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INDU: 1QFY27 EPS expected to clock in at PKR 85, flat YoY, DPS of PKR 50

Indus Motor Company Limited

PSX: INDU | Bloomberg: INDU PA | Reuters: INDM.PSX

- INDU is expected to announce its 1QFY27 results, where we expect the company to report an EPS of PKR 85, broadly flat YoY. Alongside the result, we expect an interim cash dividend of PKR 50/share.
- Net sales are expected to increase 24% YoY to PKR 76.3bn in 1QFY27 (SPLY: PKR 61.7bn), driven by a 34% YoY increase in CKD sales volumes, despite a 7% decline in average realised price per unit to PKR 5.5mn. Gross margin is projected to contract to 13.7% from 17.1% in SPLY, reflecting a higher share of lower-priced passenger cars and cost inflation. On a QoQ basis, net sales are expected to rise 15%, while gross margin is anticipated to recover from 10.3% in 4QFY26.
- The company reported 13,259 units sold in 1QFY27, up 34% YoY, driven by Toyota passenger cars (Corolla, Corolla Cross, Yaris) at 10,925 units, up 43% YoY, while IMV/SUVs (Fortuner, Hilux) increased modestly to 2,334 units (+3% YoY). The recovery reflects the broad-based pickup in auto demand on economic stabilization and lower auto-financing rates, keeping INDU's market share above 20% despite intensifying competition.
- PAT is expected to remain broadly flat YoY at PKR 6.6bn in 1QFY27, as gross-margin compression and higher finance costs offset volume-led revenue growth. Other income is projected to increase 11% YoY to PKR 3.2bn, supported by treasury returns on the company's sizeable cash and investment portfolio, while finance costs are expected to rise to PKR 222mn from PKR 50mn in SPLY, reflecting the unwinding of the discount on the Sindh Infrastructure Development Cess (SIDC) settlement. On a QoQ basis, PAT is expected to increase 9%, supported by a recovery from the soft 4QFY26, despite a 34% decline in other income from the elevated base.
- We maintain our 'BUY' recommendation on the stock based on our June'27 target price (TP) of PKR 2,894/share, which provides an upside of 63% along with a dividend yield of 11%. INDU is trading at an FY27 PER of 5.4x.

Key Data

PSX Ticker	INDU
Target Price (PKR)	2,894
Current Price (PKR)	1,774
Upside/(Downside) (%)	63%
Dividend Yield (%)	11%
Total Return (%)	74%
12-month High (PKR)	2,250
12-month Low (PKR)	1,695
Outstanding Shares (mn)	78.6
Market Cap (PKR mn)	139,467

Source: PSX, Akseer Research

Financial Estimates (PKR mn)	1QFY26	1QFY27E	YoY
Sales	61,738	76,559	24%
Cost of goods sold	51,197	66,097	29%
Gross profit	10,541	10,462	-1%
Distribution expenses	697	766	10%
Administrative expenses	855	953	11%
Operating Profit	8,989	8,696	-3%
Other Income	2,900	3,213	11%
Financial charges	50	222	344%
Other Charges	769	1,138	47%
Profit before tax	11,071	10,596	-4%
Taxation	4,352	3,921	-10%
Profit after tax	6,719	6,679	-1%
EPS	85	85	-1%
DPS	51	50	

Source: Company Accounts, Akseer Research

Key Financial Ratios						
EPS (PKR)	123	192	293	325	359	409
EPS Growth	-39%	56%	53%	11%	10%	14%
DPS (PKR)	72	115	176	195	216	246
BVPS	764	855	979	1,105	1,249	1,412
PER	14.4	9.2	6.1	5.5	4.9	4.3
Dividend Yield	4.1%	6.5%	9.9%	11.0%	12.2%	13.9%
ROE	16%	22%	30%	29%	29%	29%

Source: Company Accounts, Akseer Research

Valuation Basis

We maintain our 'BUY' recommendation on INDU, with June'27 target price of PKR 2,894/share. Our TP implies a total return of 74%, comprising a 63% price upside and a dividend yield of 11%.

Our target price (TP) is derived using the Discounted Cash Flow (DCF) methodology. Following a 50bps increase in the policy rate and a rise in long-term PIB yields to 12.7%, we have revised our risk-free rate assumption to 13% from 12%. We have maintained a beta of 0.9x and a market risk premium of 6.0%, resulting in a cost of equity of 19% and a terminal growth rate of 3%.

Investment Thesis

Our investment case on INDU is based on (1) dividend leader: market leading yield backed by strong cash flows, (2) trading below history and peers: re-rating potential ahead, (3) PKR depreciation turns local sourcing into a competitive edge.

