

Laiba Arshad Ali

laiba.arshad@akseerresearch.com

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INDU: 3QFY26 EPS expected to clock in at PKR 80, down by 5% YoY, DPS PKR 49

Indus Motor Company Limited

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

- INDU is expected to announce its 3QFY26 results, where we expect the company to report an EPS of PKR 80, down 5% YoY. This will take 9MFY26 EPS to PKR 241, up 15% YoY. The company is also expected to announce an interim cash dividend of PKR 49/share.
- INDU is expected to post a net revenue of PKR 69.8bn in 3QFY26, up 15% YoY, supported by higher volumes driven by increase in auto-financing led demand amid lower interest rates. The company's reported sales volumes jumped 54% YoY and 19% QoQ in 3QFY26.
- Gross profit is expected to increase by 5% YoY in 3QFY26, while gross margins are projected at 15%, reflecting higher cost of goods sold due to elevated input costs.
- We maintain our 'BUY' recommendation on the stock based on our Dec'26 revised target price (TP) of PKR 2,959/share (Previous: PKR 3,049). The slight downward revision in our TP reflects tweaks to our volume assumptions to account for the changes in competitive landscape due to recent product launches. INDU is trading at FY26 PER of 6.4x and a dividend yield of 9%.

Key Data

PSX Ticker	INDU
Target Price (PKR)	2,959
Current Price (PKR)	2,020
Upside/(Downside) (%)	46%
Dividend Yield (%)	9%
Total Return (%)	55%
12-month High (PKR)	2,430
12-month Low (PKR)	1,685
Outstanding Shares (mn)	78.6
Market Cap (PKR mn)	158,772

Source: PSX, Akseer Research

Financial Estimates (PKR mn)	3QFY25	3QFY26E	YoY	9MFY25	9MFY26E	YoY
Sales	60,653	69,806	15%	145,532	189,002	30%
Cost of goods sold	50,385	59,074	17%	123,572	160,179	30%
Gross profit	10,268	10,732	5%	21,960	28,824	31%
Distribution expenses	577	612	6%	1,468	1,812	23%
Administrative expenses	851	862	1%	2,322	2,796	20%
Other operating expenses	96	145	51%	250	328	31%
Operating Profit	8,744	9,114	4%	17,920	23,888	33%
WPPF & WWF	667	986	48%	1,493	2,309	55%
Other Income	2,791	2,959	6%	10,974	11,176	2%
Financial charges	73	86	18%	173	218	26%
Profit before tax	10,796	11,001	2%	27,228	32,538	20%
Taxation	4,199	4,730	13%	10,675	13,566	27%
Profit after tax	6,597	6,270	-5%	16,553	18,972	15%
EPS	84	80	-5%	211	241	15%
DPS	50	49		126	146	

Source: Company Accounts, Akseer Research

Key Financial Ratios	FY23A	FY24A	FY25A	FY26E	FY27F	FY28F
EPS (PKR)	123	191.8	292.7	313.9	319.4	333.0
EPS Growth	-39%	56%	53%	7%	2%	4%
DPS (PKR)	72	114.7	176.0	189.7	209.0	234.6
BVPS	764	855	979	1,100	1,210	1,309
PER	16.43	10.5	6.90	6.44	6.3	6.1
Dividend Yield	4%	6%	9%	9%	10%	12%
ROE	17%	24%	32%	30%	28%	26%

Source: Company Accounts, Akseer Research

Valuation Basis

We maintain our 'BUY' recommendation on INDU, with a revised Dec'26 target price of PKR 2,959/share (Previous: PKR 3,049). The modest downward revision reflects adjustments to our volume assumptions, incorporating changes in the competitive landscape following recent product launches. The stock offers an implied capital upside of 46%, along with an attractive dividend yield of 9%.

Our TP has been computed using the Discounted Cash Flow (DCF) framework, with a risk-free rate of 10.5%, beta of 0.62x, and a market risk premium of 6.0%, arriving at a cost of equity of 14.8%.

