

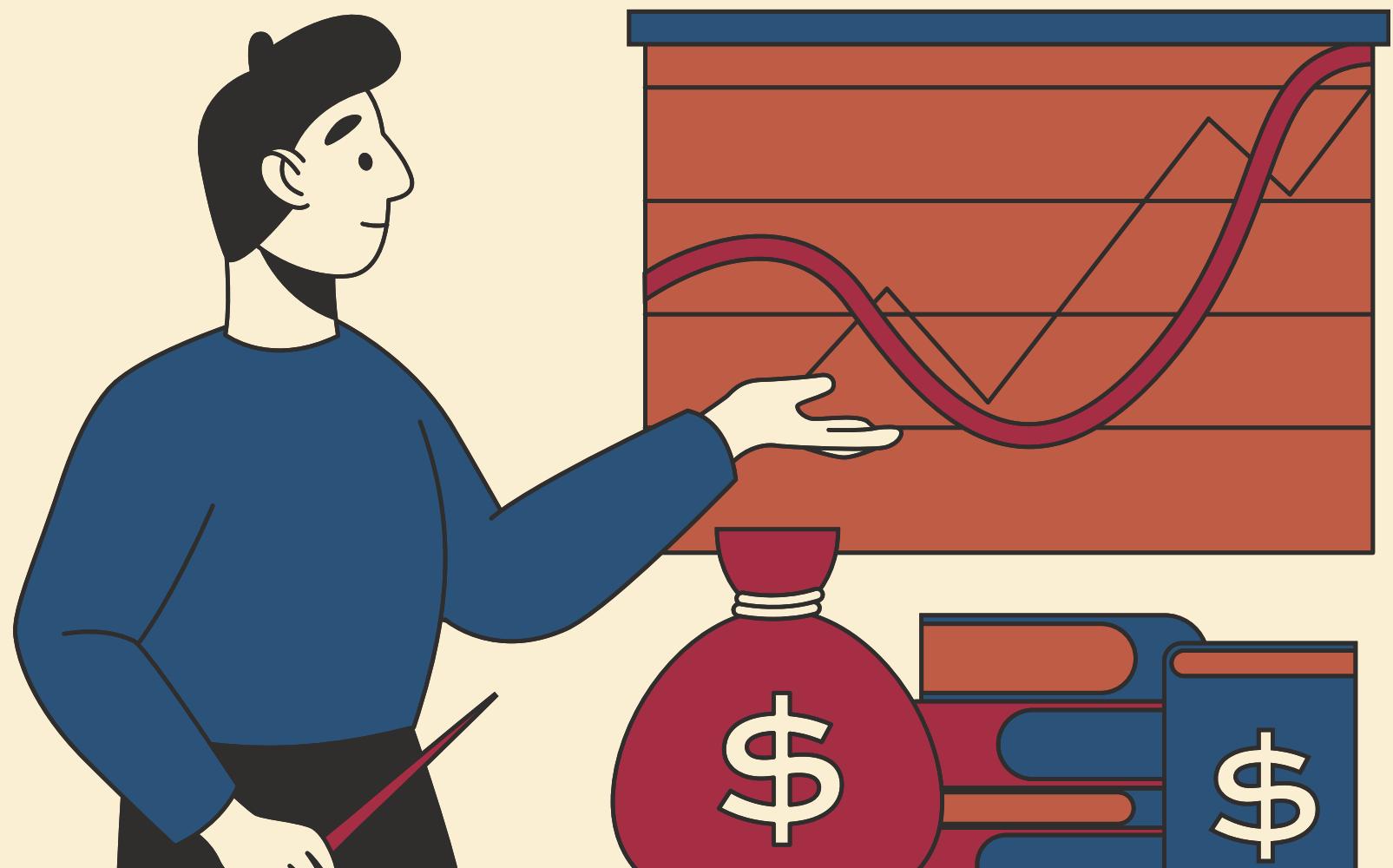
STRATEGIC ANALYSIS INDUS MOTORS CORPORATION

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MGMT 324



LANGUAGE OF BUSINESS



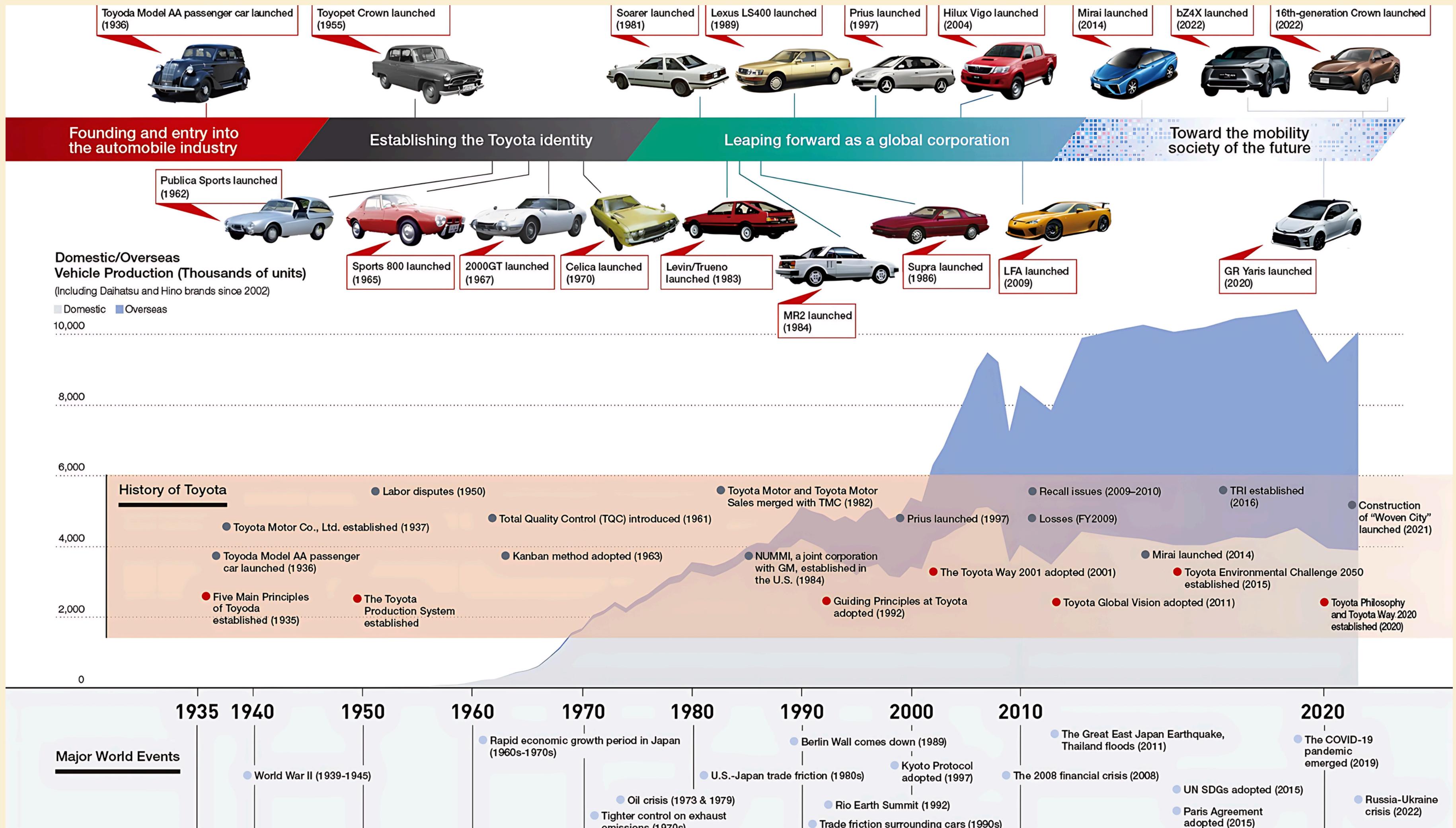
Introduction



COMPANY OVERVIEW

- Founded by Kiichiro Toyoda in **1933**, as a spinoff from Toyoda Automatic Loom Works
- Initially focused on small cars and trucks for Japan
- Expanded globally in the **1950s**, becoming a major player by the **1960s**
- In the **1990s** and **2000s**, Toyota grew through new products and acquisitions
- Acquired controlling interest in **Lexus** in **1999** and **Daihatsu Motors** in **2002**
- Today, Toyota is one of the world's largest automakers, with vehicles sold in over **190** countries.







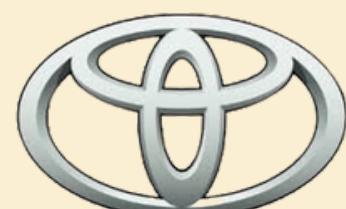
TOYOTA IN PAKISTAN



COMPANY OVERVIEW



TOYOTA TSUSHO

 **TOYOTA**
INDUS MOTOR COMPANY LTD.

- **First Phase: Early days (1940s – 1980s)**
 - Initially, Toyota vehicles were imported as CBUs from Japan.
- **Second Phase: Formation of Indus Motor Company (1989 – Current)**
 - In 1989, the IMC was established as a joint venture between the **House of Habib**, **Toyota Motor Corporation** and **Toyota Tsusho Corporation of Japan**

PRODUCT PORTFOLIO



COMPANY OVERVIEW

Corolla (1993 - 2023)



