

# Honda Atlas Cars (HCAR)

4QMY18 EPS Rs9.6 -35%YoY (-3%QoQ); MY18 EPS Rs45.5,+6%YoY;

Final Cash dividend of Rs22.75/share

In-line with Expectations

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## Earnings drop 35% YoY as margins come under pressure

HCAR: Financial Highlights							
	4QMY18	4QMY17	YoY	QoQ	MY18	MY17	YoY
Net sales	25,777	21,074	22%	18%	91,523	62,803	46%
Cost of sales	23,315	18,260	28%	19%	81,074	53,681	51%
Gross profits	2,462	2,813	-12%	8%	10,449	9,122	15%
Distribution costs	418	210	99%	166%	917	542	69%
Administrative costs	231	139	66%	53%	678	497	36%
Other Operating Income	469	450	4%	2%	1,883	1,115	69%
Other Operating cost	418	113	272%	32%	1,245	538	132%
Operating profits	1,864	2,801	-33%	-12%	9,493	8,660	10%
Finance cost	5	4	16%	73%	14	23	-38%
Profit before taxation	1,859	2,797	-34%	-12%	9,479	8,636	10%
Taxation	485	678	-28%	-30%	2,984	2,501	19%
Profit after taxation	1,374	2,118	-35%	-3%	6,494	6,135	6%
<b>EPS</b>	<b>9.6</b>	<b>14.8</b>			<b>45.5</b>	<b>43.0</b>	

Source: PSX Notice, Topline Research

- HCAR declared earnings of Rs9.6/share in 4QMY18, down 35% YoY primarily on account of margin compression.
- Net sales of the company improved by 22% primarily led by growth in sales volume of the company. Contrarily, gross profits of the company were down 12% YoY to Rs2.4bn as margins dropped from 13% in 4QMY17 to 9.6% in 4QMY18.
- The company has not completely passed on the impact of currency devaluation, we believe. HCAR has raised car prices twice since Jan 2018.

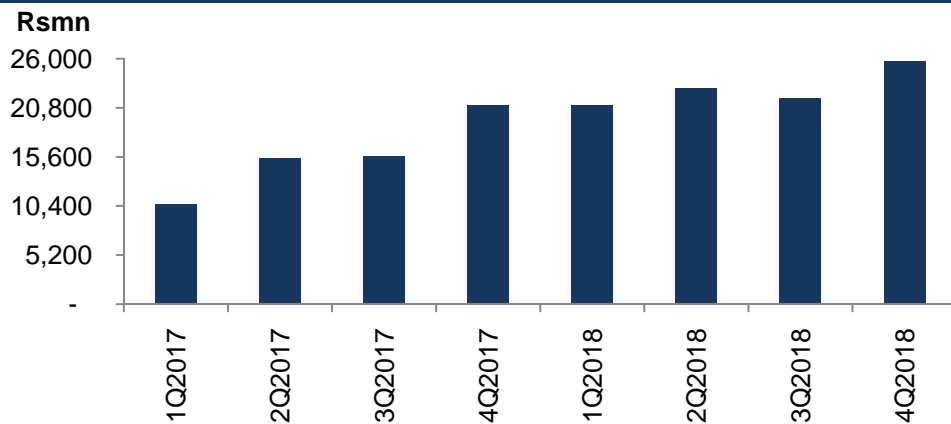
## Earnings drop 35% YoY as margins come under pressure

- HCAR reported 23% rise in volumetric sales during the quarter primarily led by BRV sales.
- In 4QMY18, other operating income of the company was up 4% due to higher advances as demand remain strong. Other operating cost however remained significantly higher clocking in at Rs418mn vs. Rs113mn in same period last year on back of exchange losses, we believe.
- In MY18, earnings of HCAR improved by 6% to Rs45.5 led by strong auto sales and higher other operating income. Net sales of the company increased by 46% to Rs92bn whereas operating profits were up 69% to Rs1.9bn.
- We flag 1) unfavorable movement in exchange rate & commodity prices, 2) lower then expected car sales and 3) higher than expected rise in interest rates and deterioration in Pakistan macros, as key risks.

