



HINOPAK MOTORS LIMITED

CORPORATE BRIEFING SESSION

YEAR ENDED MARCH 31, 2019

Date: October 02, 2019



COMPANY OVERVIEW



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- ❖ Hinopak Motors Limited is incorporated in Pakistan in 1985 as a Public limited company and is listed on the Pakistan Stock Exchange.
- ❖ The Company is primarily engaged in the assembly, progressive manufacturing and sale of Hino buses and trucks. Company's product range comprises of Light, Medium and Heavy Commercial Vehicles. Company's plant and production site has the capacity of producing 6,000 chassis and 1,800 bodies.
- ❖ The majority shareholding of the Company is held by Hino Motors Limited Japan and Toyota Tsusho Corporation Japan (Aggregate 89%) since 1998.
- ❖ The Company offers total of 14 models of vehicles which includes 2 LCV models, 4 MCV models, 4 HCV models and 4 models of buses.
- ❖ In the last five years, Hinopak has consecutively achieved record sales volume and profitability.



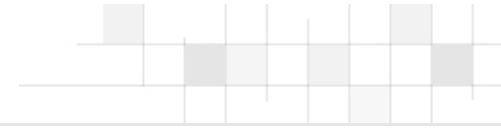
DEVELOPMENTS DURING THE YEAR



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- ❖ During the financial year, elections were held and new government was formed.
- ❖ The significant rupee devaluation against USD from Rs. 115.4 in March 2018 to Rs. 140.70 in March 2019 (currently Rs. 157.60) has resulted in drastic increase in cost of production.
- ❖ The regulatory changes during the year including the restriction imposed by Government on purchase of vehicles by non-filers (lately withdrawn by the end of March 2019) adversely effected the sales volume of overall auto industry.
- ❖ Rise in interest rates from around 6% in March 2018 to 10% in March 2019 (currently around 13%) decreased the purchasing power of the customers.
- ❖ Inflation rate almost touched the double figures i.e. 9.4% in March 2019 (currently more than 11%) which impacted the purchasing power of the customers.
- ❖ Reduction in Government spending on construction related projects including CPEC also resulted in reduced sales volumes in the commercial vehicle industry from **10,217 units in March 2018 to 8,810 units in March 2019 (approx. 14% reduction)**.
- ❖ Today's financial volatility in Pakistan, combined with greater political and economic uncertainty has undoubtedly effected customers' attitudes and behavior.

Like any other Company, Hinopak also faced the impact of above economic and regulatory changes which has declined the Company's sales volume and profitability.

