |
| Gross Profit | 312 | 1,749 | -82% | 1,430 | 4,365 | -67% |
| Selling & Dist. | 1,001 | 642 | 56% | 1,744 | 1,446 | 21% |
| Admin. | 580 | 517 | 12% | 1,207 | 1,016 | 19% |
| Operating Profit | (1,270) | 589 | n.m | (1,521) | 1,904 | n.m. |
| Other Income | 53 | 213 | -75% | 103 | 389 | -74% |
| Finance Cost | 380 | 20 | 19.0x | 706 | 93 | 7.6x |
| Profit Before Tax | (1,597) | 728 | n.m | (2,126) | 2,048 | n.m. |
| Taxation | 1,053 | 335 | 3.1x | 1,505 | 750 | 2.0x |
| Profit After Tax | (545) | 394 | n.m | (1,525) | 1,298 | n.m. |
| EPS | (6.62) | 4.78 | | (18.53) | 15.77 | |

Key Indicators

| | | | | | | |
|----------------------|--------|-------|--|--------|-------|--|
| Unit Sold (Ths) | 35.9 | 42.5 | | 78.3 | 86.1 | |
| Gross Profit Margins | 1.0% | 5.7% | | 2.2% | 7.0% | |
| Effective Tax Rate | -66.0% | 46.0% | | -70.8% | 36.6% | |

Source: IGI Research, Company accounts, PSX

No of shares(mn): 82.3

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