HCAR: Key Numbers					
	2014A	2015A	2016A	2017A	2018A
EPS	7.5	22.1	24.9	43.0	45.5
Earnings Growth	340%	195%	12%	73%	6%
PE at Rs478.3	63.6	21.6	19.2	11.1	10.5
Dividend Yield	0%	1%	1%	3%	4%
ROE	45%	62%	46%	47%	37%
PBV	28.6	13.3	8.9	5.2	3.9

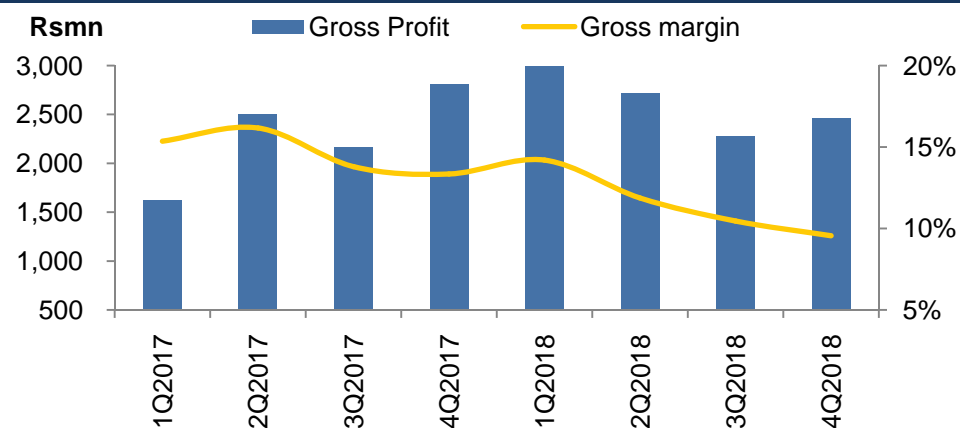
Source: Company Accounts, Topline Research

### HCAR: Quarterly Sales



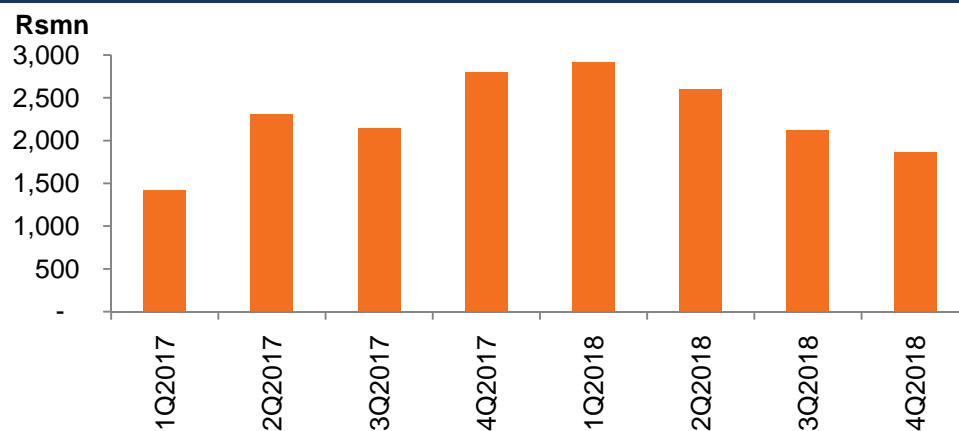
Source: Company Accounts, Topline Research

### HCAR: Quarterly Gross Profit & Gross Margins



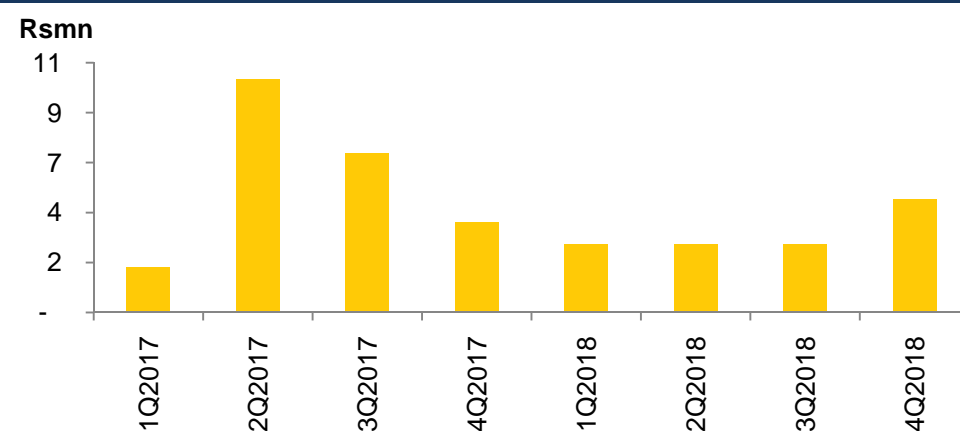
Source: Company Accounts, Topline Research

### HCAR: Quarterly Operating Profit



Source: Company Accounts, Topline Research

### HCAR: Quarterly Financial Charges



Source: Company Accounts, Topline Research

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Neutral	Stock will perform in line with the average total return of stocks in universe
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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