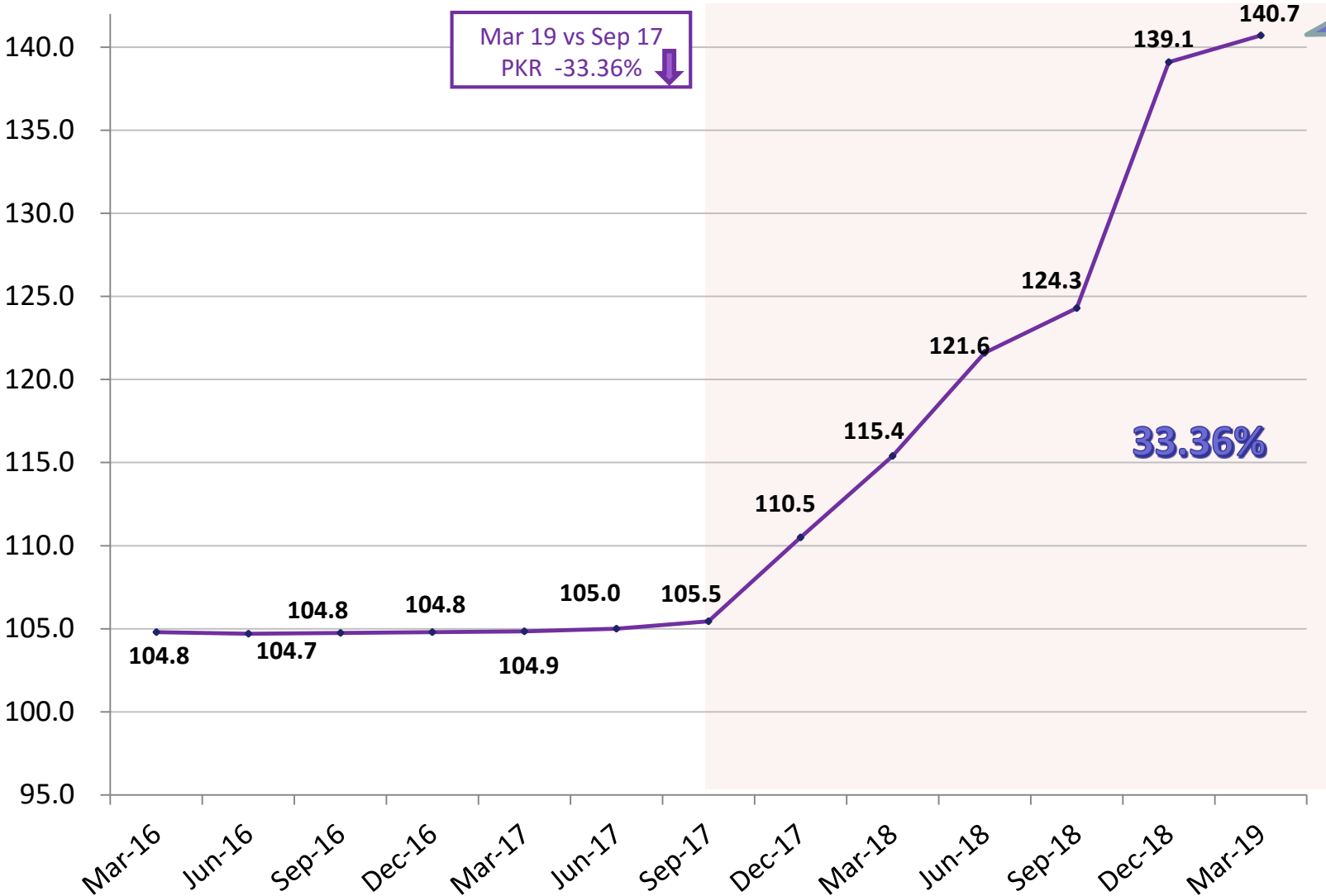


FOREIGN EXCHANGE ANALYSIS

Foreign Exchange Spot Rate



USD / PKR PARITY



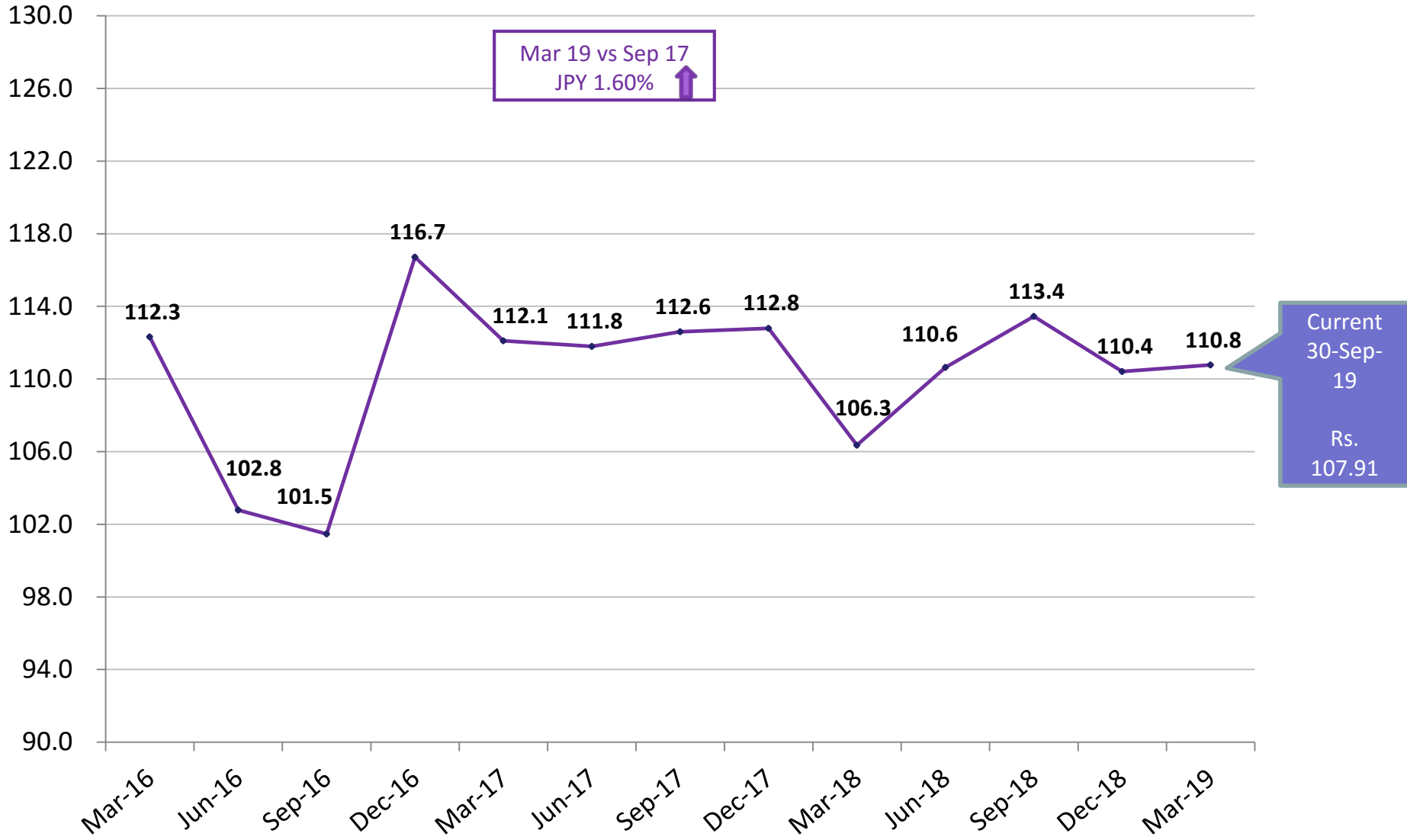
Current
30-Sep-
19

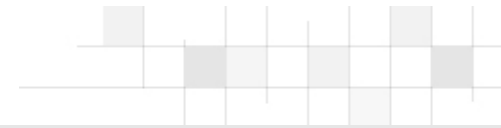
Rs.
156.70

Foreign Exchange Spot Rate



USD / JPY PARITY





FINANCIAL HIGHLIGHTS



FINANCIAL HIGHLIGHTS – Profit & Loss A/C

Particulars	2017-18	2018-19
Units	4310	2850
	Rs. in '000	
Turnover	26,615,071	19,130,839
Gross Profit	3,034,440	1,113,314
Distribution cost & Administrative expenses	(860,732)	(757,959)
Other Income - net	174,842	146,268
Operating Profit	2,348,550	501,623
Finance Income / (Cost)	(679,002)	(1,021,797)
Profit / (loss) before tax	1,669,548	(520,174)
Corporate Tax	(520,173)	(353,123)
Profit / (loss) after tax	1,149,375	(873,297)



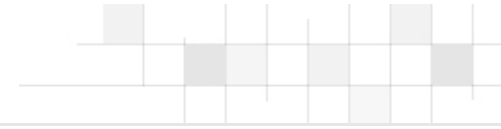
FINANCIAL HIGHLIGHTS

- ❖ The decrease in current year's sales volume mainly attributed to reduction in the overall market demand as well as reduction in sales of Medium trucks which are mainly used for construction activities.
- ❖ The sales revenue for the year ended March 2019 decreased to Rs. 19.13 billion from Rs. 26.62 billion in last year mainly due to decrease in sales volume.
- ❖ Gross profit margin decreased from 11.4% in 2017-18 to 5.8% in 2018-19 mainly due to cost increase on account of exchange rate.
- ❖ Finance cost for the year ended 2018-19 increased to Rs. 1,022 million against Rs. 679 million in the last year. The current year's finance cost predominantly comprises of exchange loss approx. amounting to Rs. 816 million and borrowing cost of Rs. 187.5 million on short term borrowings.
- ❖ Due to loss for the year, Company falls in the turnover / minimum tax regime i.e. 1.25% of the turnover.
- ❖ Loss per share was Rs. 70.42 for the year ended March 31, 2019 as compared to earnings per share of Rs. 92.69 in the year 2017-18.



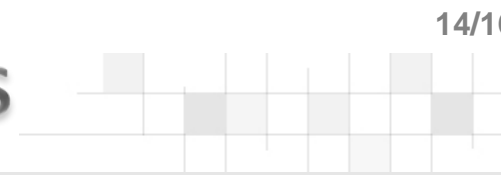
