

Earning Review

INDU: 3QFY23 EPS clocked in at Rs40.92, DPS Rs24.4

Event

- Indus Motor Company Limited (INDU PA) reported profitability of Rs3.2bn (EPS Rs40.92), down/up 37/142% YoY/QoQ in 3QFY23 against profit of Rs5.1bn (EPS Rs65.1) in 3QFY22. This cumulates into profitability of Rs74.4/sh during 9MFY23 compared to Rs194.4/sh during 9MFY22.
- The result is accompanied with a 2nd interim cash dividend of Rs24.4/sh taking total payout to Rs42.8/sh during 9MFY23.

Impact

- INDU reported net sales of Rs48.2bn (down 29/3% YoY/QoQ) in 3QFY23 due to volumetric decline in car sales given Gov't restrictions on CKD kit imports.
- INDU sales volume clocked in at 7,285 units in 3QFY23, with contribution from Corolla +Yaris & Fortuner +Hilux of 3,929 & 3,356 units, down 73/15% YoY & down 30/11% QoQ, respectively.
- Company's gross profit margin were down by 1.4 YoY amid steep Rs-US\$ depreciation during the quarter.
- Distribution expenses inclined by 21/28% YoY/QoQ during 3QFY23.
- Other expenses decreased/increased by 54/117% YoY/QoQ in 3QFY23.
- Other income decreased by 5/12% YoY/QoQ to Rs3.0bn due to decline in cash and short-term investments amid decline in customer advances. To highlight, INDU reported cash and cash equivalents worth Rs66.6bn at period ended 31 Dec 2022.
- Effective tax rate for 3QFY23 clocked in at 33.5%, up by 595/277bps 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, high fuel prices and rupee depreciation. 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: 3QFY23 Result Review

Rs mn	3QFY23	3QFY22	YoY	QoQ	9MFY23	9MFY22	YoY
Net sales	48,199	68,223	-29%	-3%	135,033	203,407	-34%
COGS	45,154	62,991	-28%	-10%	134,836	185,840	-27%
Gross Profit	3,045	5,231	-42%	-721%	197	17,568	-99%
Distribution expenses	449	372	21%	28%	1,171	1,246	-6%
Admin expenses	584	590	-1%	3%	1,600	1,519	5%
Other operating expenses	169	370	-54%	117%	372	1,267	-71%
Other income	3,036	3,183	-5%	-12%	11,653	7,732	51%
Finance costs	41	17	138%	-17%	110	76	44%
Profit before taxation	4,838	7,065	-32%	152%	8,598	21,192	-59%
Taxation	1,621	1,947	-17%	175%	2,754	5,899	-53%
Profit after taxation	3,216	5,118	-37%	142%	5,844	15,292	-62%
EPS	40.92	65.11			74.4	194.6	
DPS	24.4	26.0			42.8	90.5	
Gross Margins	6.3%	7.7%			0.1%	8.6%	
Net Margins	6.7%	7.5%			4.3%	7.5%	
Effective tax rate	33.5%	27.6%			32.0%	27.8%	

Source: PSX, Company accounts, Foundation Research, April 2023

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