

Pakistan Automobile Assembler

Jun'23 Previews: Lower volumes to drag profitability down

We preview Insight auto universe for Jun'23 results where the bottom-line is likely to post a profit of ~PKR1.2bn vs. profit of PKR2.3bn in SPLY. The decline in profit is mainly attributable to Pak Suzuki Motor (PSMC), which is expected to incur another loss driven by a finance cost of ~PKR1.4bn. Company specific basis, we expect PSMC to post LPS of PKR14.8 in 2QCY23, while INDU/MTL are expected to post an EPS of PKR24.1/2.8 in 4QFY23. We expect INDU & MTL to announce a DPS of PKR14/10, respectively

In FY23, passenger cars sales witnessed a decline of 59% to clock in at ~96.8k vs. ~234.2k in SPLY. The decline is mainly attributable to supply constraints and economic slowdown. During FY23, automobile industry has sold 161.7k units (excluding two/three wheelers), down by 53% YoY.

INDU PA: 4QFY23 earnings to clock in at PKR24.1/sh

We estimate INDU to post PAT of PKR1.9bn (EPS: PKR24.1) in 4QFY23 compared to PKR0.5bn (EPS: PKR6.5) in SPLY, up by 3.7x YoY. This will take FY23 PAT to PKR7.7bn (EPS98.5) vs. PAT of PKR15.8bn (EPS201.0) in SPLY, showing a massive decline of 51%. Company's topline is expected to decrease by 38% YoY to clock in at PKR44.6bn in 4QFY23 owing to decline in volumetric sales. Gross margins of the company is expected to clock in at 5.5% in 4QFY23 vs. 6.3% in 3QFY23. Other income is expected to decline by 47% YoY to clock in at PKR2.8bn due to decline in short-term investments. We expect ETR of the company to clock in at 52% in 4QFY23 vs. 34% in 3QFY23 due to imposition of super tax. Furthermore, we expect company to announce final cash dividend of PKR14.0/sh in 4QFY23, taking FY23 dividend to PKR56.8/sh.

PSMC PA: 2QCY23 company to post LPS ~PKR14.8

We expect PSMC to post LPS of PKR14.8 in 2QCY23 vs. EPS of PKR5.4 in SPLY. Company's revenue is likely to plunged by 73%/18% YoY/QoQ due to lower volumetric sales, down by 82%/22% YoY/QoQ. Moreover, we believe company's gross margins are likely to clock in at 8.5% in 2QCY23 vs. 9.1% in SPLY. However, On QoQ basis, margins are likely to decline by 50bps. Company's finance cost is expected to clock in at PKR1.4bn mainly due to short term borrowing.

MTL PA: 4QFY23 earnings to clock in at PKR2.8/sh

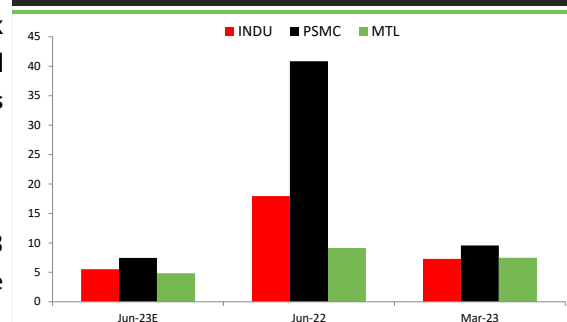
MTL is expected to post a consolidated PAT of ~PKR0.5bn (EPS: PKR2.8) in 4QFY23 compared to ~PKR1.4bn (EPS: PKR7.0) in SPLY, down by 61% YoY. The decline in profitability is attributable to lower tractor sales (↓47% YoY), higher material prices and higher finance cost. We expect gross margins of the company to clock in at ~21.1% in 4QFY23 vs 20.7% in 3QFY23. Finance cost is likely to increase by 2.3x YoY to clock in at PKR413mn due to rise in short term debt and elevated interest rates. Moreover, we expect ETR of the company to clock in at 54% in 4QFY23 vs. in 24% in 3QFY23. Along with the result, we expect company to announce final cash dividend of PKR10/sh, taking FY23 dividend to PKR20/sh.

ISL Auto universe earning estimates

PKR/sh	Jun-23E	Jun-22	Mar-23	YoY	QoQ	DPS
INDU	24.1	6.5	40.9	273%	-41%	14.0
PSMC	(14.8)	5.4	(156.9)	NM	-91%	-
MTL	2.8	7.0	7.6	-61%	-63%	10.0

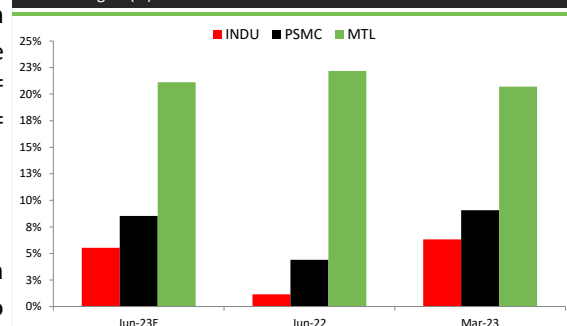
Source: Company accounts, Insight research

Unit Sold (In 000')



Source: PAMA, Insight Research

Gross Margins (%)



Source: Company Accounts, Insight Research

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- Discounted cash flow (DCF)
- Relative Valuation (P/E, P/Bv, P/S etc.)
- Equity & Asset return based methodologies (EVA, Residual Income etc.)

Frequently Used Acronyms

TP	Target Price	DCF	Discounted Cash Flows	FCF	Free Cash Flows
FCFE	Free Cash Flows to Equity	FCFF	Free Cash Flows to Firm	DDM	Dividend Discount Model
SOTP	Sum of the Parts	P/E	Price to Earnings ratio	P/Bv	Price to Book ratio
P/S	Price to Sales	EVA	Economic Valued Added	BVPS	Book Value per Share
EPS	Earnings per Share	DPS	Dividend per Share	DY	Dividend Yield
ROE	Return on Equity	ROA	Return on Assets	CAGR	Compounded Annual Growth Rate

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