



Indus Motors Company Analyst Briefing Update: 'Sell' call maintained

In continuation to our earlier call on INDU, the analyst briefing key takeaways are given hereunder:

- INDU is expecting good sales in second half of fiscal year i.e. 1HFY13;
- New Model of *Fortune* will be launched on 8th March 2013 in Pakistan, Price of Rs.5.2mn with anticipated sales of 2000 units;
- Due to discontinuation of *Coure*, INDU is trying to launch any substitute car within the range of 800 to 1200CC for the low end customers;
- Meeting of competition Commission (CCP) is scheduled on 28th of Feb 2013 to discuss the challenges faced by automobile industry.
- INDU has appointed new CEO;
- Government asking to lower down the prices by localization of spare parts;
- INDU will not expand their production capacity in near future as company is meeting demand and supply of *Corolla Car* in manufactured in Pakistan; current capacity remains 100%; they are willing to increase production but there is no need, as per their assertions;
- Automakers in Pakistan willing to have two way trade with India;
- Government of Pakistan and automakers of Pakistan jointly have put into words to Government of Japan to enforce the two way trade with India
- Depreciation of Japanese Yen will show decrease in cost of goods sold in third quarter as Indus motors is trading on two months options of Japanese yen.
- Critical law and order situation in country is hampering the sale of automobiles as people fear to take their new branded cars on Roads of Karachi, because no one knows when and where their cars will be destroyed during any protest.
- Sale of luxury automobiles especially *Hilux* is expected to increase in second half, due to expected demand by the security agencies during the general election preparation.

We maintain our SELL stance given our yesterdays call since INDU is yielding FY13 PE of 10x as against peers Pak Suzuki and Honda Cars which is yielding 5x and 4x respectively.

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