Assemblers I INDU I SAZEW I Preview I 9MFY25

Date: 18th Apr'25

SAZGAR

TOYOTA

INDUS MOTOR COMPANY LTD.

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SAZEW: Earnings to rise c.131%QoQ during 3QFY25

- Sazgar Engineering Limited (SAZEW) to announce its financial result for the 3QFY25. We believe SAZEW to post EPS of Rs.91.9/sh. During 3QFY25, which is to rise c.131%/c.83% QoQ/YoY compared to the corresponding periods. The rise in EPS will likely to noticed on the:
  - Remarkable rise in Gross Profit which is to rise by c.131%/c.107% QoQ/YoY,
  - Gross Margins to remain stable, even when the COGS to rise drastically by c.131%/c.114% QoQ/YoY,
  - The rise in COGS will likely be a reason of the higher Int'l Steel Prices which has drastically increased by c.20%QoQ to USD847/MT,
  - Revenues to robustly contribute to the rise in earnings during 3QFY25 which is to rise by c.131%/c.112% QoQ/YoY,
  - The rise in revenue will likely be the reason of remarkable rise in sales volume of c.127%/c.94% QoQ/YoY during 3QFY25.
- On the cumulative 9MFY25, we believe the earnings to rise robustly by c.174%YoY mainly on the:
  - Notable rise in other income which is to rise by c.179%YoY,
  - Gross Profit to rise by c.178%YoY mainly on the significant rise in revenues during 9MFY25,
  - The rise in revenue to be noticed on the c.108%YoY rise in sales volume which will likely increase Gross Margins by c.280bpsYoY.
- We believe the company will not pay any dividend during 3QFY25.

SAZEW (PKRmn)	3QFY25F	QoQ	YoY	9MFY25F	YoY
Sales	42,457	**131.2%**	**111.7%**	87,152	152.0%
COGS	30,419	131.2%	113.6%	62,287	142.8%
Gross Profit	**12,038**	**131.2%**	**107.2%**	**24,865**	**178.5%**
Financial Charges	459	396.7%	1443.4%	609	502.1%
Other Income	245	-26.3%	49.0%	982	179.5%
Other Expenses	405	25.9%	9.2%	1,214	123.1%
EBT	**9,742**	**130.7%**	**95.1%**	**20,579**	180.4%
PAT	**5,553**	**130.6%**	**83.0%**	**12,178**	**173.7%**
EPS	**91.9**	**130.6%**	**83.0%**	**201.5**	**173.7%**
DPS	**-**			**20.0**	
Sales Volume	**13,517**	**126.7%**	**93.9%**	**27,520**	**108.7%**
Margins %	**3QFY25F**	**QoQ**	**YoY**	**9MFY25F**	**YoY**
Payout	0.0%	-25.1%	-15.9%	9.9%	-0.9%
Gross	28.4%	0.0%	-0.6%	28.5%	2.7%
Net	13.1%	0.0%	-2.1%	14.0%	1.1%

Source: Financials, ASL Research

TP- Rs.1,424/sh.	FY-25	FY-26	FY-27
Gross Margins	28.7%	20.2%	22.9%
Net Margins	16.6%	11.3%	13.1%
BVPS	255.08	307.22	411.05
ROA	56.0%	54.7%	67.2%
EPS	245.08	297.22	401.05
ROE	96.1%	96.7%	97.6%
P/E (x)	6.83	5.63	4.17

Source: ASL Research

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INDU: Recommending BUY with TP of Rs.2,414 with 7.9x P/Ef for FY25.

REP # 048

- Indus Motor Company Limited (INDU) to announce its financial results for the 3QFY25. We believe the earnings of INDU to rise significantly by c.22%/c.36% QoQ/YoY during 3QFY25. The rise in EPS will likely to be witnessed during 3QFY25 mainly on the:
  - Remarkable rise in Other income which to mark c.10%QoQ rise mainly on the improving investment sentiments,
  - Gross Profit to rise during 3QFY25 by c.41%/c.24% QoQ/YoY,
  - Revenues to depict c.81%/c.65% QoQ/YoY during 3QFY25,
  - However, the Gross Margins to decline during 3QFY25 by c.3.1ppts/c.3.7ppts QoQ/YoY mainly on the c.20% and c1.2% QoQ rise in Steel Prices and JPYPKR parity during 3QFY25.
- We believe during 9MFY25, profitability to rise by c.57%YoY, mainly in the wake of:
  - EBIT to rise c.67%YoY during 9MFY25,
  - Other Income to rise c.20%YoY, in the wake of robust increase in Short Term Tbill investment of c.44% to Rs.41.35bn recorded during 1HFY25,
  - Gross Profit to increase by c.74%YoY mainly in the wake of higher revenues of c.66%YoY,
  - Revenues to rise mainly on the c.58%YoY rise in sales volume to 21,618 units compared to 9MFY24.
- We believe INDU to pay DPS of Rs.46.25/sh during 3QFY25, cumulatively bringing the DPS to Rs.72.7/sh during 9MFY25.