Daihatsu Cuore



Daihatsu Mira



Hilux



Fortuner



MANY MORE

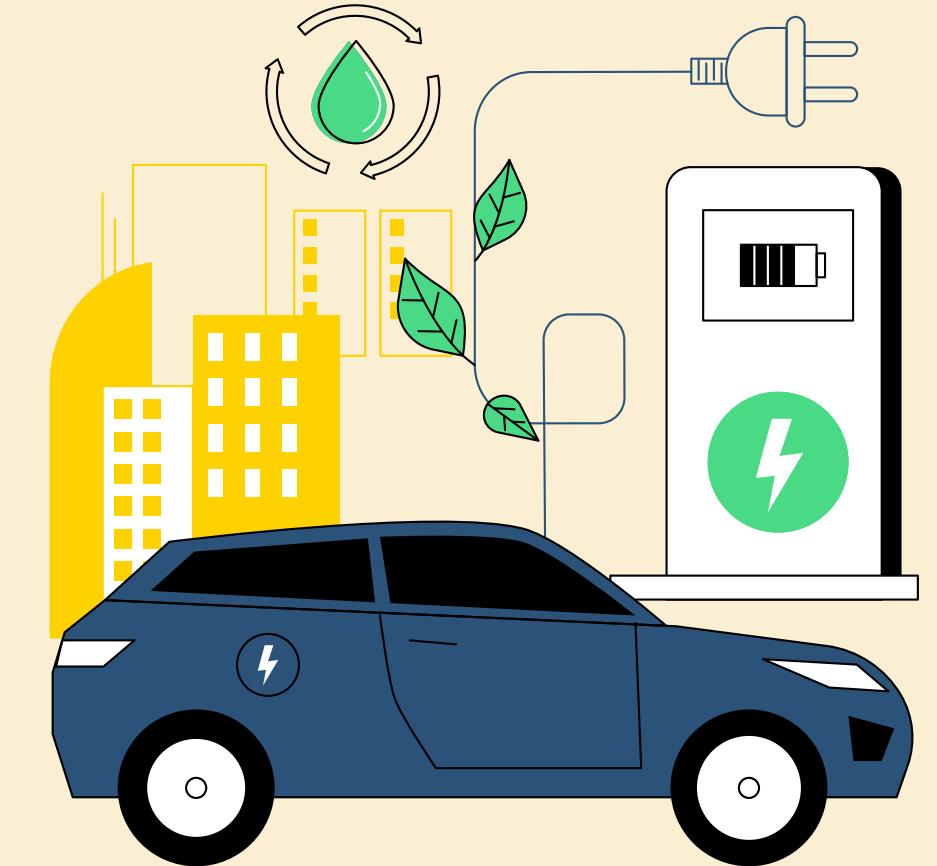
PRODUCT PORTFOLIO



COMPANY OVERVIEW

continued

- Diversified product offerings:
 - Wide range of vehicles: cars, trucks, buses
- Development of hybrid and electric vehicles
- Introduction of hydrogen fuel cell vehicles
- Other products and ventures:
 - Production of engines, transmissions, and parts
 - Ventures related to Advanced Mobility and Intelligent vehicles
 - Offers financing and leasing options



Global Manufacturing and Distribution



COMPANY OVERVIEW

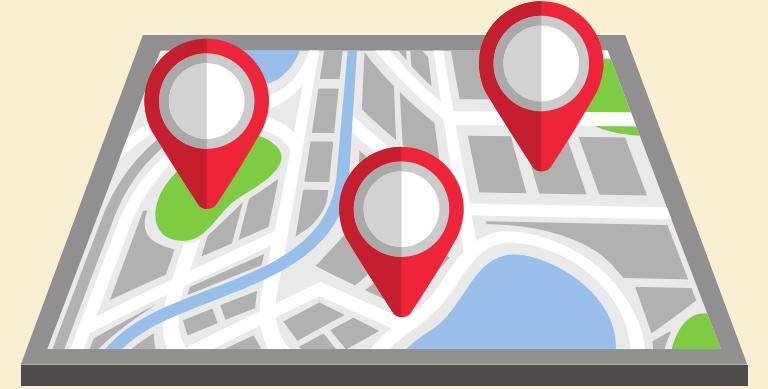


- **Geographical expansion:**
 - Establishment of manufacturing plants and assembly facilities worldwide
 - Presence in countries like Japan, United States, Canada, South Africa, India, and Pakistan (IMC)
- **Sales and marketing offices:**
 - offices in various countries to better serve customers
 - Global reach enables response to local market needs and facilitates export and cross-marketing opportunities

Local Manufacturing and Distribution



COMPANY OVERVIEW



- Established the first manufacturing plant in Karachi in **1998**
- IMC's manufacturing facility and offices are located at a **109.5 acres** site in Port Qasim
- From a modest beginning of **20** vehicles per day production in 1993, daily production capacity of the Company has now increased to **288** (with overtime) units per day.
- Research and Development (R&D) facility located in Karachi
- IMC has **55 independent 3S** Dealerships spread across the country

Production Procedure



COMPANY OVERVIEW

continued

Design & Development

Collaborate with Toyota Motor Corporation for vehicle design

Raw Materials Procurement

Source high-quality materials locally and internationally

Stamping

Press steel sheets into vehicle components

Production Procedure



COMPANY OVERVIEW

continued

Welding

Weld stamped parts for body structure

Painting

Apply quality paints for smooth finish

Engine & Transmission Assembly

Manufacture engines and transmissions locally

Production Procedure



COMPANY OVERVIEW

continued

Final Assembly

Integrate components
with strict quality control

Inspection & Testing

Thoroughly test for safety,
performance, and
emissions

Shipping

Distribute vehicles to
dealerships

The Toyota Way



COMPANY OVERVIEW

- **Continuous Improvement and Efficiency:**
 - Implements **Lean manufacturing** and **JIT** to enhance production efficiency and reduce waste.
- **Quality and Operational Excellence:**
 - Focus on high-quality vehicle production and maintaining Toyota's global standards.
- **Effective Inventory Management:**
 - Uses **JIT principles** to minimize inventory costs and improve response to market demands.
- **Adaptation to Local Market:**
 - Tailors strategies to align with the needs and challenges of the Pakistani automotive market.



