REP # 048

Assemblers I INDU I SAZEW I Preview I 1HFY25

ADAM SECURITIES LIMITED

Date: 21st Feb'25

SAZGAR

TOYOTA

INDUS MOTOR COMPANY LTD.

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INDU: Earnings to rise c.2.5xYoY during 2QFY25

- Indus Motor Company Limited (INDU) to announce its financial results for the 2QFY25. We believe the earnings of the company to rise c.22%/c.256% QoQ/YoY during 2QFY25 compared to corresponding periods. The recovering profitability of INDU will likely be reflected on the i) remarkable rise in EBIT of INDU which is to rise by c.22%/c.311% QoQ/YoY, ii) Other income to robustly rise by c.30%/c.132% QoQ/YoY and iii) revenue to rise c.8%/c.146% QoQ/YoY during 2QFY25 compared to corresponding periods.
- The rise in revenue of INDU will likely be the reason of the higher Sales Volume which has surged during 2QFY25 by c.4%/c.138% QoQ/YoY mainly on the improving fundamentals for the Automobile sector, thus, boosting up revenues for the industry. The main fundamentals which have so far contributed to the higher sales volume are mainly i) reduction in interest rates to 12% from 22%, ii) higher vehicle financing which is ↑c.5% during Dec’24 and iii) stable vehicle prices, in the wake of stability in currency parity along with easing constraints for LC matters in the country.
- Considering the 1HFY25, we have noticed, INDU will likely to record c.128%YoY rise in EPS mainly in the wake of i) c.148%YoY rise in EBIT, ii) Other Income to rise c.93%YoY and iii) sales volume to rise c.74%YoY, boosting up revenues by c.70%YoY during 1HFY25. Higer revenues may likely enhance Gross Margins by c.4.3pptsYoY during 1HFY25. We believe INDU to pay DPS of Rs.47.5/sh during 2QFY25.
- We recommend TP of Rs.2,484/sh on FY25F P/E of 8.01x.

INDU (PKRmn)	2QFY25F	QoQ	YoY	1HFY25F	YoY
Sales	44,948	8.0%	146.4%	86,519	69.9%
COGS	38,823	7.8%	130.8%	74,820	62.0%
Gross Profit	**6,125**	**9.8%**	**331.8%**	**11,699**	**147.9%**
Financial Charges	31	-49.8%	-0.5%	93	48.9%
Other Income	5,793	30.0%	132.2%	10,249	92.8%
EBT	**10,089**	**21.9%**	**315.3%**	**18,358**	**149.6%**
Tax	3,882	21.9%	464.2%	7,067	194.7%
PAT	**6,206**	**21.9%**	**256.4%**	**11,291**	**127.8%**
EBIT	**10,120**	**21.4%**	**311.3%**	**18,451**	**148.7%**
EPS	**79.0**	**21.9%**	**256.4%**	**143.7**	**127.8%**
DPS	**47.5**			**86.5**	
Sales Volume	**6,381**	**3.6%**	**137.5%**	**12,541**	**74.2%**
Margins %	**2QFY25F**	**QoQ**	**YoY**	**1HFY25F**	**YoY**
Payout	60.2%	0.0%	0.6%	60.2%	-1.1%
Gross	13.6%	0.2%	5.9%	13.5%	4.3%
Profit	13.8%	1.6%	4.3%	13.1%	3.3%

Source: Financials, ASL Research

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SAZEW: Discrepancy to affect revenues in 2QFY25

- Sazgar Engineering Limited (SAZEW) to announce financial results for the 2QFY25. We believe the EPS to have an effect of lagged recording of sales units which was recorded in the month of Jan'25 for both months Dec'24 and Jan'25. Since SAZEW records transaction on accrual basis, therefore, we believe the restated financials will likely reflect the adjustment made for the month of Dec'24.
- Based on the data provided by the PAMA, w believe the 2QFY25 may likely record drop in sales revenue by c.18.5%QoQ mainly on the lagged sales units which are recorded in the month of Jan'25. The resultant effect may likely portray decline in sales units of c.26%QoQ, will likely cause significant impact on QoQ revenues, thus, Gross Profit to mark decline of c.12%QoQ during 2QFY25.
- On YoY basis, during 2QFY25, EPS may likely to record remarkable rise of c.3.3x to Rs.54.6/sh. mainly on the change in sales mix of SAZEW which previously used to determine financials on the basis of 3-Wheeler and Rims. Further, even the interest rates have come down to 12% during FYTD, the rise in Cash & Bank Balances of Rs.2.81bn during 1QFY25, may likely keep other income of SAZEW elevated by c.321%YoY during 2QFY25.
- During 1HFY25, EPS of SAZEW may likely to remain boosted up by c.4.3xYoY, mainly on the sales mix scenario that has changed dynamics of the SAZEW, since Sales Volume has robustly surged by c.125%YoY compared to 1HFY24.
- We recommend TP of Rs.1,606/sh. on FY25F P/E of c.9.6x

SAZEW (PKRmn)	2QFY25F	QoQ	YoY	1HFY25F	YoY
Sales	21,448	**-18.5%**	**230.7%**	47,780	228.8%
COGS	15,442	-17.5%	216.5%	34,153	199.3%
Gross Profit	**6,718**	**-11.9%**	**317.9%**	**13,626**	**337.0%**
Financial Charges	65	13.3%	81.8%	123	71.8%
Other Income	449	11.4%	320.6%	853	357.4%
Other Expenses	187	-61.8%	101.0%	675	288.8%
EBT	**5,501**	**-16.9%**	**344.9%**	**12,116**	416.5%
PAT	**3,300**	**-21.7%**	**336.7%**	**7,517**	**431.5%**
EPS	**54.60**			**124.37**	
Sales Volume	**5,963**	**-25.8%**	**129.2%**	**14,003**	**125.4%**
Margins %	**2QFY25F**	**QoQ**	**YoY**	**1HFY25F**	**YoY**
Gross	31.3%	2.4%	6.5%	28.5%	7.1%
Net	15.4%	-0.6%	3.7%	15.7%	6.0%

Source: Financials, ASL Research

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