

# Indus Motor Company (INDU)

**3QFY18 EPS Rs54.3,+2% YoY (+14% QoQ); 9MFY18 EPS Rs148, +14% YoY**

**Interim cash dividend of Rs32.5/share**

**In line with expectations**

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# Higher Sales and Better Product Mix Support Bottom-line

## INDU: Financial Highlights

Rsmn	3QFY18	3QFY17	YoY	QoQ	9MFY18	9MY17	YoY
Net Sales	36,869	32,944	12%	15%	100,188	84,343	19%
Cost of Goods	30,424	26,611	14%	15%	82,609	69,136	19%
Gross Profit	6,445	6,333	2%	13%	17,579	15,208	16%
Distribution Cost	329	350	-6%	22%	910	845	8%
Administrative Cost	387	287	34%	-4%	1070	738	45%
Operating Profit	5,730	5,695	1%	14%	15,598	13,625	14%
Other Operating Expenses	449	502	-10%	-3%	1302	1185	10%
Other Income	909	899	1%	0%	2,679	2,524	6%
Finance Cost	129	116	11%	8%	402	234	72%
Profit Before Tax	6,061	5,976	1%	13%	16,574	14,730	13%
Taxation	1,789	1,806	-1%	11%	4,938	4,485	10%
Profit After Tax	4,272	4,170	2%	14%	11,636	10,244	14%
<b>EPS</b>	<b>54.35</b>	<b>53.05</b>			<b>148.0</b>	<b>130.3</b>	

Source: PSX, Company Account, Topline Research

- INDU sales increased by 12% YoY during 3QFY18, where higher priced variants contributed more towards the sales mix, we estimate. The company sold a total of 16,293 units during 3QFY18, down by 5.5% YoY though up 8.5% sequentially. Along with the result the company announced interim cash dividend of Rs32.5/share.
- Amid improving volumes of higher priced variants, average revenue per car also grew by 27% YoY. Thanks to higher than anticipated sales of Fortuner and Revo, revenues witnessed strong growth, while fall in margin was somewhat arrested. Fortuner now constitutes 7% of total unit sales as compared to less than 3.5% last year, while Revo now contributes 14% compared to 9.8% during same period.

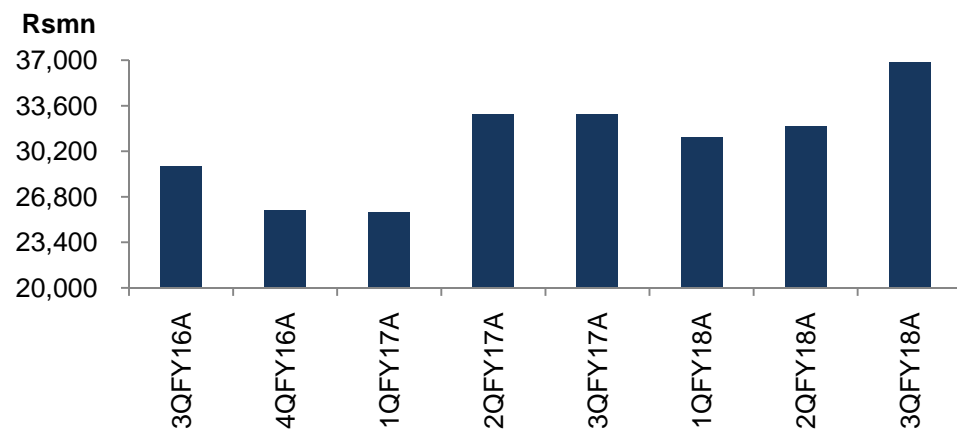
# Higher Sales and Better Product Mix Support Bottom-line

- Gross profits increased 2% YoY while gross margins decreased by 174bps to 17.5% from 19.2% YoY in the outgoing quarter. This was largely due to Rupee depreciation of 3% YoY (7%QoQ) against US\$ which we believe was not fully passed on in outgoing quarter.
- Finance cost of company jumped up by 11% YoY. This can likely be attributed to interest payments against customer advances at the rate of prevailing KIBOR +2%, we believe.
- On sequential basis, net revenues increased by 15% while gross margins decreased by 25bps QoQ to 17.5%.
- We flag, 1) unfavorable movement in exchange rate & commodity prices 2) regulatory changes which can allow import of used cars 3) increased competition from existing and new players, and 4) disruptions in operations of principal company as key risks for the company.