Financial Analysis

(2022-2023)

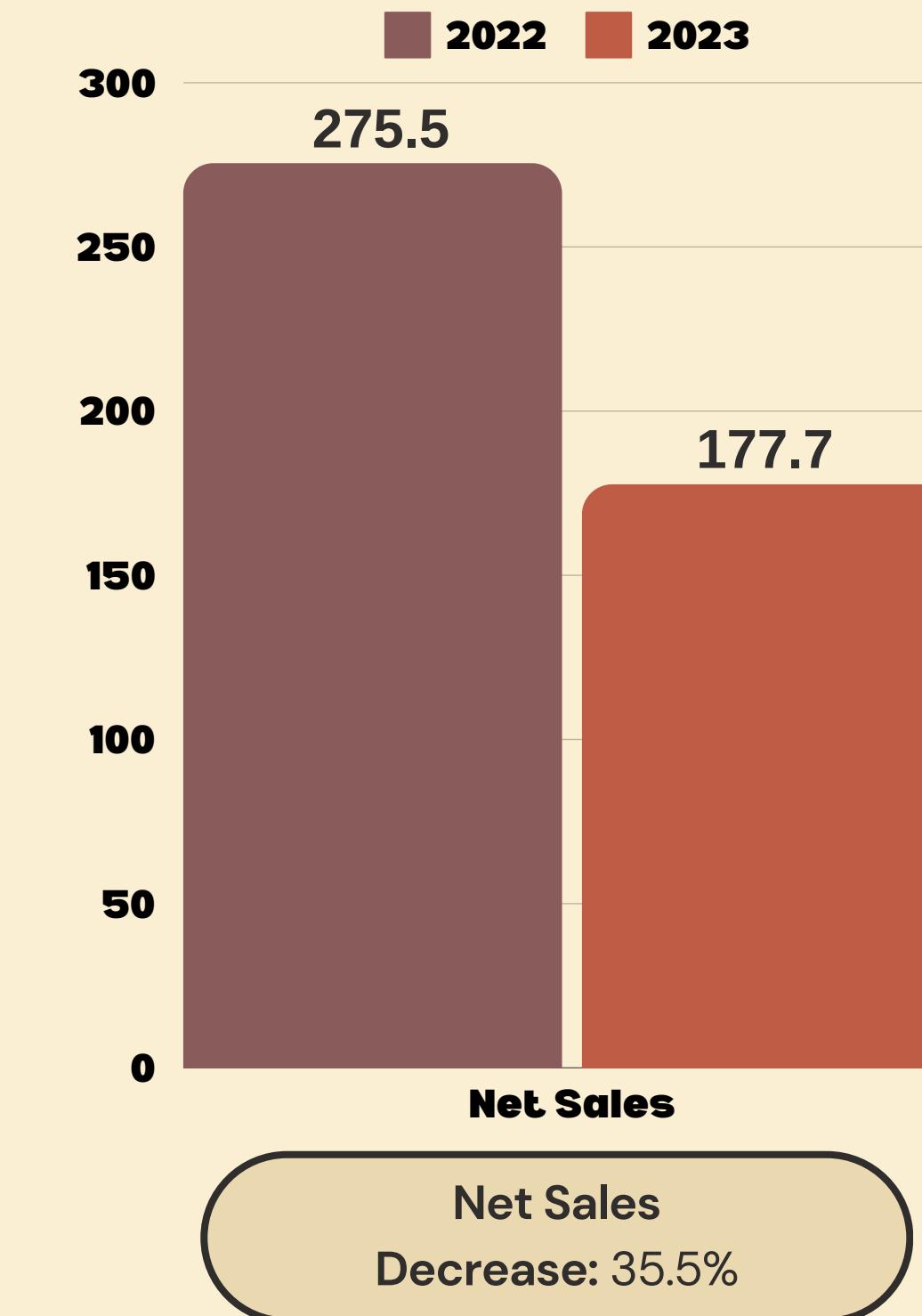
