

# Honda Atlas Cars (Pakistan) Ltd.

Earnings expected at PKR19.2/sh in MY15

Friday May 08, 2015

## HCAR - ACCUMULATE

Target Price: PKR 260

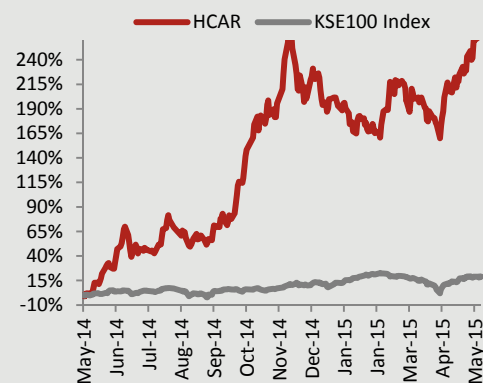
Current Price: PKR 249

### HCAR Performance

	1M	3M	12M
Absolute %	17%	29%	271%
Relative to KSE %	10%	31%	252%

Bloomberg	HCAR.PA
Reuters	HATC.KA
MCAP (USD mn)	350
12M ADT (USD mn)	1.8
Shares Outstanding (mn)	143

### HCAR vs. KSE100 Relative Chart



Source: BMA Research

Honda Atlas Cars (Pakistan) Limited (HCAR) is scheduled to hold its board meeting on Apr14' 15 for unveiling financial results. We preview the company to post earnings of PKR1,164mn (PKR8.14/sh) in 4QMY15 as compared to PKR632mn (PKR4.43/sh) in 4QMY14, up 84%YoY. The growth in the earnings can be attributed to i) 15%YoY increase in volumes, ii) 8.9pps expansion in margins and iii) expected decrease in effective tax rate by 8pps to 33%. On a QoQ basis earnings are expected to show an astounding jump of 3.25x primarily on the back of 2.12x higher volumes. On a cumulative full year MY15 basis, earnings are expected to clock in at PKR2,739mn (PKR19.18/sh) as against PKR1,073mn (PKR7.52/sh) in MY14, representing a growth of 2.55xYoY. The result is also expected to accompany a final cash dividend of PKR7.5/sh for the year ended Mar'15. At our target price of PKR260/sh, we currently have an 'ACCUMULATE' stance on the scrip, which offers a total return of 7% from last close.

**High volumes lifting earnings northwards:** HCAR was able to post substantial growth in volumes in 4QMY15 wherein volumes clocked in at 7,827 units, enabling the company to register a growth of 2.12xQoQ/15%YoY. Higher volumes are also expected to assist in lowering overhead cost per unit and therefore augmenting gross margins.

**Growing margins:** Continued JPY depreciation in 4QMY15 (declining 8.9%QoQ on average basis) is expected to help grow margins by 560bpsYoY to 16.9%. This is expected to lead gross profits to grow 218%YoY to PKR2,108mn as compared to PKR922mn in 4QMY14. High margins in 4QMY15 are expected to pull MY15 margins to 14.2% as compared to 12.8% in 9MMY15, up 690bpsYoY.

**Investment perspective:** At our target price of PKR260/sh, we currently have an 'ACCUMULATE' stance on HCAR offering a total return of 7%, from last close. However, continued strong volumetric growth by the company may compel us to revisit our assumptions and therefore revise our investment case and target price.

### Financial Summary

	4QMY15	3QMY15	QoQ	4QMY14	YoY
Volumes	7,827	3,691	112%	6,803	15%
Sales	12,499	5,890	112%	11,533	8%
Gross profit	2,108	664	218%	922	129%
Gross Margins	16.9%	11.3%	5.6%	8.0%	8.9%
PBT	1,737	542	221%	1,071	62%
PAT	1,164	358	225%	632	84%
EPS	8.15	2.51	3.25	4.43	84%

Source: BMA Research

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