

Result Review

Pak Suzuki Motor Company (PSMC)

March 15, 2016

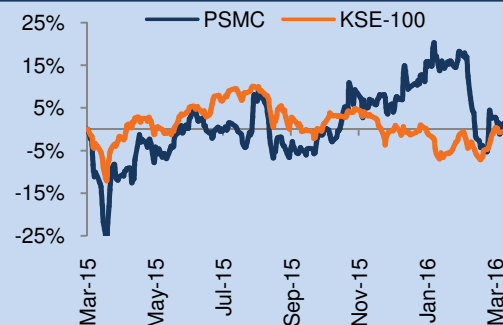

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KATS Code	PSMC
Bloomberg Code	PSMC PA
Reuters Code	PKSU.KA

Market Price	Rs444.89
Market Cap	Rs36.6bn /US\$349.8mn
Free float Market Cap	Rs9.7bn /US\$92.3mn
1-Yr Avg. Daily Vol. (mn)	0.1
1-Yr Avg. Daily Val. (mn)	Rs43.7 /US\$0.4
1-Yr High/ Low	Rs525.9/330.0
Estimated free float	26%
Share outstanding (mn)	82.3
Index weight	0.54%

PSMC vs KSE-100 Index



Source: PSX, Topline Research



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4Q2015 EPS Rs21.7 (Below expectations)

Pak Suzuki Motor Company (PSMC) announced 4Q2015 earnings of Rs1.8bn (EPS Rs21.7) against Rs311mn (EPS Rs3.8) in same quarter last year. The result was also accompanied by a final cash dividend of Rs15/share. This result was below market consensus.

Key takeaways

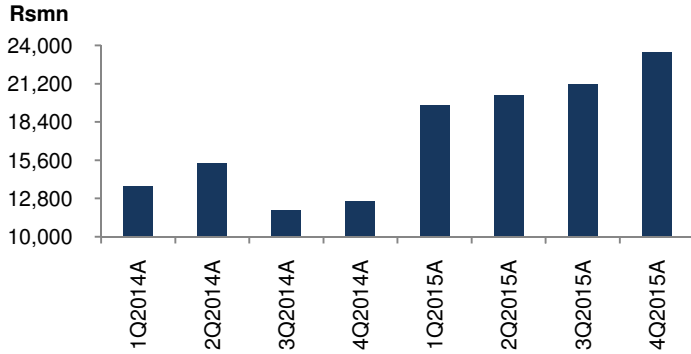
- PSMC revenue grew by 86% YoY to Rs23.5bn in 4Q2015 as company sold 36,712 units in the fourth quarter (+97% YoY). We attribute this increase in volumes to the taxi scheme launched by Govt. of Punjab in provincial budget of FY15. To recall, PSMC offered a discount to Govt. of Punjab due to large order of Taxis.
- Gross profit improved substantially to Rs3.2bn (+271% YoY) in 4Q2015 while gross margins rose by 677bps to 13.6% YoY. We mark this improvement to 22% YoY fall in international steel prices during 4Q2015 and favorable exchange rate movement as US\$ and Pak Rupee (PKR) appreciated against Japanese Yen (JPY) by 5.3% YoY and 2.4% YoY, respectively.
- Other income grew by 348% YoY to Rs318mn in 4Q2015, as the company earned interest on advances received from customers owing to strong car demand.
- Distribution expenses surged to Rs445mn (+184% YoY) led by increased number of units sold.
- On QoQ basis, revenue of the company posted an increase of 11% from Rs21.2bn in 3Q2015 due to 8.7% QoQ volumetric growth. However, gross margins declined by 229bps from 15.9% in 3Q2015. We attribute this decline to 1% QoQ appreciation of JPY against US\$ and higher sales of taxi units (at discounted price) during the quarter.
- In 2015, PSMC earnings stood at Rs5.8bn (EPS Rs70.9) versus Rs1.9bn (EPS 23.4) in the same period last year. Revenues improved substantially, by 58% YoY, while gross margins improved by 579bps to 13.6% from 7.8% during 2014. PSMC sold 133,660 units in 2015 – up by 72% YoY.
- We flag 1) Adverse exchange rate movement, 2) Implementation of international safety standards, 3) Increased age limit of used car and 4) Reduction in import duty as key risks.

PSMC: Key Numbers

	2012A	2013A	2014A	2015A
EPS	11.9	22.5	23.4	71.0
Earnings Growth	23%	89%	4%	204%
PE at Rs444.9	37.4	19.8	19.1	6.3
Dividend Yield	1%	1%	1%	3%
ROE	6%	10%	10%	25%
PBV	2.3	2.1	1.9	1.5

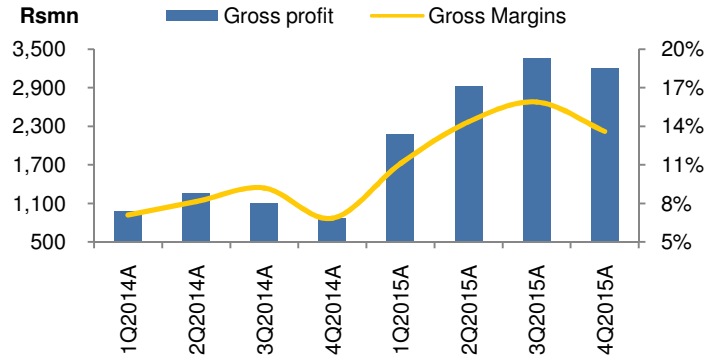
Source: Company Accounts, Topline Research