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 from new entrants, particularly Chinese OEMs, alongside existing players, which could compress market share and margins, (2) a slower-than-expected recovery in auto financing volumes should inflation remain sticky or the SBP reverse its easing stance, (3) duty hikes on CKD imports under an adverse regulatory shift that could squeeze gross margins, and (4) any meaningful PKR depreciation that drives up the landed cost of imported CKD components.

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. The company assembles and distributes Toyota vehicles through a nationwide dealer network. Its portfolio includes models such as Corolla, Yaris, Fortuner, Hilux, and the locally assembled Corolla Cross. INDU maintains a strong balance sheet, supported by a sizeable cash and investment portfolio that generates meaningful non-operating income and sustains consistent dividend payouts. Backed by strong brand equity, an integrated supply chain, and ongoing localization efforts, it remains a key player in Pakistan's auto sector.

Financial Highlights - INDU

Income Statement (PKR mn)	FY23A	FY24A	FY25A	FY26E	FY27F	FY28F
Sales	177,711	152,481	215,137	250,906	262,305	274,767
Cost of goods sold	169,779	133,099	183,941	212,758	223,425	234,146
Gross profit	7,932	19,382	31,196	38,148	38,880	40,621
Distribution expenses	1,691	5,542	2,264	2,354	2,464	2,581
Administrative expenses	2,281	2,643	3,601	4,092	4,296	4,511
Other operating expenses	520	178	244	454	524	548
Operating Profit	3,440	11,019	25,087	31,249	31,595	32,981
WPPF & WWF	680	1,178	2,102	2,898	2,528	2,638
Other Income	14,179	13,656	14,949	13,821	12,379	12,866
Financial charges	141	170	264	291	286	298
Profit before tax	16,798	23,327	37,671	41,881	41,161	42,910
Taxation	7,133	8,255	14,661	17,210	16,053	16,735
Profit after tax	9,665	15,072	23,010	24,671	25,108	26,175

Source: Company Accounts, Akseer Research

Balance sheet (PKR mn)	FY23A	FY24A	FY25A	FY26E	FY27F	FY28F
PPE	24,375	23,481	20,423	19,474	26,003	31,122
Other LT assets	209	2,919	3,113	2,533	2,533	2,533
Non-current assets	24,584	26,400	23,536	22,007	28,536	33,656
Current assets	98,180	119,420	161,238	156,056	169,610	176,493
Total assets	122,764	145,820	184,774	178,063	198,146	210,148
Non-current liabilities	554	213	181	159	159	159
Current liabilities	62,141	78,380	107,641	91,463	102,869	107,134
Total liabilities	62,694	78,593	107,822	91,622	103,028	107,293
Equity	60,070	67,226	76,953	86,441	95,118	102,855
Total equity & liabilities	122,764	145,820	184,774	178,063	198,146	210,148

Source: Company Accounts, Akseer Research

Cashflow statement (PKR mn)	FY23A	FY24A	FY25A	FY26E	FY27E	FY28E
Net income	9,665	15,072	23,010	24,671	25,108	26,175
Non-cash charges	(102,616)	28,371	25,922	27,462	9,952	2,018
Operating cash flows	89,188	49,356	55,150	3,016	42,196	36,129
FCFF	102,286	44,337	51,990	1,842	28,531	23,073
Net borrowings	320	40	40	20	-	-
FCFE	102,606	44,297	51,950	1,862	28,531	23,073
Closing cash	109,705	44,009	45,548	11,932	19,555	24,190

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
Buy	Greater than or equal to +15%
Hold	Between -5% and +15%
Sell	Less than or equal to -5%

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Contact Details



Akseer Research (Pvt) Limited
1st Floor, Shaheen Chambers, KCHS block 7 & 8,
off. Shahrah-e-Faisal
T: +92-21-34320359 -60
E: info@akseerresearch.com



Alpha Capital (Pvt) Limited
3rd Floor, Shaheen Chambers, A-4 Central Commercial Area,
KCH Society, Block 7 & 8, Near Virtual University, Karachi
T: +92-21-38694242
E: info@alphacapital.com.pk



www.jamapunji.pk