Earning Review

PSMC: 3QCY22 LPS clocked in at Rs30.2/sh

Event

- Pak Suzuki Motor Company (PSMC PA) reported a loss of Rs2.5bn (LPS Rs30.2/sh) in 3QCY22 against profit of Rs1.0bn (EPS Rs12.1/sh) in 3QCY21. This cumulated into 9MCY22 loss of Rs2.5bn (LPS Rs30.5/sh) compared to profit of Rs2.2bn (EPS Rs26.6/sh) in 9MCY21.

Impact

- PSMC net sales decreased by 41% YoY to Rs29.8bn in 3QCY22 due to volumetric decline in car sales given Gov't restrictions on CKD kit imports.
- PSMC sold 16,639 units (down by 57/59% YoY/QoQ) in 3QCY22 compared to 38,431units in 3QCY21. Alto/WagonR/Cultus/Swift contributed with 9,283/1,413/1,823/2,116 units. During 9MCY22, PSMC cumulatively sold 94,215 units, up by 6% YoY.
- Gross margins clocked in at 5.2% in 3QCY22, down/up by 6/83bps YoY/QoQ. Decline in gross margins on YoY basis is accredited to higher raw material and CKD import costs given Rupee depreciation of 26% YoY.
- Distribution expense declined by 32/45% YoY/QoQ given lower volumetric sales. Meanwhile admin expenses increased by 11/8% YoY/QoQ.
- Other income clocked in at Rs1.1bn in 3Q (up by 2.5x YoY) due to better cash position and advances from customers.
- Finance cost was recorded at Rs4.8bn in 3QCY22 compared to Rs77mn in 3QCY21 given exchange losses amid exceptional volatility in US$-Rs parity during the quarter. To note, during the quarter, Rupee initially depreciated by 15% before appreciating by 9% and then falling again by 11% followed by recovery of 5% in the last 10 days of the quarter.

Outlook

- We expect PSMC profitability to struggle in near term amid (1) imposition of import restrictions by Gov't and (2) dampening of car demand due to elevated interest rates, high car prices and rupee depreciation.

Analyst

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Fig 1: PSMC 3QCY22 Earnings Review (Rs mn)

	3QCY22	3QCY21	YoY	QoQ	9MCY22	9MCY21	YoY
Net Sales	29,800	50,263	-41%	-54%	142,425	116,374	22%
COGS	28,239	47,600	-41%	-54%	136,655	109,756	25%
Gross Profit	**1,561**	**2,663**	**-41%**	**-45%**	**5,771**	**6,618**	**-13%**
Distribution Expenses	505	746	-32%	-45%	2,151	2,012	7%
Administration Expenses	797	719	11%	8%	2,278	2,052	11%
Operating Profit	**259**	**1,197**	**-78%**	**-78%**	**1,341**	**2,554**	**-47%**
Other Income	1,065	423	152%	3%	2,629	1,290	104%
Other Expense	(10)	145	na	na	44	389	-89%
EBIT	**1,334**	**1,476**	**-10%**	**-40%**	**3,926**	**3,454**	**14%**
Finance Cost	4,798	77	na	492%	6,641	369	1698%
PBT	**(3,465)**	**1,400**	**na**	**na**	(2,714)	3,085	na
Tax	(976)	406	na	na	(208)	895	Na
Net Profit	**(2,489)**	**994**	**na**	**na**	**(2,506)**	**2,191**	**na**
EPS	**(30.2)**	**12.1**			**(30.5)**	**26.6**	
Gross Margins	5.2%	5.3%			4.1%	5.7%	
Net Margins	-8.4%	2.0%			-1.8%	1.9%	
Effective Tax rate	28.2%	29.0%			7.7%	29.0%	

Source: Company Accounts, Foundation Research, October 2022

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Recommendations definitions

If

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