

Flash Note

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Securities

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Automobile Assembler

PSMC: Earnings reported at PKR 33.69/share in CY16, down by 53%YoY

- Pak Suzuki Motor Company Limited's (PSMC) earnings declined by 53%YoY to PKR 2.8bn (EPS PKR 33.69) in CY16 compared to PKR 5.8bn (EPS PKR 71.0) last year. Profitability for 4QCY16 registered a significant drop of 44%YoY to PKR 899.1mn (EPS PKR 11.0).
- Company also announced a final cash dividend of PKR 5.5/share for the year CY16.
- Revenue for CY16 decreased by 10%YoY to PKR 76.5bn owing to 17% decrease in total sales unit (passenger car and motorcycles) to 127.6k units, this is primarily to conclusion of Punjab Governments 'Apna Rozgar' Scheme, as sales of Bolan and Ravi decreased by 44%YoY each for both variants. However, Wagon R sales posted growth of +74%YoY to 13.2kunits.
- Gross margins for CY16 stood at 9.6% compared to 13.6% in previous year, on the back of unfavorable exchange rate movements in particularly JPY and recovery in international steel prices.
- In addition, effective tax rate increased to 37%YoY in CY16 (33%YoY in CY15).

Recommendation

We maintain our "BUY" call on PSMC with our Dec-17 target price of PKR 742/share, offering +12% upside from its last closing. The company is currently trading at a CY17E P/E of 15.0x.

Exhibit:

Financial Highlights

PKRmn	4QCY16	4QCY15	YoY	CY16	CY15	YoY
Net Sales	19,756	23,363	-15%	76,516	84,549	10%
Gross Profit	2,115	3,021	-30%	7,349	11,487	36%
S & D Exp	506	445	14%	2,004	1,946	3%
Admin Exp	397	352	13%	1,540	1,231	25%
Post-tax Profits	899	1,603	-44%	2,773	5,843	53%
EPS (PKR)	10.9	19.5		33.7	71	
DPS (PKR)	5.5	15.0		5.5	15.0	

Source: IGI Research and Company Financials

IGI Research

research@igi.com.pk

Tel: (+92-21) 111-234-234 Ext.: 810

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Recommendation	Rating System
Buy	If target price on aforementioned security(ies) is more than 10%, from its last closing price(s)
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Time Horizon: Dec - 2017

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)

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IGI Finex Securities Limited

Research Analyst(s)

Research Identity Number: BRP009

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Contact Details

Research Team

Saad Khan	Deputy Head of Research	Tel: (+92-21) 111-234-234 Ext: 810	saad.khan@igi.com.pk
Abdullah Farhan	Research Analyst	Tel: (+92-21) 111-234-234 Ext: 912	abdullah.farhan@igi.com.pk
Jawad Ameer Ali	Research Analyst	Tel: (+92-21) 111-234-234 Ext: 816	jawad.ameer@igi.com.pk
Anjali Kukreja	Research Analyst	Tel: (+92-21) 111-234-234 Ext: 957	anjali.kukreja@igi.com.pk
Umesh Solanki	Database Manager	Tel: (+92-21) 111-234-234 Ext: 974	umesh.solanki@igi.com.pk

Equity Sales

Faisal Jawed Khan	Head of Equities	Tel: (+92-21) 35301779	faisal.jawed@igi.com.pk
Zaeem Haider Khan	Regional Head (North)	Tel: (+92-42) 35777863-70	zaeem.haider@igi.com.pk
Muhammad Naveed	Branch Manager (Islamabad)	Tel: (+92-51) 2604861-62	muhammad.naveed@igi.com.pk
Gul Hussain	Branch Manager (Faisalabad)	Tel: (+92-41) 2540843-45	gul.hussain@igi.com.pk
Asif Saleem	Branch Manager (RY Khan)	Tel: (+92-68) 5871652-56	asif.saleem@igi.com.pk
Mehtab Ali	Branch Manager (Multan)	Tel: (+92-61) 4512003	mehtab.ali@igi.com.pk
Zeeshan Kayani	Branch Manager (Abbottabad)	Tel: (+92-992) 408243-44	zeeshan.kayani@igi.com.pk

IGI Finex Securities Limited

Trading Rights Entitlement Certificate (TREC) Holder of
Pakistan Stock Exchange Limited |
Corporate member of Pakistan Mercantile Exchange Limited

Head Office

Suite No 701-713, 7th Floor, The Forum, G-20,
Khayaban-e-Jami Block-09, Clifton, Karachi-75600
UAN: (+92-21) 111-444-001 | (+92-21) 111-234-234
Fax: (+92-21) 35309169, 35301780
Website: www.igisecurities.com.pk

Stock Exchange Office

Room # 719, 7th Floor, KSE Building, Stock Exchange Road, Karachi.
Tel: (+92-21) 32429613-4, 32462651-2, Fax: (+92-21) 32429607

Lahore Office

5-F.C.C. Ground Floor, Syed Maratib Ali Road,
Gulberg II, Lahore
Tel: (+92-42) 35777863-70, 35876075-76
Fax: (+92-42) 35763542

Faisalabad Office

Room #: 515-516, 5th Floor, State Life
Building, 2- Liaqat Road, Faisalabad
Tel: (+92-41) 2540843-45
Fax: (+92-41) 2540815

Multan Office

Mezzanine Floor, Abdali Tower,
Abdali Road, Multan
Phone: (92-992) 408243 - 44

Islamabad Office

Mezzanine Floor, Office 5, 6 & 7, Kashmir Plaza,
Block- B, Jinnah Avenue, Blue Area, Islamabad
Tel: (+92-51) 2604861-2, 2604864, 2273439
Fax: (+92-51) 2273861

Rahim Yar Khan Office

Plot # 12, Basement of Khalid Market,
Model Town, Town Hall Road, Rahim Yar Khan
Tel: (+92-68) 5871653-6, 5871652
Fax: (+92-68) 5871651

Abbottabad Office

Ground Floor, Al Fatah ShoppingCenter , Opp. Radio
Station, MansehraRoad, Abbottabad
Phone: (+92-99) 2408243 - 44