

Earning Review

INDU: 1QFY23 EPS clocked in at Rs16.50, DPS Rs8.2

Event

- Indus Motor Company Limited (INDU PA) reported profitability of Rs1.3bn (EPS Rs16.50), down/up 76/155% YoY/QoQ in 1QFY23 against profit of Rs5.4bn (EPS Rs69.02) in 1QFY23.
- The result is accompanied with an interim cash dividend of Rs8.2/sh.

Impact

- INDU reported net sales of Rs37.2bn (down 43/48% YoY/QoQ) in 1QFY23 due to volumetric decline in car sales given Gov't restrictions on CKD kit imports.
- INDU sales volume clocked in at 8,868 units in 1QFY23, with contribution from Corolla +Yaris & Fortuner +Hilux of 6,415 & 4,810 units, down 54/49% YoY & down 50/52% QoQ, respectively.
- Company reported a gross loss as the company was unable to timely pass on the increase in cost of raw materials and Rs-US\$ depreciation. Gross margins were -6.3% in 1QFY23 (down 17.1/7.5ppt YoY/QoQ).
- Distribution expenses declined by 18/58% YoY/QoQ during 1QFY23 accredited to lower sales volumes.
- Other expenses decreased by 74/24% YoY/QoQ in 1QFY23 given lower WPPF/WWF amid decline in profitability.
- Other income increased/decreased by 152/1% YoY/QoQ to Rs5.2bn due to increased cash and short-term investments as a result of the company's improved liquidity position and increased customer advances. To highlight, INDU reported cash and cash equivalents worth Rs147.7bn at period ended 30 June 2022.
- Effective tax rate for 1QFY23 clocked in at 29.5%, up/down 7bps/58.6ppt YoY/QoQ.

Outlook

- We expect INDU 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. Moreover, recent floods can have significant impacts on INDU sales given higher rural penetration as compared to other auto manufacturers. However, higher number of pre bookings along with strong cash position would help it to sustain through the tough time, and thus we have an "Outperform" stance on the stock.

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INDU: 1QFY23 Result Review

Rs mn	1QFY23	1QFY22	YoY	QoQ
Net sales	37,249	65,552	-43%	-48%
COGS	39,606	58,480	-32%	-44%
Gross Profit	-2,358	7,072	na	na
Distribution expenses	372	456	-18%	-58%
Admin expenses	450	467	-4%	-36%
Other operating expenses	125	486	-74%	-24%
Other income	5,163	2,047	152%	-1%
Finance costs	19	29	-32%	-50%
Profit before taxation	1,839	7,683	-76%	-57%
Taxation	542	2,258	-76%	-86%
Profit after taxation	1,297	5,425	-76%	155%
EPS	16.50	69.02		
DPS	8.2	34.5		
Gross Margins	-6.3%	10.8%		
Net Margins	3.5%	8.3%		
Effective tax rate	29.5%	29.4%		

Source: PSX, 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.