

Earning Review

PSMC: 3QCY21 EPS clocked in at Rs12.1/sh

Event

- Pak Suzuki Motor Company (PSMC PA) reported profitability of Rs994mn (EPS Rs12.1/sh) in 3QCY21 against loss of Rs547mn (LPS Rs6.7/sh) in 3QCY20. This take 9MCY21 profitability to Rs2.2bn (EPS Rs26.6/sh) compared to loss of Rs2.6bn (LPS Rs31.6/sh) in 9MCY20.

Impact

- PSMC reported net sales of Rs50.3bn (↑2.2x YoY) in 3QCY21, taking accumulated net sales of 9MCY21 to Rs116.4bn, up by 2.3x YoY. To highlight, economy was in recovery phase from post COVID lockdown in the same period last year which resulted in low base effect.
- On Sequential basis, net sales were up by 67% QoQ accredited to volumetric increase of 75% QoQ due to sales tax and FED reforms in FY22 Budget. To highlight, sales in 2QCY21 were down by 22% QoQ in anticipation of tax reforms in FY22 Budget.
- PSMC was able to sell 38,431 (↑120/75% YoY/QoQ) units in 3QCY21. Alto/WagonR/Cultus contributed with 15,681/5,488/10,114 units. PSMC cumulatively sold 88,527 units in 9MCY21.
- Gross margins clocked in at 5.3% in 3QCY21, up/down by 10/50bps YoY/QoQ. On YoY basis, the improvement in gross margins is accredited to higher fixed cost coverage. However, on sequential basis, the decline in gross margins is due to rupee depreciation by 7% QoQ. To highlight the decline in margins (QoQ) was restricted given inventory of Rs25.77bn present at the end of last quarter.
- Distribution expense increased by 68/34% YoY/QoQ given higher volumetric growth. Meanwhile admin expenses increased by 32/8% YoY/QoQ.
- Other income clocked in at Rs423mn in 3QCY21 vs Rs1mn in 3QCY20 due to better cash position given advances from customers and loan payoff from parent.
- Finance cost was recorded at Rs77mn in 3QCY21 vs reversal of Rs142mn in 3QCY20 given higher bank charges.

Outlook

- We have “Outperform” stance on the scrip. Furthermore, we expect PSMC profitability growth would remain upbeat due to Gov’t incentives and improving economic outlook. However, margins are expected to remain suppressed given rupee depreciation.

Analyst

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Fig 01: PSMC 3QCY21 Financial Highlights (Rs mn)

	3QCY21	3QCY20	YoY	QoQ	9MCY21	9MCY20	YoY
Net Sales	50,263	22,603	122%	67%	116,374	50,082	132%
COGS	47,600	21,437	122%	68%	109,756	48,956	124%
Gross Profit	2,663	1,166	128%	53%	6,618	1,126	488%
Distribution Expenses	746	445	68%	34%	2,012	1,009	99%
Administration Expenses	719	546	32%	8%	2,052	1,578	30%
Operating Profit	1,197	175	583%	129%	2,554	(1,461)	na
Other Income	423	1	na	71%	1,290	319	304%
Other Expense	145	918	-84%	4%	389	47	727%
EBIT	1,476	(742)	na	133%	3,454	(1,189)	na
Finance Cost	77	(142)	na	82%	369	2,399	-85%
PBT	1,400	(601)	na	137%	3,085	(3,589)	na
Tax	406	(54)	na	137%	895	(990)	na
Net Profit	994	(546)	na	137%	2,191	(2,599)	na
EPS	12.1	(6.6)			26.6	(31.6)	
Gross Margins	5.3%	5.2%			5.7%	2.2%	
Net Margins	2.0%	-2.4%			1.9%	-5.2%	
Effective Tax rate	29.0%	9.0%			29.0%	27.6%	

Source: PSX, Foundation Research, October 2021

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