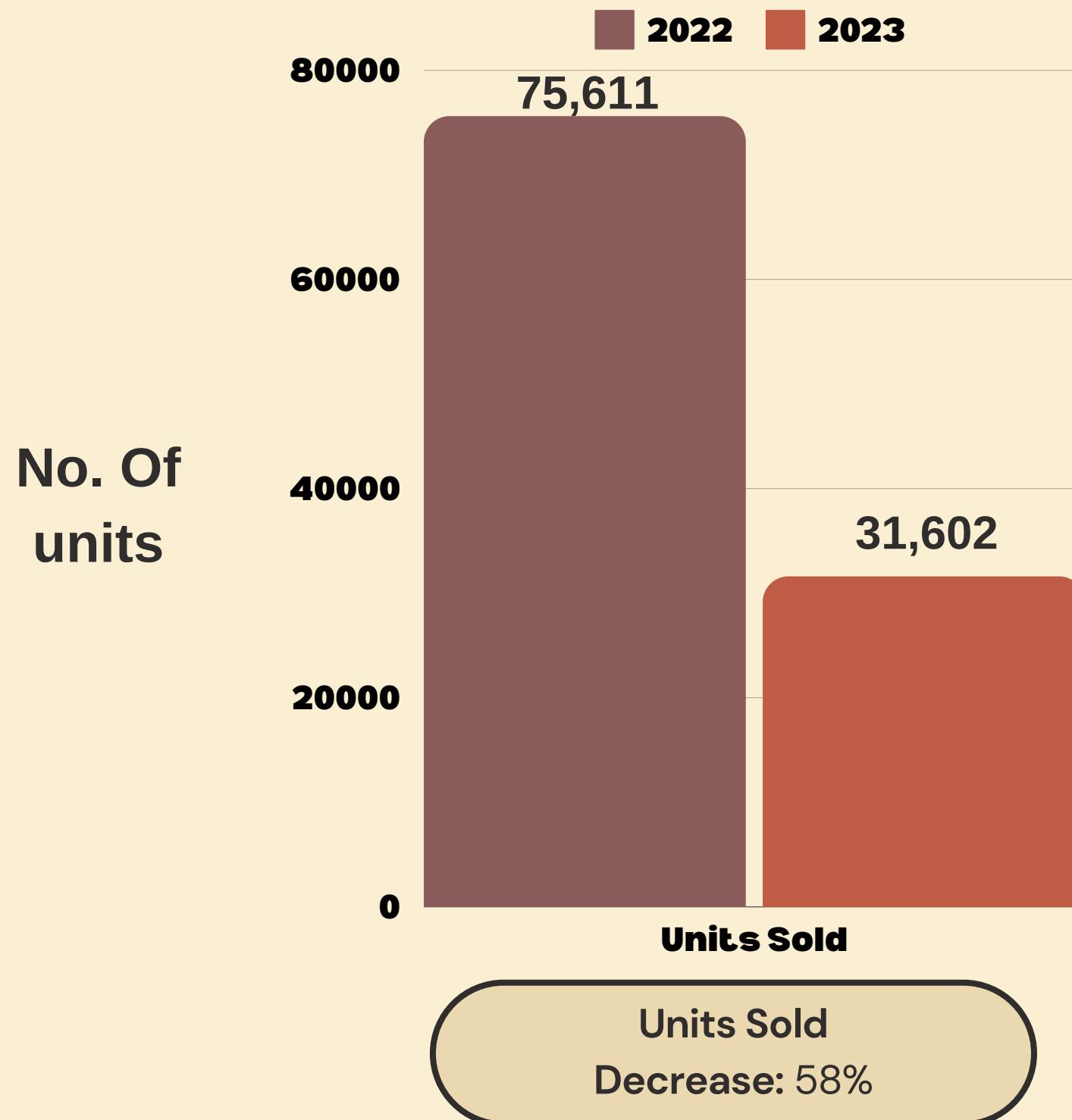


