

Earning Review

INDU: 4QFY21 EPS clocked in at Rs56.2/sh, DPS Rs36.5/sh

Event

- Indus Motor Company Limited (INDU PA) reported profitability of Rs4.4bn (EPS Rs56.2/sh) in 4QFY21 against Rs122mn (EPS Rs1.6/sh) in 4QFY20. This accumulated profitability to 12.8bn (EPS Rs163.2/sh) in FY21 compared to 5.1bn (Rs64.7/sh) in FY20.
- INDU announced final cash dividend of Rs36.5/sh, taking DPS for FY21 to Rs104/sh.
- The result is above our expectation where the key deviations originated from better gross margins.

Impact

- INDU reported net sales of Rs48bn (↑363% YoY) in 4QFY21, taking accumulated net sales of FY21 to Rs179.2bn (↑108% YoY). This significant YoY increase during 4QFY21 is mainly attributed to low base effect due to strict lockdown observed in same quarter last year. To highlight, there were no automobile sales during April'20 followed by low sales volume in the following months. On Sequential basis, net sales declined by 7% QoQ accredited to volumetric decline of 12% QoQ due to global supply chain issues.
- Demand for Corolla and Hilux remained robust with volumetric growth of 6% and 11% QoQ. However sales for Yaris/Fortuner declined by 26/9% QoQ. This takes accumulated sales mix of Yaris/Corolla/Fortuner/Hilux during FY21 to stand at 45/35/8/12%.
- Gross margins came in better than our estimates to clock in at 12.3% in 4QFY21 (↑3.1ppt QoQ). We attribute this improvement to (1) rupee appreciation and (2) sale of high end variants. Consequently, margins during FY21 clocked in at 9.3% (↑7ppts YoY).
- Distribution expenses remained upbeat during 4QFY21 to post 181/66% YoY/QoQ growth to clock in at Rs653mn. On YoY basis, uptick in distribution expense is primarily driven by higher sales volumes. However on sequential basis, distribution expenses increased by 66% despite a volumetric drop in sales. We suspect that this increase in distribution expenses could be a function of higher marketing expenses given higher competition in the sedan segment.
- Admin expenses increased by 14% YoY but declined by 4% QoQ to clock in at Rs402mn.
- Other income increased by 94/17% YoY/QoQ due to higher cash and short term investments owing to improving liquidity position of the company. To highlight, INDU reported cash and cash equivalents worth Rs30.3bn after adjusting for advances from customers (as per 3QFY21).
- Finance cost increased by 72/154% YoY/QoQ to Rs54mn, given high bank charges due to higher import of charges.
- The company reported effective tax rate of 31% decreasing/increasing by 11/3ppts over YoY/QoQ.
- Net margins improved by 8/2ppts YoY/QoQ to clock in at 9.2%.

Outlook

- We have an outperform stance on the stock due to high market penetration by INDU and excess cash.

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INDU: 4QFY21 Result Review

Rs mn	4QFY21	4QFY20	YOY	3QFY21	QoQ	FY21	FY20	YoY
Net sales	48,002	10,361	363%	51,514	-7%	179,162	86,167	108%
COGS	42,106	10,662	295%	46,768	-10%	162,508	78,716	106%
Gross Profit	5,896	-301	na	4,746	24%	16,654	7,451	124%
Distribution expenses	653	232	181%	394	66%	1,619	1,469	10%
Admin expenses	402	353	14%	418	-4%	1,465	1,385	6%
Other operating expenses	101	(261)	-139%	314	-68%	817	429	91%
Other income	1,686	868	94%	1,436	17%	5,579	3,205	74%
Finance costs	54	31	72%	21	154%	134	86	56%
Profit before taxation	6,373	211	2925%	5,036	27%	18,199	7,287	150%
Taxation	1,959	88	2119%	1,422	38%	5,371	2,205	144%
Profit after taxation	4,413	122	3506%	3,614	22%	12,829	5,082	152%
EPS	56.2	1.6		46.0		163.2	64.7	
DPS	36.5	7.0		32.0		103.5	30.0	
Gross Margins	12.3%	-2.9%		9.2%		9.3%	8.6%	
Net Margins	9.2%	1.2%		7.0%		7.2%	5.9%	
POR	53.4%	449.5%		69.6%		63.4%	46.4%	

Source: PSX, Company accounts, Foundation Research, Aug 2021

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Recommendations definitions

Expected return >+10%	Outperform.
Expected return from -10% to +10%	Neutral.
Expected return <-10%	Underperform.