Indus Motor Company (INDU)

4QFY18 EPS Rs52.6,+50% YoY (-3% QoQ); FY18 EPS Rs201, +21% YoY

Interim cash dividend of Rs45/share

Above expectations

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Volumes and gross margin boost bottom-line

INDU: Financial Highlights							
Rsmn	**4Q2018**	**4Q2017**	**YoY**	**QoQ**	**FY18**	**FY17**	**YoY**
Net Sales	40,020	27,928	43%	9%	140,208	112,272	25%
Cost of Sales	33,222	23,314	42%	9%	115,831	92,450	25%
Gross Profit	6,798	4,614	47%	5%	24377	19822	23%
Distribution Expenses	374	383	-2%	14%	1,284	1,228	5%
Admin expenses	454	315	44%	17%	1,524	1,053	45%
Other operating Expenses	596	411	45%	33%	1,898	1,595	19%
Other operating Income	1,222	1,070	14%	34%	3,901	3,593	9%
Operating profit	6,596	4,575	44%	7%	23572	19539	21%
Finance Cost	171	164	4%	32%	572	398	44%
Profit before Tax	6,426	4,411	46%	6%	22999	19141	20%
Taxation	2,290	1,654	38%	28%	7,227	6,140	18%
Profit after Tax	4,136	2,757	50%	-3%	15,772	13,001	21%
EPS (Rs)	**53**	**35**			**201**	**165**	

Source: PSX, Topline Research

- Indus Motor Company (INDU) announced its 4QFY18 earnings, wherein it posted EPS of Rs52.6, up by 50%YoY. The result is better than market consensus and our expectations as the company was able to limit its anticipated margin contraction. The company sold a total of 16,641 units during 4QFY18, up by 17% YoY and up 2% QoQ. The company also announced a final cash dividend of Rs45/share.
- Revenue of the company improved by 43% YoY from the twin effect 17% YoY higher volumes and increase in prices of cars, with average price per car higher by 22% YoY.

Volumes and gross margin boost bottom-line

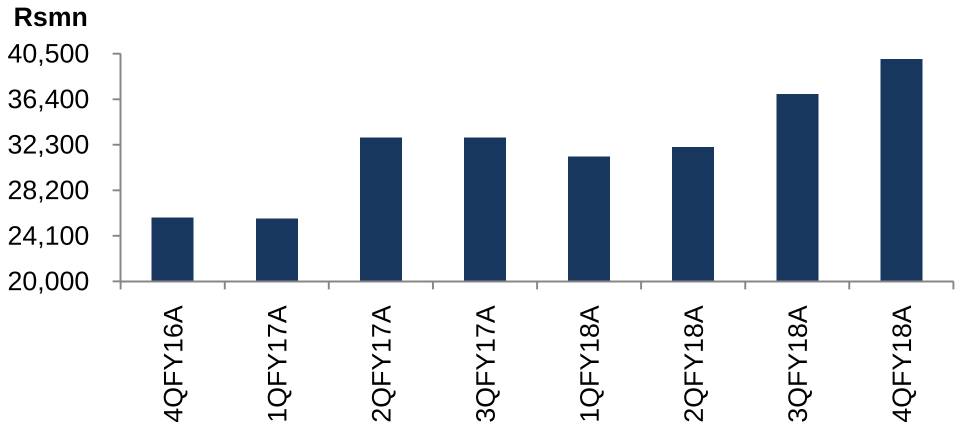
- Gross profits rose by 47% YoY while gross margins increased by 47bps to 17.0% in the outgoing quarter. This was despite the significant PKR depreciation witnessed in the last 2 quarters as the company was effectively able to pass over the impact to consumers. Moreover, the company was also able to support gross margins by having a greater proportion of high margin cars in the sales mix (21% compared to 15% in same period last year).
- The company also booked 44% YoY higher administrative expenses which is in line with 43% YoY increase in revenue.
- On a full year basis, earnings of the company clocked in at Rs201/share, depicting a 21% YoY increase. The rise in profits is primarily due to 5% increase in volumes as well as inflated car prices due to recent price increases, despite slight gross margin contraction.
- We flag, 1) unfavorable movement in exchange rate & commodity prices 2) regulatory changes 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

	FY14A	FY15A	FY16A	FY17A	FY18A
EPS	49.3	115.9	145.7	165.4	200.7
Earnings Growth	15%	135%	26%	14%	21%
PE at Rs1555.5	31.6	13.4	10.7	9.4	7.8
Dividend Yield	2%	5%	6%	7%	9%
ROE	21%	42%	45%	45%	44%
PBV	6.5	5.6	4.8	4.2	3.4