INDU (PKRmn)	3QFY25F	QoQ	YoY	9MFY25F	YoY
Sales	78,159	80.6%	65.2%	163,035	66.0%
Gross Profit	**8,633**	**41.3%**	**24.1%**	**20,319**	**74.0%**
Financial Charges	50	31.8%	71.6%	149	63.5%
Other Income	4,092	9.8%	-0.3%	12,275	19.9%
Tax	3,946	19.9%	25.0%	10,421	87.6%
PAT	**6,064**	**24.6%**	**36.3%**	**16,016**	**56.6%**
EBIT	**10,060**	**22.8%**	**31.8%**	**26,586**	**67.5%**
EPS	**77.2**	**22.3%**	**36.3%**	**203.8**	**56.7%**
DPS	**46.3**			**122.3**	
Sales Volume	**9,077**	**42.3%**	**39.6%**	**21,618**	**57.8%**
Margins %	**3QFY25F**	**QoQ**	**YoY**	**9MFY25F**	**YoY**
Payout	60.0%	1.3%	-0.1%	60.0%	4.1%
Gross	11.0%	-3.1%	-3.7%	12.5%	0.6%
Profit	7.8%	-3.5%	-1.6%	9.8%	-0.6%

Source: Financials, ASL Research

Rs2,414.0	FY-25	FY-26	FY-27
EPS	253.22	371.12	380.23
DPS	152.78	223.92	229.41
Yield	7.6%	11.2%	11.4%
P/E	7.92	5.40	5.27
BVPS	863.75	872.29	880.91
ROA	12.8%	17.5%	16.6%
ROE	29.3%	42.5%	43.2%

Source: Financials, ASL Research

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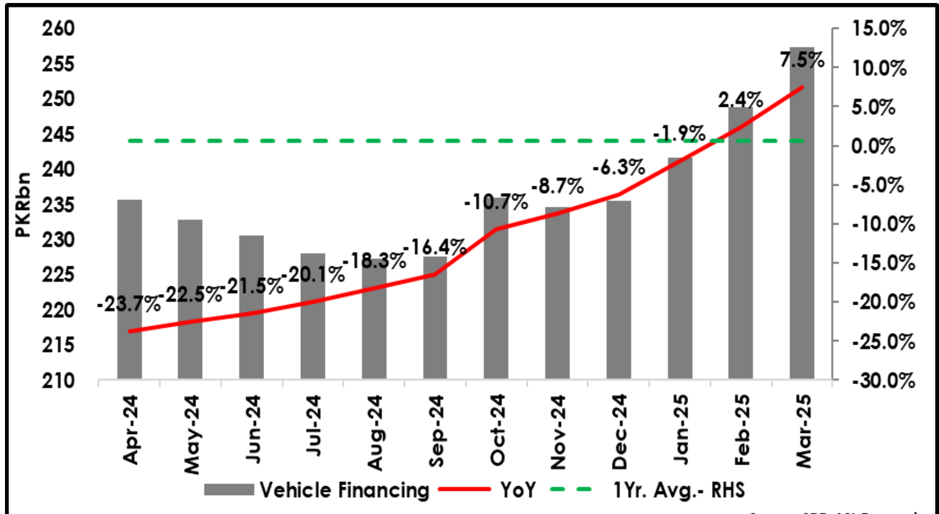
Outlook: Strong fundamentals to improve FY25 profitability

- With the strong fundamentals getting to solidify with the reduced and plummeted interest rates for the sector, we believe the sales volume of the industry to remain robust, particularly for INDU, SAZEW and GAL where the companies have strong demand for the product portfolio. Based on improving purchasing power, in the wake of reducing inflation in Pakistan, the reduced interest rates have pushed the vehicle financing to Rs.257bn during Mar'25, surging by c.3.4%/c.7.5% MoM/YoY. Further, we believe INDU and SAZEW to post FY25 of EPS of Rs.253/sh. and Rs.245/sh. based on forward P/E of 7.9x and 6.8x respectively. Moreover, the dividend yielding capacities of the company to remain stable with companies to pay dividends on average strong dividend yields of c.10% and c.4% respectively for INDU and SAZEW. Thus, we recommend BUY on INDU and SAZEW with respective TP of Rs.2,414 and Rs.1,442 for FY25.



Source: SBP, ASL Research

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