

Flash Note

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Automobile Assembler

PSMC: 4QCY17 earnings clocked in at PKR 0.73bn (EPS: PKR 8.9) down by 19%YoY; CY17 earnings up by +38%YoY to PKR 3.8bn (EPS: PKR 46.5)

- Pak Suzuki Motor Company Limited (PSMC) announced its financial result for CY17 with earnings clocking in at PKR 3.83bn (EPS: PKR 46.5) up by +38%YoY as compared to PKR 2.77bn (EPS: PKR 33.7) in the same period last year. However, on quarterly basis, earnings have depressed by 19%YoY to PKR 0.72bn (EPS: PKR 8.9) despite increase in volumes.
- The company also announced a cash dividend of PKR 18.60/share along with the result for the full year.
- Net sales jumped by +47%YoY to PKR 29.0bn during the period supported by growth in volumes. As a result, net sales for the whole year stood at PKR 101bn, depicting a growth of +33%YoY.
- Gross margins for the quarter stood at 7.8%, down by 207bps YoY which we believe is attributed to PKR depreciation and increase in steel prices. However, for the whole year gross margins have remained relatively intact at 9.5%.
- Selling and distribution cost increased by +65%YoY to PKR 0.83bn during 4QCY17.
- Effective tax rate stood at 36% during 4QCY17 as compared to 31% in the corresponding period last year.

Exhibit:

PSMC Result Highlights

PKRmn (Period end=Dec)	4QCY17	4QCY16	YoY	CY17	CY16	YoY
Net Sales	29,009	19,756	47%	101,812	76,516	33%
Cost Of Sales	26,747	17,641	52%	92,159	69,167	33%
Gross Profit	2,262	2,115	7%	9,653	7,349	31%
Selling & Dist.	834	506	65%	2,804	2,004	40%
Admin.	478	397	20%	1,600	1,540	4%
Operating Profit	950	1,213	-22%	5,249	3,805	38%
Other Income	201	197	2%	865	1,040	-17%
EBIT	1,070	1,307	-18%	5,699	4,511	26%
Finance Cost	n.m.	8	n.m.	68	96	-29%
Profit Before Tax	1,145	1,298	-12%	5,619	4,415	27%
Taxation	416	399	4%	1,793	1,643	9%
Profit After Tax	729	899	-19%	3,826	2,773	38%
EPS (PKR)	8.9	10.9		46.5	33.7	
DPS (PKR)	18.6	5.5		18.6	5.5	

KEY INDICATORS

Units sold (kUnits)	42	37	151	128
Gross Profit Margins	8%	12%	10%	10%
Effective Tax Rate	36%	31%	32%	37%

SOURCE: IGI Research, Company accounts, PSX notifications

No of shares(mn):82.30

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Time Horizon: Dec – 2018

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

DCF (Discounted Cash Flow)

Risk: Investment in securities are subject to economic risk, market risk, interest rate risks, currency risks, credit risks, political and geopolitical risks. The performance of company(ies) covered herein might unfavorably be affected by multiple factors including, business, economic, and political conditions. Hence, there is no assurance or guarantee that estimates, recommendation, opinion, etc. given about the security(ies)/company(ies) in the report will be achieved.

Basic Definitions and Terminologies used: **Target Price:** A price target is the projected price level of a financial security stated by an investment analyst or advisor. It represents a security's price that, if achieved, results in a trader recognizing the best possible outcome for his investment. **Market Cap.:** Market capitalization is calculated by multiplying a company's shares outstanding by current trading price. **ROE:** Return on equity is the amount of net income returned as a percentage of shareholders' equity. **P/E:** Price to Earnings ratio of a company's share price to its per-share earnings. **P/B:** Price to Book ratio used to compare a stock's market value to its book value. **DY:** The dividend yield is dividend per share, divided by the price per share.

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