Result Preview | Pakistan Research

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INDU: FY26 EPS expected at PKR 333; 4Q at PKR 85.7, DPS at PKR 51

Indus Motor Company Limited

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

- INDU is expected to announce its FY26 results, where we expect the company to report an EPS of PKR 85.7 in 4QFY26, up 4% YoY. This will take FY26 EPS to PKR 332.5, up 14% YoY. The company is also expected to announce a final cash dividend of PKR 51/share taking full year payout to PKR199/share.
- FY26 net sales are estimated to grow 22% YoY to PKR 262bn, driven by 34% YoY growth in volumes on the back of broad-based recovery in auto demand led by economic stabilization and lower interest rates for auto financing. FY26 Gross profit will likely rise 28% YoY, with gross margin steady at 15% as higher volume enabled wider fixed cost absorption and offset price pressures from competitors' new model launches. PAT is estimated at PKR 26.1bn, up 14% YoY, even as other income will likely fall 9% YoY.
- In 4QFY26, the company sold 11,333 units, down 4% YoY and 11% QoQ, with Toyota passenger cars (Corolla, Corolla Cross, Yaris) at 8,786 units and IMV/SUVs (Fortuner, Hilux) at 2,547 units. Net sales for 4QFY26 are expected to clock in at PKR 70.4bn, up 1% YoY. Profit After Tax (PAT) is expected to clock in at PKR 6.7bn in 4QFY26, up 4% YoY, as a 24% YoY rise in operating profit to PKR 8.9bn was largely offset by a 34% YoY decline in other income to PKR 2.6bn, reflecting lower yields on the company's sizeable cash and investment portfolio amid monetary easing.
- We maintain our 'BUY' recommendation on the stock based on our Jun-27 target price (TP) of PKR 3,024/share, which provides an upside of 57% along with a dividend yield of 10%. INDU is trading at an FY26 PER of 5.8x.

Key Data	
PSX Ticker	INDU
Target Price (PKR)	3,024
Current Price (PKR)	1,930
Upside/(Downside) (%)	57%
Dividend Yield (%)	10%
Total Return (%)	67%
12-month High (PKR)	2,430
12-month Low (PKR)	1,695
Outstanding Shares (mn)	78.6
Market Cap (PKR mn)	151,698

Source: PSX, Akseer Research

Financial Estimates (PKR mn)	4QFY25	4QFY26E	YoY	FY25	FY26E	YoY
Sales	69,605	70,448	1%	215,137	262,426	22%
Cost of goods sold	60,369	59,780	-1%	183,941	222,356	21%
Gross profit	**9,236**	**10,668**	**16%**	**31,196**	**40,070**	**28%**
Distribution expenses	796	463	-42%	2,264	2,142	-5%
Administrative expenses	1,279	1,296	1%	3,601	4,173	16%
Operating Profit	**7,161**	**8,909**	**24%**	**25,331**	**33,755**	**33%**
Other Income	3,975	2,642	-34%	14,949	13,669	-9%
Financial charges	91	48	-47%	264	233	-12%
Other Charges	602	809	34%	2,346	3,364	43%
Profit before tax	**10,443**	**10,694**	**2%**	**37,671**	**43,828**	**16%**
Taxation	3,986	3,957	-1%	14,661	17,692	21%
Profit after tax	**6,457**	**6,737**	**4%**	**23,010**	**26,136**	**14%**
EPS	82	86	4%	293	333	14%
DPS	50	51		176	199	

Source: Company Accounts, Akseer Research

Key Financial Ratios	FY23A	FY24A	FY25A	FY26E	FY27F	FY28F
EPS (PKR)	123	192	293	333	374	413
EPS Growth	-39%	56%	53%	14%	12%	11%
DPS (PKR)	72	115	176	199	243	270
BVPS	764	855	979	1,113	1,244	1,368
PER	15.78	10.1	6.6	5.8	5.2	4.7
Dividend Yield	4%	6%	9%	10%	13%	14%
ROE	17%	24%	32%	32%	32%	32%

Source: Company Accounts, Akseer Research

Valuation Basis

We have rolled forward our TP for INDU to June'27 with target of PKR 3,024/Share and maintain a 'BUY' recommendation. At current levels, our TP implies a total return of 67%, comprising a 57% price upside and a dividend yield of 10%.

