

## Earning Review

### INDU: 1QFY22 EPS clocked in at Rs69.0/sh, DPS Rs34.5/sh

#### Event

- Indus Motor Company Limited (INDU PA) reported profitability of Rs5.4bn (EPS Rs69.0/sh) in 1QFY22 against Rs1.8bn (EPS Rs23.5/sh) in 1QFY21.
- INDU announced interim cash dividend of Rs34.5/sh.
- The result is above our expectation where the key deviations originated from higher CBUs sold than our estimates.

#### Impact

- INDU reported net sales of Rs65.6bn (↑92/37% YoY/QoQ) in 1QFY22. This significant YoY increase during 1QFY22 is mainly attributed to low base effect due to post lock down phase in 1QFY21. On sequential basis, net sales increased by 37% accredited to (1) volumetric increase of 28% QoQ given FED reduction in Budget FY22 and (2) higher CBU's sold.
- Net sales included 6,596/7,240/1,601/3,209 units of Corolla/Yaris/Fortuner/Hilux which depicted an increase of 83/20/311/89% YoY.
- Gross margins clocked in at 10.8% in 1QFY22 (↑/↓ 4.1/1.5ppt YoY/QoQ). On YoY basis, Gross margins improved due to high fixed cost coverage given high utilization level. However, on sequential basis, the decline in margins is mainly because of rupee depreciating by 7% QoQ however the magnitude was restricted given (1) better inventory management and (2) better sales of high margin CBU.
- Distribution expenses remained upbeat during 1QFY22 to post 102% YoY increase to clock in at Rs456mn. On YoY basis, uptick in distribution expense is primarily driven by higher sales volumes. However, on sequential basis, distribution expenses declined by 30% QoQ given inventory held by dealers from last quarter.
- Admin expenses increased by 48/16% YoY/QoQ to clock in at Rs467mn in 1QFY22.
- Other income increased by 88/21% 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 Rs84.0bn at period end 4QFY21.

#### Outlook

- We have an outperform stance on the stock due to high market penetration by INDU and high cash position to support dividend payout.

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**INDU: 1QFY22 Result Review**

Rs mn	1QFY22	1QFY21	YoY	4QFY21	QoQ
<b>Net sales</b>	65,552	34,195	92%	48,002	37%
COGS	58,480	31,907	83%	42,106	39%
<b>Gross Profit</b>	<b>7,072</b>	<b>2,288</b>	<b>209%</b>	<b>5,896</b>	20%
Distribution expenses	456	226	102%	653	-30%
Admin expenses	467	316	48%	402	16%
Other operating expenses	486	155	214%	101	382%
Other income	2,047	1,089	88%	1,686	21%
Finance costs	29	34	-16%	54	-47%
<b>Profit before taxation</b>	<b>7,683</b>	<b>2,645</b>	<b>190%</b>	<b>6,373</b>	21%
Taxation	2,258	800	182%	1,959	15%
<b>Profit after taxation</b>	<b>5,425</b>	<b>1,845</b>	<b>194%</b>	<b>4,414</b>	23%
<b>EPS</b>	<b>69.0</b>	<b>23.5</b>		<b>56.2</b>	
<b>DPS</b>	35	7		22	
<b>Gross Margins</b>	10.8%	6.7%		12.3%	
<b>Net Margins</b>	8.3%	5.4%		9.2%	
<b>Effective Tax Rate</b>	29.4%	30.3%		30.7%	

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

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#### Recommendations definitions

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