

Company Update

Indus Motor Company Limited
(INDU)

Automobile Assemblers

INDU: FY22 Corporate Briefing Takeaways

- To recall, the Company reported a profit after tax of PKR 15.8bn during FY22 v/s PKR 12.8bn during the same period last year, an increase of +23%y. Margin compression in the 4th quarter was a factor of a) higher international commodity, and b) PKR depreciation.
- As per management, number of vehicle sold increased by 31%y to 75.6k units during FY22, whereas production increased by 22%y to 72.4k. However going forward, amid a) interest rate hike, b) strict auto financing requirements, and c) restrictions on imports of Completely Knocked Down (CKD) kits will lead to slowdown sales and production levels
- Moreover, unfavorable exchange rate movements combined with dull demand outlook, passing on the impact onto end consumer will be challenging. Hence, management view that this is affecting the company's margins negatively and will be difficult to achieve breakeven in the 1qFY23.

Indus Motor Company Limited (INDU) held its analyst briefing on 27th-September-22 to discuss its financial results for FY22 and the future prospects of the Company.

Earnings Review: to recall, the Company reported a profit after tax of PKR 15.8bn during FY22 v/s PKR 12.8bn during the same period last year, an increase of +23%y. Margin compression in the 4th quarter was a factor of a) higher international commodity, and b) PKR depreciation.

The forward guidance provided by the company management in its Corporate Briefing Session (CBS) held are;

Sales likely to take a hit: As per management, number of vehicle sold increased by 31%y to 75.6k units during FY22, whereas production increased by 22%y to 72.4k. However going forward, amid a) interest rate hike, b) strict auto financing requirements, and c) restrictions on imports of Completely Knocked Down (CKD) kits will lead to slowdown sales and production levels. As of current, company is currently operating at 40% to 45% of production capacity, going forward in FY23 the management estimates industry sales could fall by nearly 40%, with recent floods further exacerbating the situation.

Margins to remain slim: Moreover, unfavorable exchange rate movements combined with dull demand outlook, passing on the impact onto end consumer will be challenging. Hence, management view that this is affecting the company's margins negatively and will be difficult to achieve breakeven in the 1qFY23.

Outlook: The Company is currently operating at 40% to 45% of production capacity, the management also expects industry volumetric sales to fall by nearly 40%. National economy has faced another setback post recent floods across Pakistan and the impact of floods is yet to be observed on the auto sector.

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