NET SALES

GRAPHICAL COMPARISON



FINANCIAL ANALYSIS

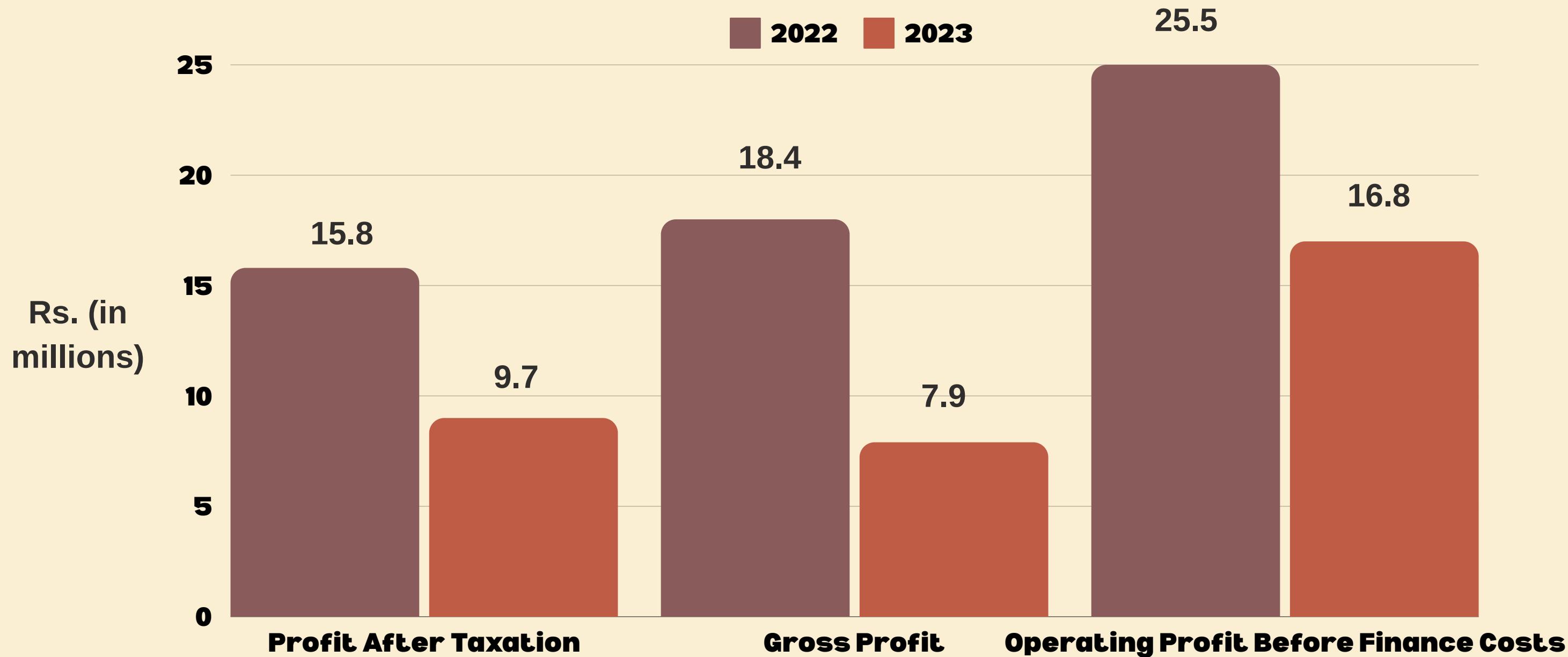


PROFITABILITY

GRAPHICAL COMPARISON



FINANCIAL ANALYSIS



Gross Profit:

Decrease: 56.91%

Operating Profit Before Finance Costs:

Decrease: 33.75%

Profit After Taxation:

Decrease: 38.84%

Profitability Ratios



FINANCIAL ANALYSIS

Gross Profit Margin

Declined, 6.6% to 4.46%

Decline in IMCs ability to generate profits from its core operations, suggesting potential issues with pricing, cost management, or **changing market conditions**

Net Profit Margin

Decreased, 5.74% to 5.44%

Decreased net profit margin signifies a reduction in the firm's overall profitability, which could be attributed to **higher operating expenses, financing costs**, or other factors that erode the bottom line

Return on Assets

0.922% to 0.10%

Suggests a declining efficiency in utilizing the firm's assets to generate profits, potentially due to **underutilization of resources**, or a mismatch between asset investments and revenue generation.

Profitability Ratios

continued



FINANCIAL ANALYSIS

Return on Equity (ROE):

Decreased, 0.471 to 0.280

Implies a lower return to shareholders, which could indicate a **decrease in the firm's ability to effectively employ equity capital**, potentially impacting investor confidence and future financing options



Balance Sheet

SUMMARIZED



FINANCIAL ANALYSIS

Total assets
decreased by 42.62%

Implies changes in investment strategies and business operations.

Total liabilities
reduced by 42.62%

Indicates improved financial obligations

Shareholders' equity
increased by 11.22%

Indicates that IMC has retained more earnings or issued additional equity shares, thereby increasing the value of the owners' stake in the company

Collectively, these changes suggest that IMC is potentially strengthening its financial position by reducing its reliance on debt financing and increasing its equity base.

Cash Flow

SUMMARIZED



FINANCIAL ANALYSIS

Operating Activities inflow turned negative

- More cash was used in operations than generated.
- Increased expenses or decreased revenue impacting cash flow.

Investing Activities outflow decreased

- Reduced spending on investments.
- Indicates potentially lower capital expenditure or asset purchases.

Financing Activities outflow decreased

- Less cash used for financing activities.
- Reduced borrowing or debt repayments, contributing to improved cash flow from financing activities.

Other Ratios & Investor INFORMATION

LIQUIDITY, EFFICIENCY, SOLVENCY



FINANCIAL ANALYSIS

Current Ratio

Increased to 1.58 from 1.19

Generally a positive sign, indicating an improvement in the firm's liquidity position and its ability to meet short-term obligations

Quick Ratio

Increased to 1.12 from 1.03

Quick ratio increase to 1.12 signifies improved short-term liquidity, a positive sign

Debt To Equity Ratio

0:1

Suggests that the company is financing its operations primarily through equity rather than debt.

Other Ratios & Investor Information

continued



FINANCIAL ANALYSIS

Inventory Turnover

Reduced to 6.18 from 10.14

Inventory turnover reduction to 6.18 suggests slower sales conversion of inventory, a potentially negative sign

Asset Turnover

Increased to 144.76 from 128.76

Asset turnover increase to 144.76 indicates more efficient use of assets to generate revenue, a positive sign

Payout Ratio

Increased to 58.39 from 46.63

Payout ratio increase to 58.39 indicates a larger portion of earnings distributed as dividends, which can be positive for shareholders but may limit reinvestment opportunities, so mixed implications overall.