PSMC Quarterly Sales



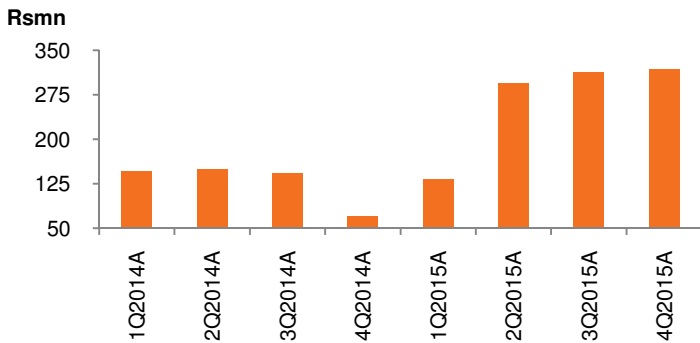
Source: Company Accounts, Topline Research

PSMC Quarterly Gross Profit & Margins



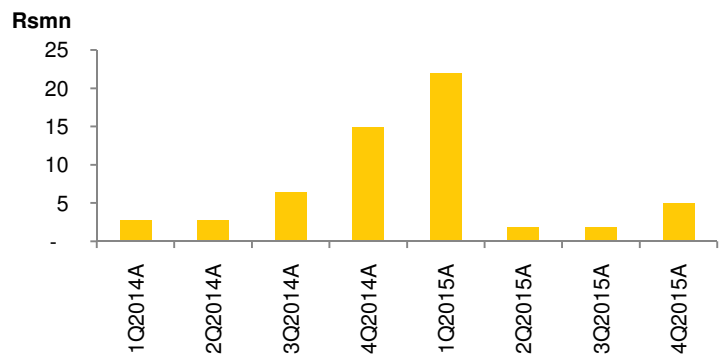
Source: Company Accounts, Topline Research

PSMC Quarterly Other Income



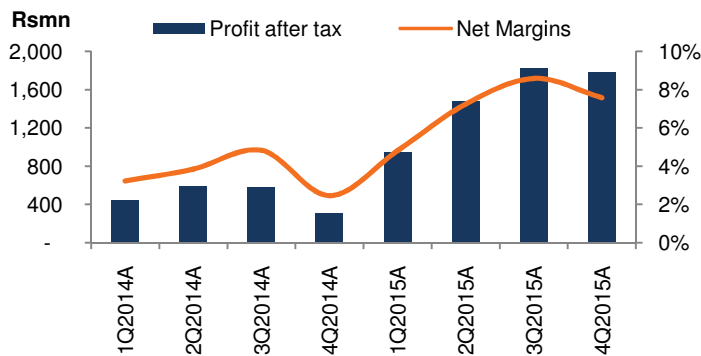
Source: Company Accounts, Topline Research

PSMC Quarterly Financial Charges



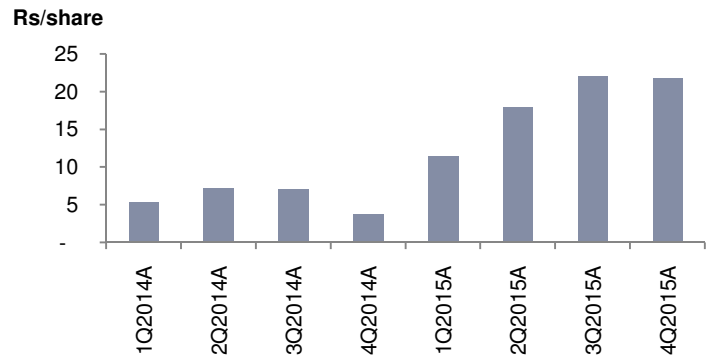
Source: Company Accounts, Topline Research

PSMC Quarterly Profit After Tax & Net Margins



Source: Company Accounts, Topline Research

PSMC Quarterly Earning Per Share



Source: Company Accounts, Topline Research

PSMC: Financial Highlights

Rsmn	4Q2015A	4Q2014A	YoY	QoQ	2015A	2014A	YoY
Net sales	23,547	12,632	86%	11%	84,549	53,665	58%
Cost of goods sold	20,343	11,768	73%	14%	73,061	49,481	48%
Gross profit	3,204	864	271%	-5%	11,487	4,184	175%
Distribution cost	445	157	184%	-8%	1,946	746	161%
Administration cost	352	288	22%	11%	1,231	1,102	12%
Other operating income	318	71	348%	2%	1,058	510	107%
Other operating expenses	180	34	436%	-10%	653	196	234%
Operating profit	2,545	456	458%	-5%	8,716	2,650	229%
Finance cost	5	15	-65%	187%	31	27	15%
Profit before tax	2,540	442	475%	-5%	8,685	2,623	231%
Taxation	754	130	479%	-12%	2,843	702	305%
Profit after tax	1,786	311	474%	-2%	5,843	1,922	204%
EPS (Rs)	21.7	3.8			71.0	23.4	

Source: PSX, Topline Research

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Buy	Stock will outperform the average total return of stocks in universe
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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