

## PSMC: Higher finance cost eroded bottom-line; reported loss of PKR5.59 in 1QCY22

- Pak Suzuki Motor Company (PSMC) announced its 1QCY22 result where the company recorded a loss of PKR460mn for the quarter (LPS PKR5.59) compared to a profit of PKR778mn (EPS PKR9.45) of 1QCY21 and PKR489mn (EPS- PKR5.94) of 4QCY21.
- The loss came as a surprise, where the major deviation came from higher than anticipated finance cost and lower than anticipated other income despite flattish gross margins sequentially. We await publication of interim report for analysis of financial result.
- Topline during 1QCY22 arrived at PKR47,736mn, registering an increase of 32%YoY and 9%QoQ, which is attributable to higher unit sales and recent price hike by the manufacturer in Nov'21.
- Gross profit in absolute terms declined by 39%YoY/13%QoQ to PKR1,349mn. Likewise, gross margins of the company declined to 2.8%, depicting a decline of 3.3ppts against our projected decline of 3.1ppts. Both yearly and sequential decline are mainly attributable to higher freight costs, currency devaluation and increase in raw material prices.
- Distribution cost during the quarter under review increased by 3%YoY to clock in at PKR732mn. However, the same declined by 21%QoQ. Moreover, admin expense was up 11%YoY/73%QoQ to PKR740mn.
- Other income portrayed a decline of 15%YoY and 43%QoQ to PKR527mn amid deteriorating cash balances, we opine.
- Finance cost witnessed a significant increase of 312%YoY/180%QoQ to PKR1,031mn. The said increase in finance cost is mainly due to higher working capital requirements during the quarter, we opine.
- The company booked tax reversal to the tune of PKR460mn during the quarter under review compared to effective tax rate of 29% of 1QCY21 and 31% of 4QCY21. This tax reversal cushioned the decline in earnings.

### PSMC Financial Highlights

PKRmn	1QCY22	1QCY21	YoY	4QCY21	QoQ
Net Sales	47,736	36,098	32%	43,709	9%
Cost of Sales	46,387	33,889	37%	42,156	10%
<b>Gross Profit</b>	<b>1,349</b>	<b>2,209</b>	<b>-39%</b>	<b>1,553</b>	<b>-13%</b>
Distribution Cost	732	710	3%	931	-21%
Administrative Cost	740	666	11%	429	73%
Other Operating Cost	4	83	-96%	47	-92%
Other Income	527	619	-15%	932	-43%
Finance Cost	1,031	250	312%	368	180%
Share of Profit/Loss	(18)	(23)	n.a.	-	n.a.
<b>Profit Before Tax</b>	<b>(648)</b>	<b>1,096</b>	<b>n.a.</b>	<b>710</b>	<b>n.a.</b>
Taxation	(188)	318	n.a.	221	n.a.
<b>Profit After Tax</b>	<b>(460)</b>	<b>778</b>	<b>n.a.</b>	<b>489</b>	<b>n.a.</b>
EPS (PKR)	(5.59)	9.45		5.94	

Source: Company Accounts, Next Research

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# Annexure

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