Comparative Financial Analysis

IMC vs. Honda



FINANCIAL ANALYSIS

Aspect	Honda Pakistan	IMC	Analysis
Assets	-10.78% decrease	-42.62% decrease	Honda has a more stable asset base
Profitability	-53.63% profit before taxation	-35.50% net sales, -56.91% gross profit	Honda Pakistan's profit decline is steeper, tougher challenges.
Capital Structure	Fluctuations in equity and liabilities	Increased reserves, decreased liabilities	IMC: better capital structure Honda Pakistan: instable.
Overall Health	Profitability and liquidity challenges	Profitability and asset utilization issues	Honda Pakistan's profitability and liquidity issues are more pronounced, while IMC struggles with asset utilization

While both companies encounter financial challenges, IMC demonstrates slightly better overall financial performance

Financial Analysis Conclusion



FINANCIAL ANALYSIS

- **Strong liquidity:** IMC's improved quick ratio indicates enhanced ability to meet short-term obligations.
- **Improving capital structure:** With a debt-to-equity ratio of 0:1 and increasing asset turnover, IMC shows a healthier balance between debt and equity financing.
- **Solid equity base:** The company's payout ratio increase suggests confidence in returning value to shareholders, indicating stability and trust in its operations.
- **Financial flexibility:** These factors provide IMC with the means to pursue growth opportunities, invest in research and development (R&D), consider strategic acquisitions, and undertake capital expenditures.
- **Cautious approach:** However, declining profitability and reduced asset utilization efficiency may prompt IMC to focus on operational improvements to sustain growth and profitability in the long term.

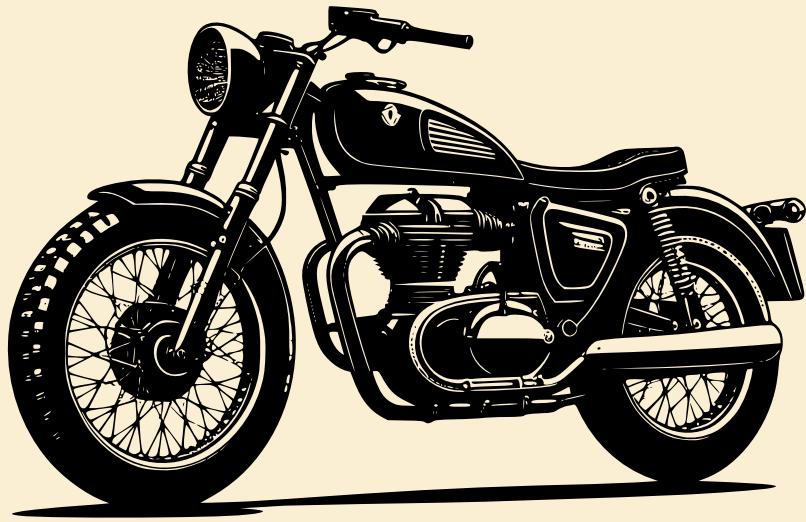
Market Expansion Strategy

Fuel-Efficient Motorcycles by

IMC



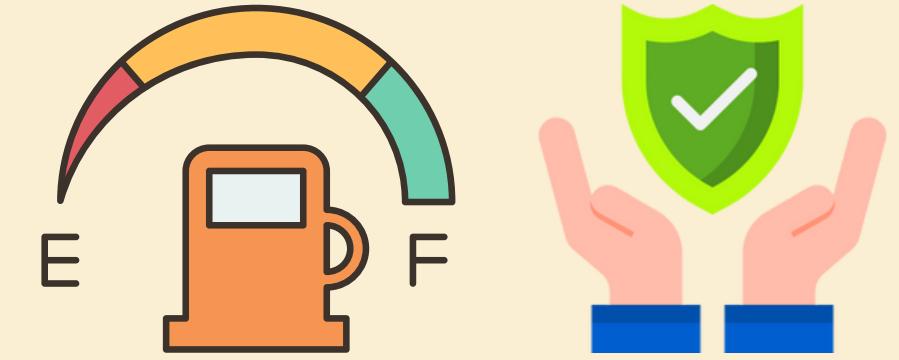
The Product Decision



- **Proposition:** Launch fuel-efficient motorcycles in Pakistan's 70cc to 150cc segment. Offer 70cc models under **Daihatsu** for lower-income, 125cc to 150cc under **Toyota** for middle to upper-middle-class. Utilize manufacturing capabilities, brand reputation, and dealership network for cost-effective solutions.
- **Alignment:** Supports IMC's vision of leading mobility solutions in Pakistan and contributes to economic development through affordable, fuel-efficient transportation.
- **Opportunity:** Meet the growing demand for motorcycles, addressing urbanization, affordability, and rising fuel prices with a relevant product line.

