

# Indus Motor Company (INDU)

**2QFY17 EPS Rs47.5, +23% YoY (+3% QoQ); 1HFY17 EPS Rs93.3, +21% 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	2QFY17	2QFY16	YoY	QoQ	1HFY17	1HFY16	YoY
Net Sales	32,099	25,648	25%	3%	63,318	51,400	23%
Cost of Goods	26,408	20,951	26%	2%	52,185	42,525	23%
Gross Profit	5,691	4,697	21%	5%	11,133	8,875	25%
Distribution Cost	270	290	-7%	-13%	581	494	18%
Administrative Cost	404	230	76%	45%	683	451	52%
Operating Profit	5,016	4,176	20%	3%	9,868	7,930	24%
Other Operating Expenses	464	362	28%	20%	852	683	25%
Other Income	913	750	22%	7%	1,770	1,624	9%
Finance Cost	120	107	13%	-21%	273	118	131%
Profit Before Tax	5,346	4,457	20%	3%	10,513	8,754	20%
Taxation	1,609	1,430	13%	5%	3,149	2,679	18%
Profit After Tax	3,736	3,027	23%	3%	7,364	6,075	21%
<b>EPS</b>	<b>47.5</b>	<b>38.5</b>			<b>93.7</b>	<b>77.3</b>	

Source: PSX, Company Account, Topline Research

- INDU sales increased by 25% YoY during 2QFY18, where higher priced variants contributed more towards the sales mix, we believe. The company sold a total of 15,047 units during 2QFY18, up by 7%YoY and flat 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 18% 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 6% of total unit sales as compared to less than 1% last year, while Revo now contributes 11% compared to 7% during same period.

## Higher Sales and Better Product Mix Support Bottom-line

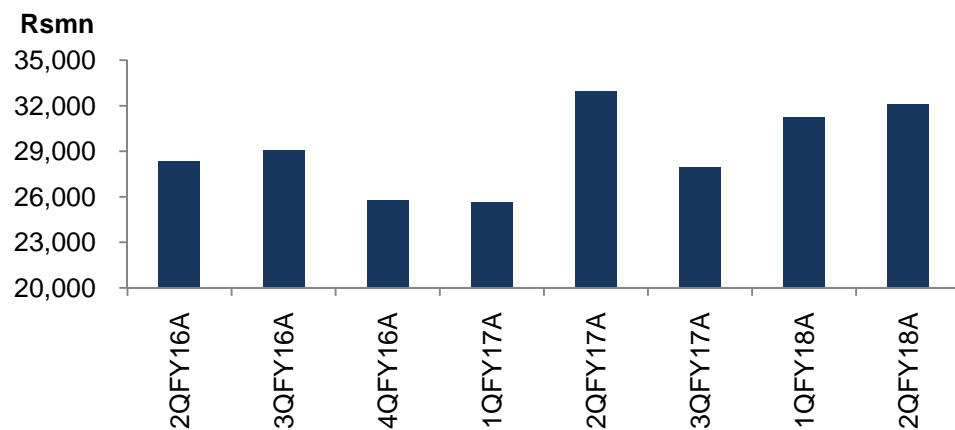
- Gross profits increased 21% YoY while gross margins decreased by 60bps to 17.7% from 18.3% YoY in the outgoing quarter. This was largely due to Rupee depreciation of 7% YoY (3%QoQ) against Japanese Yen, which we believe was not fully passed on in outgoing quarter.
- Finance cost of company jumped up by 13% 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 3% while gross margins increased by 29bps QoQ to 17.7%.
- 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 Rs1704.8	39.9	34.6	14.7	11.7	10.3
Dividend Yield	1%	2%	5%	6%	7%
ROE	19%	21%	42%	45%	45%
PBV	7.7	7.1	6.2	5.3	4.6

