

Indus Motor Company Limited 2QFY22 Result Preview

Wednesday, February 23, 2022

- INDU has scheduled its board meeting tomorrow to consider the results of 2QFY22. We expect INDU to post a profit after tax of Rs 4.8bn (EPS: Rs 61.62) as compared to profit after tax of Rs 2.9bn (EPS: Rs 37.57), up by 64% YoY. Surge in profitability is expected on the back of uptick in demand amid high consumer interest and a strong economic recovery post COVID.
- The revenues are expected to enhance by 54% YoY due to an increase in volumetric sales as the company managed to sell 19,426 units in 2QFY22 as compared to 14,424 units in the SPLY. The hike in prices is also expected to contribute to the high revenue figures.
- The company's COGS are expected to increase by 52% YoY due to rising commodity prices and the devaluation of the local PKR
- The Distribution Cost is expected to increase by 67% YoY due to higher revenues amid increase in transportation costs
- We expect the company to announce a dividend of Rs 35/share which will take the 1HFY22 year DPS to Rs 69.5/share.

Income Statement (PKR in mn)	2QFY22E	2QFY21A	YoY	1QFY22A	QoQ
Revenue	69,904	45,451	54%	65,552	7%
COGS	-63,350	-41,728	52%	-58,480	8%
Gross Profit	6,554	3,723	76%	7,072	-7%
Distribution cost	-578	-346	67%	-456	27%
Administration expenses	-500	-250	100%	-467	7%
Other operating expenses	-20	-329	N/A	-19	2%
Other Income	1,886	1,368	38%	2,047	-8%
Finance cost	-30	-24	25%	-29	6%
Worker's Welfare Fund	-490	0	N/A	-467	N/A
Profit before tax	6,822	4,142	65%	7,683	-11%
Taxation	-1,978	-1,189	66%	-2,258	-12%
Profit after tax	4,843	2,953	64%	5,425	-11%
EPS	61.62	37.57	N/A	69.02	-11%
DPS	35.00	25.00	N/A	34.50	N/A
GM	9%	8%	N/A	11%	N/A

Source: Co.Financials, Darson Research

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Any inability to compete successfully in their markets may harm the business. This could be a result of many factors which may include geographic mix and introduction of improved products or service offerings by competitors. The results of operations may be materially affected by global economic conditions generally, including conditions in financial markets. The company is exposed to market risks, such as changes in interest rates, foreign exchange rates and input prices.

Rating System:

If;

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| • Expected return >15% | - Buy Call |
| • Expected Return is in between 0% to 15% | - Neutral/Hold Call |
| • Expected Return <0% | - Sell Call |

Valuation Methodology

To arrive at our period end target prices, DSL uses different valuation methodologies including:

- Discounted cash flow (DCF, DDM)
- Justified price to book (JPB)
- Relative Valuation (P/E, P/B, P/S etc.)
- Equity & Asset return based methodologies (EVA, Residual Income etc.)

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