INDU: Key Numbers					
	FY13A	FY14A	FY15A	FY16A	FY17A
EPS	42.7	49.3	115.9	145.7	165.4
Earnings Growth	-22%	15%	135%	26%	14%
PE at Rs1872	43.8	38.0	16.2	12.8	11.3
Dividend Yield	1%	2%	4%	5%	6%
ROE	19%	21%	42%	45%	45%
PBV	8.5	7.8	6.8	5.8	5.1

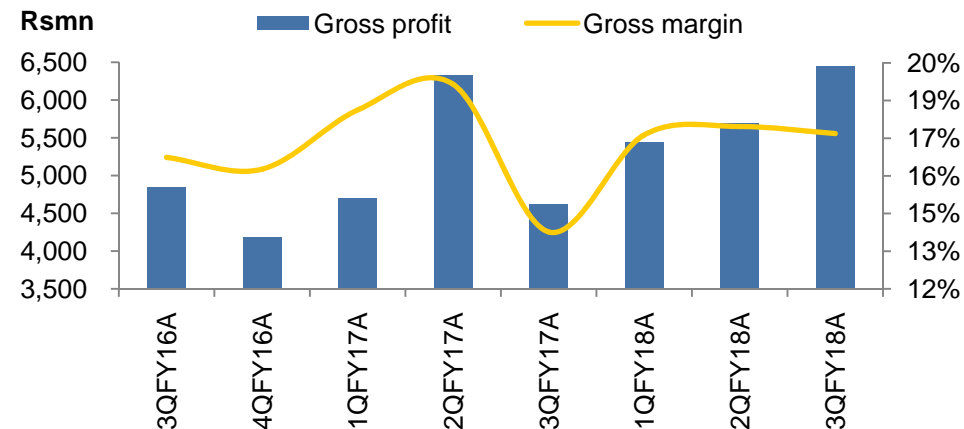
Source: Company Accounts, Topline Research

### INDU: Quarterly Sales



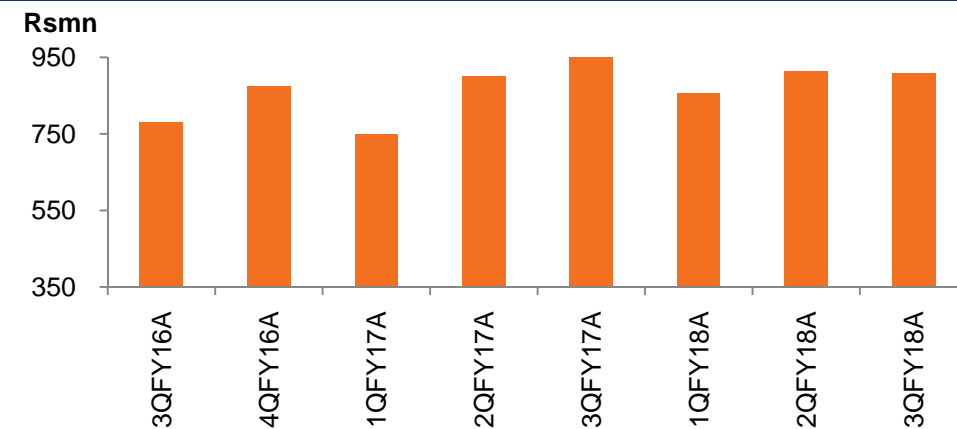
Source: Company Accounts, Topline Research

### INDU: Quarterly Gross Profit & Gross Margins



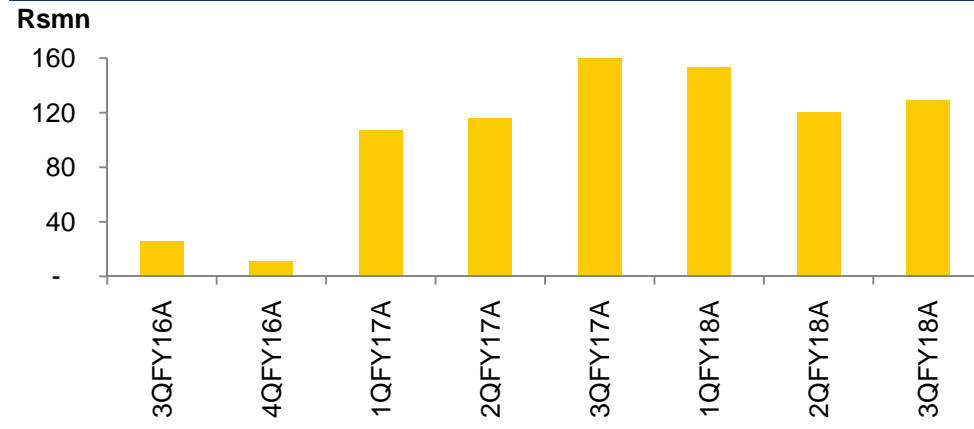
Source: Company Accounts, Topline Research

### INDU: Quarterly Other Income



Source: Company Accounts, Topline Research

### INDU: Quarterly Finance Cost



Source: Company Accounts, Topline Research

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