

Earning Review

INDU: 2QFY22 EPS clocked in at Rs60.43, DPS Rs30

Event

- Indus Motor Company Limited (INDU PA) reported profitability of Rs4.75bn (EPS Rs60.43, up/down by 61/12% YoY/QoQ) in 2QFY22 against profit of Rs2.96bn (EPS Rs37.60) in 2QFY21. This takes 1HFY22 profitability to Rs10.18bn (EPS of Rs129.45, up by 112% YoY) as compared to profit of Rs4.8bn.
- INDU announced interim cash dividend of Rs30.0/sh taking total payout during 1HFY22 at Rs64.50/sh.
- The result is in line with our expectation.

Impact

- INDU reported net sales of Rs69.63bn (↑53/6% YoY/QoQ) in 1QFY22. The increase in net sales was majorly due to 35/4% YoY/QoQ increase in volumetric sales and 6% increase in price in latter part of the period. This cumulated net sales of Rs135.19bn (↑70% YoY) in 1HFY22.
- The volumetric growth was mainly due to anticipation of tax-cut withdrawals in the interim federal budget and further price hike given dollar parity. INDU sales volume clocked in at 19,426 units in 2QFY22, with contribution from Corolla/Yaris/Fortuner/Hilux of 9,307/5,983/2,018/2,118 units (↑/↓/↑/↑ 93/12/135/10 YoY). This cumulated volumetric sales of 38,072 units in 1HFY21.
- Gross margins clocked in at 7.6% in 2QFY22 (↓0.6/3.2ppt YoY/QoQ). Gross margins declined due to rupee depreciation against greenback by 8.5/6.1% YoY/QoQ. To highlight high fixed cost margins and high localization was able to restrict the margins declining.
- Distribution expenses remained upbeat during 2QFY22 to post ↑21% YoY (↓8% QoQ) to clock in at Rs418mn. Uptick in distribution expense is primarily driven by higher sales volumes. However, on sequential basis, distribution expenses declined by 8% QoQ given inventory better inventory management.
- Admin expenses increased/decreased by 41/1% YoY/QoQ to clock in at Rs463mn in 2QFY22.
- Other income increased by 83/22% YoY/QoQ due to higher cash and short-term investments owing to improving liquidity position of the company and increasing advances from customers. To highlight, INDU reported cash and cash equivalents worth Rs107.48bn at period end 1QFY21.
- Furthermore, company effective tax rate for 2QFY22 clocked in at 26.3% (down 2.4/3.1ppt YoY/QoQ).
- Payout ratio for 2QFY22 was 50% as compared to 19/29% in 2QFY21/1QFY22.

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	2QFY22	2QFY21	YoY	QoQ	1HFY22	1HFY21	YoY
Net sales	69,633	45,451	53%	6%	135,185	79,646	70%
COGS	64,368	41,728	54%	10%	122,848	73,635	67%
Gross Profit	5,264	3,723	41%	-26%	12,337	6,011	105%
Distribution expenses	418	346	21%	-8%	874	572	53%
Admin expenses	463	329	41%	-1%	929	645	44%
Other operating expenses	411	247	66%	-15%	897	402	123%
Other income	2,502	1,368	83%	22%	4,549	2,456	85%
Finance costs	30	24	25%	6%	59	58	1%
Profit before taxation	6,444	4,145	55%	-16%	14,127	6,790	108%
Taxation	1,694	1,189	42%	-25%	3,952	1,990	99%
Profit after taxation	4,750	2,956	61%	-12%	10,175	4,801	112%
EPS	60.43	37.60			129.45	61.08	
DPS	30.0	7.0			64.50	62.00	
Gross Margins	7.6%	8.2%			9.1%	7.5%	
Net Margins	6.8%	6.5%			7.5%	6.0%	
Effective tax rate	26.3%	28.7%			28.0%	29.3%	

Source: PSX, Company accounts, Foundation Research, Feb 2022

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