

Earning Review

PSMC: 4QCY22 LPS clocked in at Rs46.5/sh

Event

- Pak Suzuki Motor Company (PSMC PA) reported a loss of Rs3.8bn (LPS Rs46.5/sh) in 4QCY22 against profit of Rs489mn (EPS Rs5.9/sh) in 4QCY21. This cumulated into CY22 loss of Rs6.3bn (LPS Rs77.0/sh) compared to profit of Rs2.7bn (EPS Rs32.6/sh) in CY21.

Impact

- PSMC net sales increased by 37% YoY to Rs60.0bn in 4QCY22 due to ~58% YoY increase in selling prices. Whereas, volumetric decline of 7% YoY was observed in auto sales given Gov't restrictions on import of CKD kits.
- PSMC sold 31,737 units (down/up by 7/91% YoY/QoQ) in 4QCY22 compared to 34,272 units in 4QCY21. Alto/WagonR/Cultus/Swift contributed with 18,331/2,356/3,320/5,024 units. During CY22, PSMC cumulatively sold 125,952 units, up by 3% YoY.
- Gross margins clocked in at 9.8% in 4QCY22, up by 6.3/4.6ppts YoY/QoQ. Increase in gross margins on YoY basis is accredited to higher selling prices amid Rupee depreciation of ~22% YoY.
- Distribution expense inclined by 15/111% YoY/QoQ. Whereas, admin expenses increased/decreased by 58/15% YoY/QoQ.
- Other income clocked in at Rs583mn in 4Q (down by 37% YoY) due to lower cash position from customers.
- Finance cost was recorded at Rs5.0bn in 4QCY22 compared to Rs368mn in 4QCY21 given exchange losses amid avg. Rupee depreciation of ~22% YoY during the quarter. Company recorded an exchange loss Rs3.6bn during CY22 given that outstanding foreign liabilities of US\$184mn on Dec, 31' 2022 increased to US\$218mn subsequent to the year end.
- Tax expense during 4QCY22 was Rs3.4bn versus Rs221mn in 4QCY21. We believe this is due to imposition of turnover tax.

Outlook

- We expect PSMC profitability to struggle in near term amid (1) imposition of import restrictions by Gov't resulting in plant shutdown, (2) dampening of car demand due to elevated interest rates, high car prices and rupee depreciation, and (3) unrealized exchange loss of ~Rs9bn on foreign currency transactions and balances incurred during CY23TD which may further enhance if the foreign currency liability is not paid due to restrictions imposed by SBP and adversely impact the equity of the company.

Analyst

Research
+92 21 3561 2290-94

research@fs.com.pk
Ext: 312

Fig 1: PSMC 4QCY22 Earnings Review

Income Statement (Rs mn)	4QCY22	4QCY21	YoY	QoQ	CY22	CY21	YoY
Net Sales	60,042	43,709	37%	101%	202,467	160,082	26%
COGS	54,128	42,156	28%	92%	190,782	151,912	26%
Gross Profit	5,914	1,553	281%	279%	11,684	8,171	43%
Distribution Expenses	1,067	931	15%	111%	3,218	2,943	9%
Administration Expenses	679	429	58%	-15%	2,957	2,481	19%
Operating Profit	4,169	193	2060%	1508%	5,510	2,747	101%
Other Income	583	932	-37%	-45%	3,212	2,223	45%
Other Expense	206	48	331%	na	250	437	-43%
EBIT	4,545	1,078	322%	241%	8,472	4,532	87%
Finance Cost	4,974	368	1252%	4%	11,614	737	1476%
PBT	(428)	710	na	na	(3,143)	3,795	na
Tax	3,402	221	1437%	na	3,194	1,116	186%
Net Profit	(3,830)	489	na	54%	(6,337)	2,679	-337%
EPS	(46.5)	5.9			(77.0)	32.6	
Gross Margins	9.8%	3.6%			5.8%	5.1%	
Net Margins	-6.4%	1.1%			-3.1%	1.7%	
Effective Tax rate		31.2%				29.4%	

Source: Company Accounts, Foundation Research, March 2023

Important disclosures:

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