Risks

Key downside risks to our investment thesis include (1) intensifying competition, with 20+ new entrants led by Chinese OEMs (BYD, MG, Changan) and the broader NEV push pressuring Toyota's volumes and market share, (2) a slowdown in auto demand should interest rates reverse higher or the economic recovery stall, given the sensitivity of car sales to financing costs and real incomes, (3) PKR depreciation raising imported CKD kit costs and compressing gross margins, where intensifying competition may limit INDU's ability to pass the increase on through price hikes and, (4) adverse regulatory or taxation changes including vehicle sales tax, customs duty on CKD kits, and provincial levies such as the Sindh Infrastructure Development Cess (SIDC) that could raise costs or dampen demand.

Company Description

Indus Motor Company Limited (INDU) is a leading automobile manufacturer in Pakistan, operating under a technical collaboration with Toyota Motor Corporation (TMC) of Japan and part of the House of Habib. The company assembles and distributes Toyota vehicles through a nationwide dealer network from its plant at Port Qasim, Karachi, with a portfolio spanning the Corolla, Yaris, Fortuner, Hilux, and the locally assembled Corolla Cross (available in conventional and hybrid variants). INDU rolled out Pakistan's first 'Make in Pakistan' Toyota hybrid (Corolla Cross HEV) with localization of ~50%, positioning it well as buyers shift toward fuel-efficient options amid elevated petrol prices. Backed by a cash-rich balance sheet that generates meaningful non-operating income and sustains a market-leading dividend payout, the company retained over 20% market share in FY26, with total sales rising 34% YoY to 44,646 units on the demand recovery even as competition from over 20 new entrants, led by Chinese OEMs, intensifies. Its strong brand equity, integrated supply chain, and ongoing localization efforts keep it a key player in Pakistan's auto sector.

Financial Highlights - INDU

Income Statement (PKR mn)	FY23A	FY24A	FY25A	FY26A	FY27E	FY28F
Sales	177,711	152,481	215,137	258,755	313,501	362,483
Cost of goods sold	169,779	133,099	183,941	222,459	268,432	311,337
Gross profit	7,931	19,382	31,195	36,296	45,069	51,146
Distribution expenses	1,691	5,542	2,264	1,054	3,135	3,625
Administrative expenses	2,281	2,643	3,601	4,303	4,734	5,207
Other operating expenses	520	178	244	484	601	682
Operating Profit	3,439	11,019	25,086	30,454	36,599	41,632
WPPF & WWF	680	1,178	2,102	3,132	3,795	4,388
Other Income	14,179	13,656	14,950	15,873	12,851	14,503
Financial charges	141	170	264	370	855	759
Profit before tax	16,797	23,327	37,670	42,825	44,801	50,988
Taxation	7,133	8,255	14,661	17,319	16,576	18,866
Profit after tax	9,664	15,072	23,009	25,506	28,225	32,122

Source: Company Accounts, Akseer Research

Balance sheet (PKR mn)	FY23A	FY24A	FY25A	FY26A	FY27E	FY28F
PPE	24,375	23,481	20,423	18,123	21,115	23,511
Other LT assets	209	2,919	3,113	2,337	2,810	3,273
Non-current assets	24,584	26,400	23,536	20,460	23,925	26,784
Current assets	98,180	119,420	161,238	158,433	182,209	207,552
Total assets	122,764	145,820	184,774	178,893	206,133	234,337
Non-current liabilities	554	213	181	3,548	2,701	1,755
Current liabilities	62,141	78,380	107,641	88,450	105,273	121,602
Total liabilities	62,694	78,593	107,822	91,998	107,974	123,358
Equity	60,070	67,226	76,953	86,896	98,159	110,979
Total equity & liabilities	122,764	145,820	184,774	178,893	206,133	234,337

Source: Company Accounts, Akseer Research

Cashflow statement (PKR mn)	FY23A	FY24A	FY25A	FY26A	FY27E	FY28F
Net income	9,664	15,072	23,009	25,506	28,225	32,122
Non-cash charges	(98,853)	34,285	32,140	(22,530)	10,560	10,864
Operating cash flows	(89,189)	49,357	55,149	2,976	38,785	42,986
FCFF	(102,264)	44,393	51,979	(482)	32,642	37,182
Net borrowings	(320)	(40)	(40)	(40)	(40)	(40)
FCFE	(102,584)	44,353	51,939	(522)	32,602	37,142
Closing cash	6,263	7,240	5,398	8,737	11,255	14,536

Source: Company Accounts, Akseer Research

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To arrive at our 12-months Price Target, the JV uses different valuation methods which include: 1). DCF methodology, 2). Relative valuation methodology, and 3). Asset-based valuation methodology.

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JV employs a three-tier ratings system to rate a stock, as mentioned below, which is based upon the level of expected return for a specific stock. The rating is based on the following with time horizon of 12-months.

Rating	Expected Total Return
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Hold	Between -5% and +15%
Sell	Less than or equal to -5%

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