Our TP has been computed using the Discounted Cash Flow (DCF) framework, with key assumptions including a risk-free rate of 11.5%, a beta of 0.62x, and an equity risk premium of 6.0%, yielding a cost of equity of 15.3% and a terminal growth rate of 2.5%.

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 include (1) intensifying competition from 20+ new entrants, particularly Chinese OEMs, alongside lower import duties, pressuring market share, pricing, and margins, (2) a slower recovery in auto-financing demand if inflation remains sticky or monetary easing reverses, (3) adverse regulatory or tax changes, including further duty rationalization and NEV levies, (4) PKR depreciation increasing CKD component costs, and (5) no GST reduction on HEVs, which could weaken affordability and slow HEV adoption.

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	FY26E	FY27F	FY28F
Sales	177,711	152,481	215,137	262,426	282,096	295,528
Cost of goods sold	169,779	133,099	183,941	222,356	236,561	247,116
Gross profit	**7,932**	**19,382**	**31,196**	**40,070**	**45,535**	**48,413**
Distribution expenses	1,691	5,542	2,264	2,142	1854	2453
Administrative expenses	2,281	2,643	3,601	4,173	4228	4,439
Other operating expenses	520	178	244	398	446	474
Operating Profit	**3,440**	**11,019**	**25,087**	**33,357**	**39,007**	**41,047**
WPPF & WWF	680	1,178	2,102	2,965	3121	3,284
Other Income	14,179	13,656	14,949	13,669	10,989	13,673
Financial charges	141	170	264	232	211	271
Profit before tax	**16,798**	**23,327**	**37,671**	**43,828**	**46,664**	**51,165**
Taxation	7,133	8,255	14,661	17,692	17,266	18,931
Profit after tax	**9,665**	**15,072**	**23,010**	**26,136**	**29,398**	**32,234**

Source: Company Accounts, Akseer Research

Balance sheet (PKR mn)	FY23A	FY24A	FY25A	FY26E	FY27F	FY28F
PPE	24,375	23,481	20,423	21,705	23,606	27,883
Other LT assets	209	2,919	3,113	2,448	2,448	2,448
Non-current assets	24,584	26,400	23,536	24,153	26,053	30,330
Current assets	98,180	119,420	161,238	148,230	158,244	179,521
Total assets	**122,764**	**145,820**	**184,774**	**172,383**	**184,297**	**209,852**
Non-current liabilities	554	213	181	153	153	153
Current liabilities	62,141	78,380	107,641	84,737	86,362	102,239
Total liabilities	62,694	78,593	107,822	84,891	86,516	102,393
Equity	60,070	67,226	76,953	87,492	97,781	107,459
Total equity & liabilities	**122,764**	**145,820**	**184,774**	**172,383**	**184,297**	**209,852**

Source: Company Accounts, Akseer Research

Cashflow statement (PKR mn)	FY23A	FY24A	FY25A	FY26E	FY27F	FY28F
Net income	9,665	15,072	23,010	26,136	29,398	32,234
Non-cash charges	102,616	28,371	25,922	26,466	7,665	9,790
Operating cash flows	**89,188**	**49,356**	**55,150**	**5,308**	**37,289**	**49,939**
FCFF	102,286	44,337	51,990	1,612	28,445	37,747
Net borrowings	320	40	40	30	-	-
FCFE	102,606	44,297	51,950	1,642	28,445	37,747
Closing cash	**109,705**	**44,009**	**45,548**	**12,666**	**4,627**	**19,811**

Source: Company Accounts, Akseer Research

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Valuation Methodology

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.

Ratings Criteria

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%

Ratings are updated to account for any development impacting the economy/sector/company, changes in analysts' assumptions or a combination of these factors.

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