

HCAR – Earning jump on cards in 4Q

We expect HCAR to report final EPS range of Rs 30 –Rs31 given our estimations of jump in 4Q earnings which could be around Rs13/sh. HCAR main variants sales (even though company reporting merged sales of Civic & City on PAMA website) are on the increasing side in 4Q. This is indeed an earning upgrade from our last report. This is due to noticeable jump in monthly sales Jan to Mar 2016. The final board meeting may come in May 2016.

4Q sales could be Rs22bn vis-à-vis 9M sales of Rs28bn. Our estimations is based on quarterly net margins of around 8.5%. Last year HCAR reported full year sales of Rs37.7bn.

Jan to Mar sales increased

HCAR reported merged sales of 3k in January, 2.16k in February & 2.79k in March. This is in fact an increase in respective monthly sales as against preceding quarters. Hence we expect 4QEPS to jump substantially. Historically HCAR reports higher EPS as against preceding quarters.

9M was also encouraging

HCAR reported Rs16.97/sh during 9M given monthly sales of cars ranged in-between 1.8k cars to 2.0k cars. We expect a noticeable jump in ROE in full year (9MROE: 35%). Last year HCAR ROE was 62%.

Dividend

HCAR should also pay cash dividend Rs7/sh (given historical payout ratio of 22.57%). Last year HCAR passed on cash payout of Rs5/sh.

Variant is stated to be delayed

As per newspaper reports, new variant of Civic is being delayed till December. However, we believe HCAR variant to remain in demand despite advent of new Auto Policy announced by the government that prefers new European & Chinese investors.

Valuation: Sales boost could come in following year

HCAR monthly sales (reported at PAMA website) is encouraging. We expect this trend to continue given coming Ramadhan & subsequent Eid where consumers usually go for new cars. Also crop harvesting especially in April end could boost sales as being happened traditionally.

At present HCAR yield PE of 8x-9x verses PSMC PE of 7x. Among high end cars HCAR is a preferred among consumers. We remain positive in HCAR. The risk to our future forecast is any substantial increase in JPY-PKR parity which is hovering at Re0.96.

REP – 033

www.jamapunji.pk

HCAR Statistics

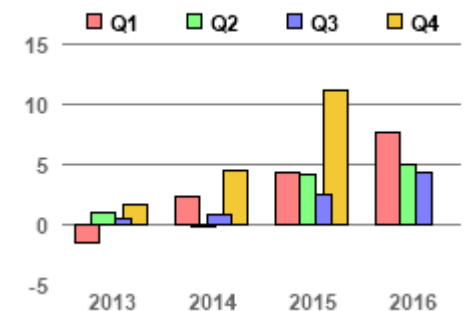
Avg Volume (52 Weeks)	494,222
Close	262
52 Weeks High	291.89
52 Weeks Low	206.65
Market Capitalization	37.42bn
Beta	1.13
Total No of Shares	142.8mn

Source: www.scstrade.com

Can outperform on better sales data



Quarterly EPS



JPY-PKR 0.96



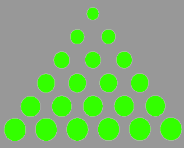
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