FINANCIAL HIGHLIGHTS – Balance Sheet

Particulars	2017-18	2018-19
	Rs. in '000	
Non-Current Assets	3,138,662	3,185,487
Current Assets	11,330,872	11,105,189
Total Assets	14,469,534	14,290,676
Equity	5,292,099	3,560,412
Long-Term Liabilities	291,813	298,314
Current Liabilities	8,885,622	10,431,950
Total Equity & Liabilities	14,469,534	14,290,676



FUTURE OUTLOOK & CHALLENGES

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- ❖ A lot will depend on PKR / Dollar parity and improvement in macroeconomic factors of the country. Any further devaluation of rupee will increase the cost of production.
 - ❖ Increasing trade deficit, rising inflation and interest rates may effect the commercial vehicle sales volume.
 - ❖ Government spending in the infrastructure projects in current fiscal year may increase the overall size of the commercial vehicle industry.
 - ❖ Increase Competition in the market due to new entrants may also impact sales volumes.
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- ❖ The company is taking various measures to cope up with the situation including Control of production overheads and other cost cutting measures to manage expenses.
 - ❖ The size of the commercial vehicle market has already been reduced by around 50% as compared to corresponding period, therefore acquisition of the sales volume is important for the Company. Any price increase will be made considering the absorption and its impact on the sales volume.

It is important to note that the sales volume of commercial vehicle industry is linked with overall economy of the country. Therefore, once the macro economic factors are improved and the impact of price increase is fully materialized the management expect the Company to be back on the positive track.

DISCLAIMER

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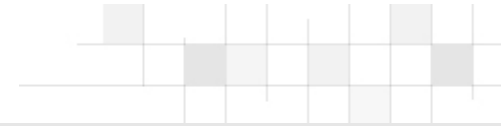
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