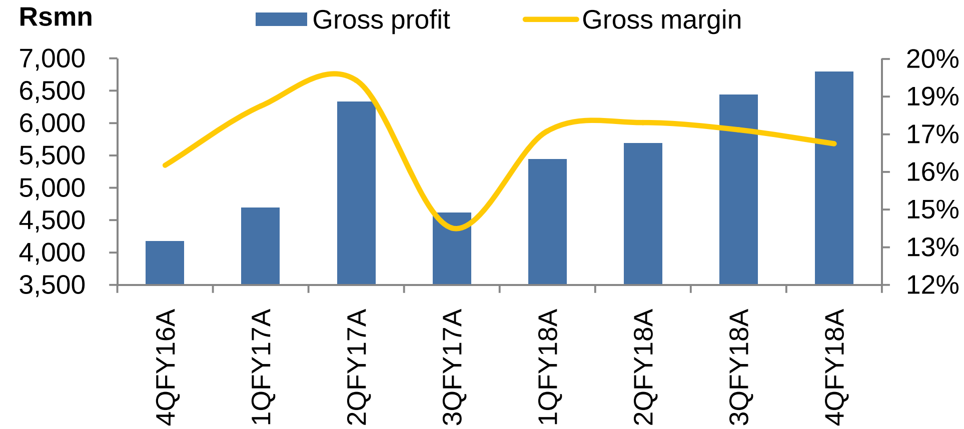
Source: Company Accounts, Topline Research

INDU: Quarterly Sales



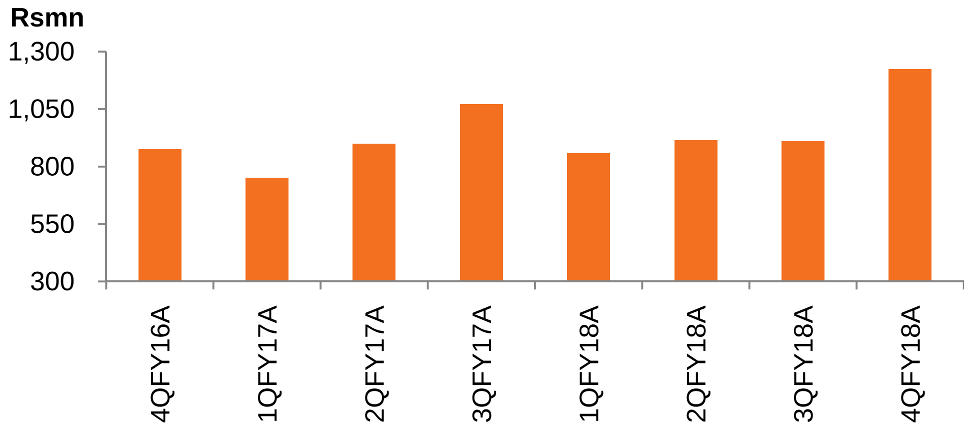
Source: Company Accounts, Topline Research

INDU: Quarterly Gross Profit & Gross Margins



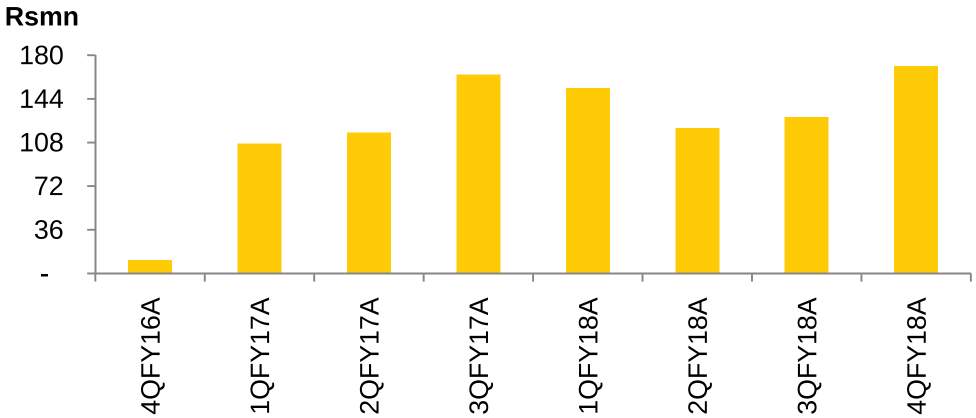
Source: Company Accounts, Topline Research

INDU: Quarterly Other Income



Source: Company Accounts, Topline Research

INDU: Quarterly Finance Cost



Source: Company Accounts, Topline Research

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Sell	Stock will underperform the average total return of stocks in universe

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Market Weight	= Weight in KSE-100 Index
Under Weight	< Weight in KSE-100 Index

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