

Pak Suzuki reports better sales in 1HCY12

Pak Suzuki vowed investors with 57% hike in turnover reporting Rs 36bn as against Rs23bn of sales during the corresponding period last year. The company reported profits after tax of Rs **1.36bn (EPS: Rs 16.64)** as against Rs 278mn (EPS: Rs 3.39) reported in 1HCY11 hence achieved 391% growth in net profit.

Robust sales performance

PSMC sales increased to a huge Rs.36bn showing 57% y-o-y growth in the wake of exorbitant increase in variants prices of Suzuki Liana & Swift models as well as budget class 800cc cars like Suzuki Mehran and 1000cc car variants such as Khyber & Cultus. High end car prices were revised several times by the company as well as consumption was also increased. In term of high end cars, Suzuki Swift, witnessed around 70% growth in production being 4376 units this year whereas production was 2578 units last year whereas sales growth has been witnessed at a rate of 73%. However, Suzuki Liana performance was not that fascinating as it reported 46% decline in production from 614 units in CY11 to 334 units this year and sales declined by 4%.

While in budget class category, Suzuki Mehran production up by 30%, reportedly 33,839 units this year whereas 25,935 units were produced in the preceding year.

The manufacturing cost also increased by 20% which is line with sales and the factor constituting this increase was the swelling of PKR – JPY parity. The other operating income also hiked by 23%.

Valuation strategy

PSMC yields FY12 PE of 3x whereas PE of INDU yields 5x and wherein we recommend BUY since auto assembles usually yield PE multiple of 5x- 6x (if we take aside tractor manufacturers).

PSMC (Rs.000')	1HCY12	1HCY11	Chg.
Sales	36,471,418	23,250,706	57%
COGS	34,219,430	22,427,028	53%
Gross Profit	2,251,988	823,678	173%
Dist. Cost	152,636	139,700	9%
Admin Exp.	423,288	352,864	20%
	1,676,064	331,114	406%
Finance Cost	6,753	9,259	-27%
Other Op income	332,264	270,981	23%
	2,001,575	592,836	238%
Other Exp.	138,109	46,840	195%
PBT	1,863,466	545,996	241%
Tax	494,129	267,107	85%
PAT	1,369,337	278,889	391%
EPS	16.64	3.39	391%

Mohammad Mubeen Diwan.

FIPI Update* (August 24, 2012)	(USD mn)
Gross Buy	0.91
Gross Sell	2.02
Net Buy/(Sell)	(1.11)
*Source NCCPL website	
Total Foreign portfolio update**	2,785
** Source SBP website	

KSE 100 Index	
KSE 100 Index (August 24, 2012)	15,039.18
Change	(41.37)
Volume (mn)	315.11
KSE Market Capitalization (bn)	3,838.14
KSE Market Capitalization (USD)	40.40
SCRA (August 23, 2012) (USD)	(0.23)

GDR Update	(USD)
MCB (1GDR=2Shares)	2.60
OGDC (1GDR=10Shares)	17.80
UBL (1GDR=4Shares)	1.80
LUCK (1GDR=4Shares)	1.70
HUBC (1GDR=25Shares)	12.43

Key Financial Market Update	
CPI Inflation % (July- 2012)	9.60
FX Reserves August 17, 2012 (USD)	15.18
Current A/C (July-12) bn	(0.30)
Trade Balance (Jul 11- Jun 12) (USD)	(1.61)
6-Months KIBOR% August 24, 2012	10.54
PKR-USD parity August 24, 2012	94.82

Volume Leaders (August 24, 2012)	Vol (mn)
LPCL	78.33
FCCL	47.05
KESC	39.22
FLYING	32.02
DGKC	24.92

Trading Signals generated on August 24, 2012	
BYCO	Buy
MEBL	Buy
HBL	Sell
NCPL	Sell
PPL	Sell

Disclaimer: This report has been prepared by Standard Capital Securities (Pvt) Ltd and is provided for information purposes only. The report is based on sources which we believe to be reliable but we do not guarantee that it is accurate or complete. Standard Capital Securities (Pvt) Ltd does not take any responsibility and shall not be held liable for undue reliance on this report. This report may not be reproduced, distributed or published by any recipient for any purpose.