

## Earning Review

### PSMC: 1QCY23 LPS clocked in at Rs156.94/sh

#### Event

- Pak Suzuki Motor Company (PSMC PA) reported a loss of Rs12.9bn (LPS Rs156.94/sh) in 1QCY23 against loss of Rs460mn (LPS Rs5.59/sh) in 1QCY22.

#### Impact

- PSMC net sales decreased by 54% YoY to Rs21.8bn in 1QCY23 amid decline in volumes given Gov't restrictions on import of CKD kits.
- PSMC sold 9,551 units (down by 74% YoY) in 1QCY23 compared to 36,716 units in 1QCY22. Alto/WagonR/Cultus/Swift/Bolan/Ravi contributed with 3,130/1,253/1,091/1,448/1,429/1,201 units.
- Gross margins clocked in at 9.1% in 1QCY23, up by 6.2/0.8ppts YoY/QoQ. Increase in gross margins on YoY basis is accredited to higher selling prices amid Rupee depreciation of ~31.7% YoY.
- Distribution expense increased/decreased by 20/18% YoY/QoQ. Whereas, admin expenses inclined by 24/36% YoY/QoQ.
- Other income clocked in at Rs74mn in 1Q (down by 86/87% YoY/QoQ) due to lower cash position from customers.
- Finance cost was recorded at Rs12.8bn in 1QCY23 compared to Rs648mn in 1QCY22 given exchange losses on outstanding foreign liabilities (~US\$218mn as of Mar'20, 2023) amid avg. Rupee depreciation of ~31.7% YoY during the quarter.
- Tax expense during 1QCY23 was Rs274bn versus tax reversal of Rs188mn in 1QCY22.

#### 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) exchange loss on foreign currency transactions and dollar balances incurred which if not paid on time due to restrictions imposed by SBP would adversely impact the equity of the company in case of further rupee depreciation.

#### Analyst

Research  
+92 21 3561 2290-94

research@fs.com.pk  
Ext: 312

Fig 1: PSMC 1QCY23 Earnings Review

Income Statement (Rs mn)	1QCY23	1QCY22	YoY	QoQ
Net Sales	21,839	47,736	-54%	-64%
COGS	19,856	46,387	-57%	-63%
<b>Gross Profit</b>	<b>1,983</b>	<b>1,349</b>	<b>47%</b>	<b>-66%</b>
Distribution Expenses	878	732	20%	-18%
Administration Expenses	920	740	24%	36%
<b>Operating Profit</b>	<b>185</b>	<b>(123)</b>	<b>NA</b>	<b>-96%</b>
Other Income	74	527	-86%	-87%
Other Expense	80	22	272%	-61%
<b>EBIT</b>	<b>179</b>	<b>383</b>	<b>-53%</b>	<b>-96%</b>
Finance Cost	12,821	1,031	1143%	158%
<b>PBT</b>	<b>(12,642)</b>	<b>(648)</b>	<b>NA</b>	<b>NA</b>
Tax	274	(188)	NA	-92%
<b>Net Profit</b>	<b>(12,916)</b>	<b>(460)</b>	<b>NA</b>	<b>NA</b>
EPS	(156.94)	(5.59)		
Gross Margins	9.1%	2.8%	6.25%	-0.77%
Net Margins	-59.1%	-1.0%		
Effective Tax rate	-2.2%	29.0%		

Source: Company Accounts, Foundation Research, April 2023

**Important disclosures:**

**Disclaimer:** This report has been prepared by FSL. The information and opinions contained herein have been compiled or arrived at based upon information obtained from sources believed to be reliable and in good faith. Such information has not been independently verified and no guaranty, representation or warranty, express or implied is made as to its accuracy, completeness or correctness. All such information and opinions are subject to change without notice. This document is for information purposes only. Descriptions of any company or companies or their securities mentioned herein are not intended to be complete and this document is not, and should not be construed as, an offer, or solicitation of an offer, to buy or sell any securities or other financial instruments. FSL may, to the extent permissible by applicable law or regulation, use the above material, conclusions, research or analysis before such material is disseminated to its customers. Not all customers will receive the material at the same time. FSL, their respective directors, officers, representatives, employees, related persons may have a long or short position in any of the securities or other financial instruments mentioned or issuers described herein at any time and may make a purchase and/or sale, or offer to make a purchase and/or sale of any such securities or other financial instruments from time to time in the open market or otherwise, either as principal or agent. FSL may make markets in securities or other financial instruments described in this publication, in securities of issuers described herein or in securities underlying or related to such securities. FSL may have recently underwritten the securities of an issuer mentioned herein. This document may not be reproduced, distributed or published for any purposes.

**Research Dissemination Policy:** Foundation Securities (Pvt.) Ltd. endeavors to make all reasonable efforts to disseminate research to all eligible clients in a timely manner through either physical or electronic distribution such as mail, fax and/or email. Nevertheless, not all clients may receive the material at the same time.

**Target price risk disclosures:** Any inability to compete successfully in their markets may harm the business. This could be a result of many factors which may include geographic mix and introduction of improved products or service offerings by competitors. The results of operations may be materially affected by global economic conditions generally, including conditions in financial markets. The company is exposed to market risks, such as changes in interest rates, foreign exchange rates and input prices. From time to time, the company will enter into transactions, including transactions in derivative instruments, to manage certain of these exposures.

**Analyst certification:** The views expressed in this research accurately reflect the personal views of the analyst(s) about the subject securities or issuers and no part of the compensation of the analyst(s) was, is, or will be directly or indirectly related to the inclusion of specific recommendations or views in this research. The analyst principally responsible for the preparation of this research receives compensation based on overall revenues of Foundation Securities and has taken reasonable care to achieve and maintain independence and objectivity in making any recommendations.

**Recommendations definitions**

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