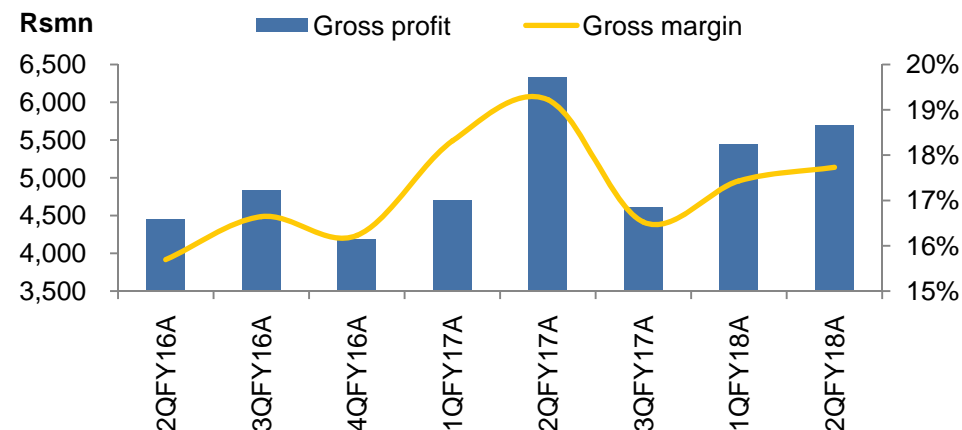
Source: Company Accounts, Topline Research

### INDU: Quarterly Sales



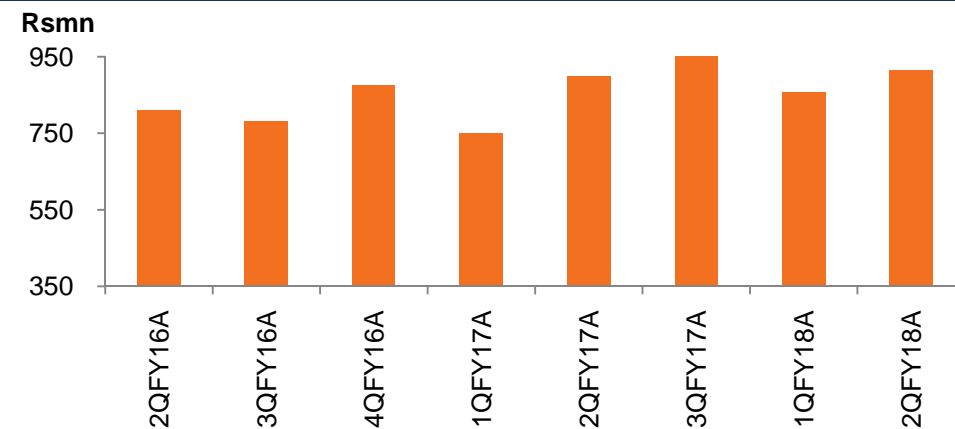
Source: Company Accounts, Topline Research

### INDU: Quarterly Gross Profit & Gross Margins



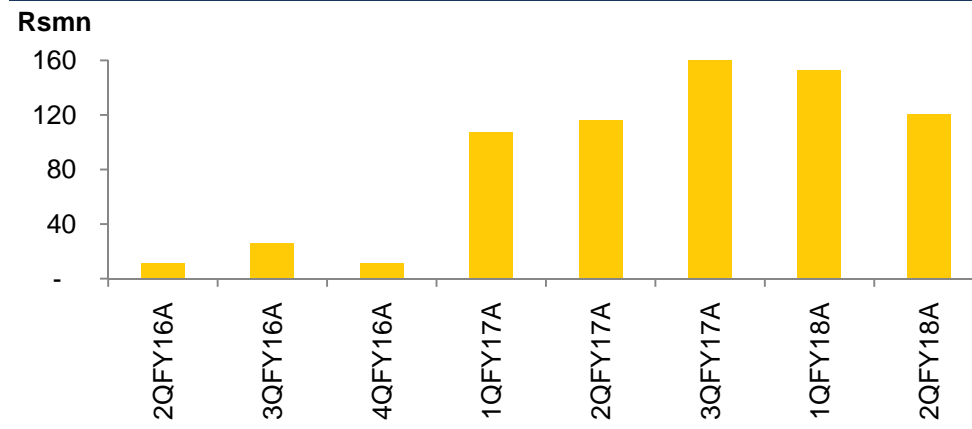
Source: Company Accounts, Topline Research

### INDU: Quarterly Other Income



Source: Company Accounts, Topline Research

### INDU: Quarterly Finance Cost



Source: Company Accounts, Topline Research

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Market Weight	= Weight in KSE-100 Index
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