

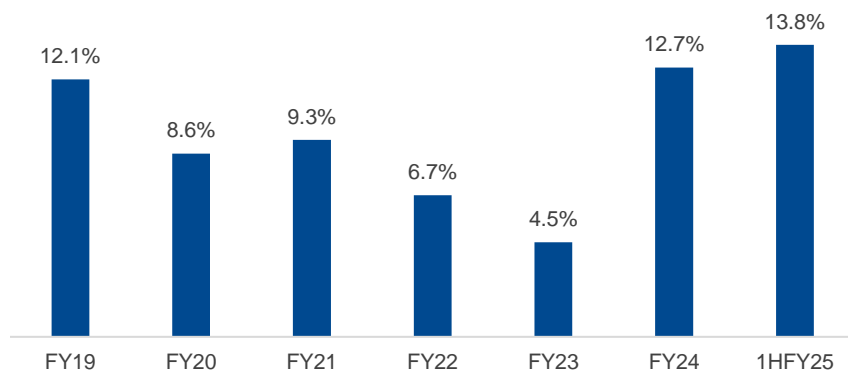
INDU: Jump in sales and margins drive profitability

- Indus Motor Company Limited (INDU) held its Analyst Briefing yesterday to discuss its 2QFY25 financial performance and outlook. To recall, INDU posted an EPS of Rs61.9 during 2QFY25, up 2.8x YoY mainly due to higher gross margins (up 6ppts YoY) owing to higher car sales (up 2.4x YoY), stable currency and cost optimizations.
- The company highlighted that the growth in volumes is expected to continue for the remainder of FY25 given the ongoing decline in interest rates and greater consumer confidence. The company continues to adapt to evolving industry dynamics, in order to remain competitive with its Chinese and Korean counterparts.
- The management apprised that the company is exporting auto parts, vehicles and man power however, these remain voluntary targets for now, with discussions still ongoing with the government.

Improved margins amid stable currency

Indus Motor Company Limited (INDU) held its Analyst Briefing yesterday to discuss 2QFY25 financial performance and outlook. To recall, INDU posted an EPS of Rs61.9 during 2QFY25, up 2.8x YoY mainly due to higher gross margins (up 6ppts YoY) and increase in volumes of 2.4x YoY. The company attributed the improvement in margins to a combination of windfall gains and sustainable cost-saving measures. Favourable exchange rate movements against the Japanese Yen and Thai Baht, along with a weaker U.S. dollar, provided support to margins during the period. Meanwhile, sustainable measures included increased localization efforts – localization levels reached 60-65% for sedans and 40-45% for IMVs – as well as fixed cost optimizations such as solar energy adoption, which now meets 25% of the company's energy requirements.

INDU: Gross margin trend



Source: Company Accounts, JS Research

New entrants to hurt market share?

The entry of Korean and Chinese manufacturers in recent years has intensified competition in the industry, as reflected in INDU's 4-wheeler market share, which declined to 21% in 8MFY25 from 36% in FY10. Additionally, the company's latest offering, Corolla Cross, has faced significant competition, particularly following the

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Market Price: Rs2,049.99

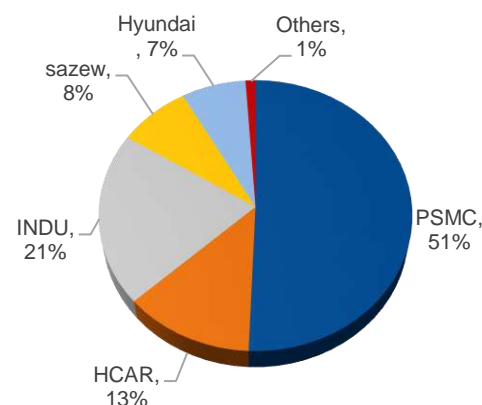
Market Cap: Rs161bn, US\$576mn

1-yr ADTO: 0.01mn shares, Rs15mn, US\$0.1mn

1-yr High / Low: Rs2,245.36 / 1,534.62

Estimated free float: 14mn shares (18%)

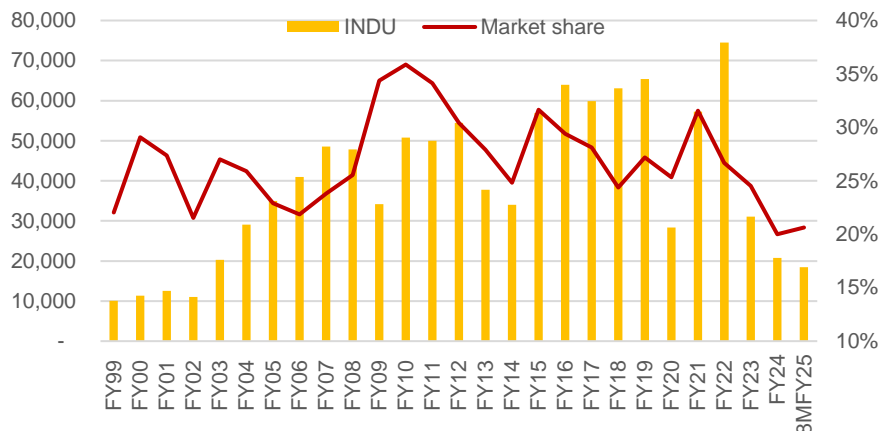
Industry 4-wheeler sales mix – 8MFY25



Source: PAMA, JS Research

launch of the Haval Jolion HEV in Mar-2024. Management acknowledged the potential challenge posed by the arrival of other Chinese brands like BYD but expressed confidence in the company's ability to adapt to shifting industry dynamics.

INDU volumes compared to market share



Source: PAMA, JS Research

Exports remain voluntary targets

The company has fallen short of the auto policy's export target, which required exports to constitute 7% of total imports in FY25, with a further increase to 10% in FY26 under AIDEP 2021-26. Regarding this, management stated that while the company is exporting auto parts, vehicles, and manpower, these targets remain voluntary for now, with discussions still ongoing with the government. Additionally, high export duties continue to make Pakistani CKD units uncompetitive in the global markets.

Stable tax policies crucial for local auto industry

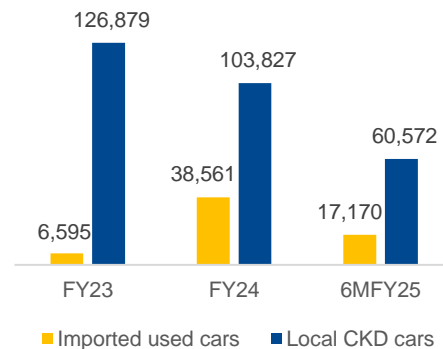
The company highlighted that the growth in volumes is expected to continue for the remainder of FY25 given a decrease in interest rates, stable exchange rates and greater consumer confidence. However, policies such as increasing the SBP financing limit of Rs3mn, reduction in duties and taxes and greater protection of local industry through higher duties on imported vehicles/ rationalizing the depreciation rate on used car imports will remain key for the local auto industry outlook.

INDU: Key statistics

(Rs mn)	FY23	FY24	1HFY25
Sales	177,711	152,481	84,879
YoY Growth	-35%	-14%	67%
Gross Margin	4%	13%	14%
PAT	9,665	15,072	9,958
YoY Growth	-39%	56%	101%
EPS (Rs)	122.96	191.76	126.69
DPS (Rs)	71.80	114.70	76.00
P/E (x)	7.78	6.65	8.09
DY	8%	9%	4%

Source: Company accounts, JS Research

Imported used cars vs local CKD's



Source: PAMA, Company Accounts, JS Research

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