The Product Decision

continued



Product Features

- **Fuel Efficiency:** Class-leading fuel economy, leveraging Toyota's expertise in fuel-efficient technologies.
- **Durability and Reliability:** Upholding Toyota's brand reputation for quality, ensuring a reliable ownership experience.
- **Safety:** Standard safety features like drum brakes, potential for disc brakes in future models.
- **Comfort and Utility:** Comfortable seating, efficient lighting, reliable utility options.

STRENGTHS

- Strong brand recognition and loyalty for Toyota in Pakistan.
- Extensive car dealership network that can be leveraged for motorcycle sales and service.
- Reputation for quality, reliability, and customer satisfaction.
- Existing customer base as a potential target market.

WEAKNESSES

- No prior experience in the motorcycle industry.
- Existing competition with established players like Honda, Unique, Superpower, Suzuki and Yamaha.
- Lack of a dedicated sales and service network for motorcycles within dealerships (initially).

SWOT

- Growing demand for motorcycles in Pakistan, driven by urbanization and affordability.
 - Rising fuel prices increasing consumer demand for fuel-efficient vehicles.
 - Potential for brand extension and loyalty transfer from Toyota cars to motorcycles.

OPPORTUNITIES

THREATS

- Intense competition with established players offering wider product ranges and economies of scale.
 - Price wars in the motorcycle market, limiting profit margins.
 - Customer perception of Toyota as a car brand, requiring targeted marketing efforts.

The Marketing Environment

SWOT ANALYSIS

The Marketing Environment

PESTEL ANALYSIS



- **Political Stability:** Stability and pro-efficiency policies boost confidence and investment.
- **Regulatory Impact:** Import duty rules directly affect IMC's motorcycle costs and competitiveness.



- **Economic Impact:** Challenges like inflation and fuel price fluctuations drive interest in fuel-efficient options.
- **Purchasing Power:** Economic growth and purchasing power shape IMC's motorcycle segment success.



- **Urbanization Demand:** Pakistan's urban growth requires efficient transportation, suiting the motorcycle segment.
- **Middle-Class Opportunity:** A growing middle class opens a market for higher-end models.

The Marketing Environment

PESTEL ANALYSIS



- **Product Enhancement:** Engine and fuel-efficient advancements can set IMC apart.
- **Challenges:** Accessing and integrating these technologies locally may be difficult.



- **Demand Shift:** Pollution concerns boost interest in fuel-efficient vehicles.
- **Regulatory Impact:** Stricter emissions rules may require more investment.



- **Regulatory Impact:** Safety standards, emissions norms, and import taxes can heavily influence product pricing and competitiveness in Pakistan.

The Marketing Environment



PORTER'S 5 FORCES

- **Threat of New Entrants**
 - High investment costs and brand loyalty pose barriers
 - increasing demand may attract new players.
- **Supplier Bargaining Power**
 - Dependency on few suppliers increases costs
 - diversification or local sourcing could mitigate risks.
- **Threat of Substitutes**
 - Electric vehicles pose a threat
 - IMC must monitor advancements and preferences.
- **Competitive Rivalry**
 - Intense competition from Honda, Unique, Suzuki, and Superpower
 - IMC must focus on quality and value to differentiate.
- **Buyer Bargaining Power**
 - Price sensitivity and options from established players give buyers power
 - attractive financing and features can help mitigate.

Segmentation, Targeting and Positioning Decision

Target Market

- **Lower-income Segment (70cc models):** Young adults (18–50 years old), lower-income earners, urban and semi-urban populations seeking affordable, fuel-efficient transportation.
- **Middle-class and upper-middle-class Segment (125cc to 150cc models):** Young adults and working professionals (18–50 years old), middle-class income earners, urban and semi-urban populations seeking affordability, fuel efficiency, and brand recognition.



Segmentation, Targeting and Positioning Decision

Targeting Strategy

- **Lower-income Segment:** Localized marketing, influencer partnerships, attractive financing, bundled offerings with accessories.
- **Middle-class and Upper Middle-class Segment:** Traditional media (TV, print), digital marketing highlighting Toyota's brand, leveraging existing customer base and dealership network.



Marketing Communications Decisions

Promotion Mix

- Market its new motorcycles widely
- Target diverse consumer groups
- Use strong brand reputation for maximum impact.

Traditional Media Advertising

- Target middle and upper-middle-class segments
- Leverage its strong brand recognition.
- Highlight motorcycle features in TV and print ads.

Experiential Marketing

- Stand out in local and regional motorcycle exhibitions, offering live product demo
- VR simulators to offer virtual test rides for engaging experiences.

Marketing Communications Decisions

CONTINUED

Local Community Engagement

- Team up with local groups and leaders for affordability.
- Host workshops and safety training to build trust in low-income areas.

Digital Marketing

- IMC targets tech-savvy urbanites with a digital campaign.
- Use social media, email marketing, and collabs with digital personalities for endorsements.

Partnerships and Promotions

- partners with trusted financial institutions for tailored financing
- utilize its dealership network and loyal customer base for enticing promotions.

Thank You

References

- Indus Motor Company Ltd. – Yearly Ratios
- IMC 2022 Annual Report
- IMC 2023 Annual Report