

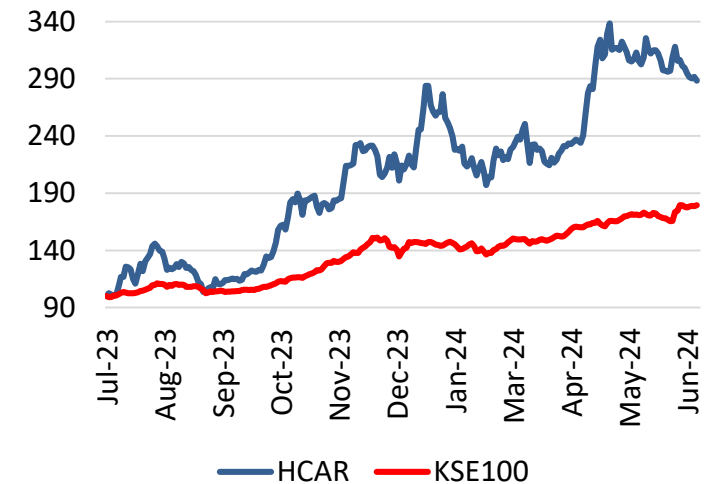
# Honda Atlas Cars Limited (HCAR)

## Corporate Briefing Session MY24 – Key Takeaways

25 July 2024

- **MY24 results.** EPS: PKR 16.34 (vs PKR 1.81 in MY23) | DPS: PKR 6.50 (vs nil in MY23).
- **Volumes down 59% Y/Y.** The dip in volumes in MY24 was observed due to low sales volume of 601 units (down 88%/94% Q/Q / Y/Y) in 1QMY24, primarily owing to plant shutdowns amid LCs restrictions. Furthermore, the company faced tough challenges all year round due to fierce competition from new entrants amid low purchasing power of consumers and high vehicles' prices.
- **Gross Profit up/down 105%/24% Q/Q / Y/Y.** The gross margins were down due to low volumes in MY24 and a shift in sales mix. The company roughly sold around 70% of 1.2L CVT City variant from its City Model, which is a lower margin vehicle. Overall, City model accounts for 60% of HCAR's total sales mix in MY24.
- **MY24 profitability at PKR 1,370 MN.** Despite selling lower volumes in MY24, HCAR bottom-line significantly rose to PKR 1,370 MN (+801% Y/Y) on account of deferred tax asset realized due to minimum tax available for carry forward in subsequent year.
- **50% localization by value.** HCAR takes pride in achieving roughly around 50% localization by value for each of its model. By part, the localization is 73%/61%/50%/50% for City/Civic/BRV/HRV.
- **Outlook.** The company expects its volume to recover at a nominal level of 25k+ units in a period of two years on account of reduced interest rates and stabilization in economy. Moreover, HCAR is cognizant of the hybrid SUVs wave and plans to launch a hybrid variant of HRV, similar to the one launched in Japan, in the near-term. The total CAPEX required for plant set-up for HEV assembling would be PKR 5 BN.

### Total Return Comparison



Source: Zakheera, Optimus Research

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## Earnings Snapshot

PKR MN	Mar-24	Dec-23	Sep-23	Jun-23	Mar-23	Q/Q	Y/Y	MY24	MY23	Y/Y
<b>Net Sales</b>	<b>24,918</b>	<b>12,426</b>	<b>13,956</b>	<b>3,771</b>	<b>22,344</b>	<b>101%</b>	<b>12%</b>	<b>55,071</b>	<b>95,087</b>	<b>-42%</b>
Cost of Sales	22,815	11,400	12,430	3,919	19,562	100%	17%	50,563	87,926	-42%
<b>Gross Profit</b>	<b>2,104</b>	<b>1,026</b>	<b>1,527</b>	<b>(148)</b>	<b>2,782</b>	<b>105%</b>	<b>-24%</b>	<b>4,508</b>	<b>7,161</b>	<b>-37%</b>
Distribution Cost	380	183	212	140	227	108%	68%	915	903	1%
Admin Expenses	427	398	383	272	339	7%	26%	1,480	1,322	12%
Other Operating Expenses	97	63	204	31	3,384	55%	-97%	394	4,930	-92%
Finance Cost	612	443	120	44	(33)	38%	n.m	1,219	346	252%
Other Income	165	288	897	903	683	-43%	-76%	2,252	2,322	-3%
<b>Pre Tax Income</b>	<b>753</b>	<b>227</b>	<b>1,505</b>	<b>268</b>	<b>(452)</b>	<b>231%</b>	<b>n.m</b>	<b>2,753</b>	<b>1,982</b>	<b>39%</b>
Taxation	(618)	84	830	123	373	n.m	n.m	419	1,723	-76%
<b>Profit After Tax</b>	<b>1,370</b>	<b>143</b>	<b>675</b>	<b>145</b>	<b>(825)</b>	<b>857%</b>	<b>n.m</b>	<b>2,334</b>	<b>259</b>	<b>801%</b>
<b>EPS</b>	<b>9.60</b>	<b>1.00</b>	<b>4.73</b>	<b>1.02</b>	<b>(5.77)</b>			<b>16.34</b>	<b>1.81</b>	
<b>DPS</b>	<b>6.50</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>			<b>6.50</b>	<b>-</b>	
Gross Margin	8.4%	8.3%	10.9%	-3.9%	12.5%			8.2%	7.5%	
Effective Tax Rate	-82.1%	37.0%	55.1%	45.8%	-82.5%			15.2%	86.9%	
Volumes	5,044	2,375	2,510	601	5,175	112%	-3%	10,530	25,720	-59%

Source: Company Accounts, Optimus Research

## Analyst Certification

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