

## Loads Limited.... Robotics!

We initiate our coverage of LOADS. Our thrust for coverage is due to their upcoming expansion for which company launched IPO.

- ❖ LOADS bringing robots in the overall automation
- ❖ The company's expansion will help it keeping pace with the demand from OEMs, and also considering the fact that there could be new upcoming car manufacturers in following years

### Model assumptions...capacity driven play

We expect sales to rise in FY17 in the wake of effervescent capacity. LOADS produce Exhaust Systems, radiators & also sheet metal component, wherein now we expect further increase in capacity mostly in FY18. We see good impact of Exhaust System sales (silencers, mufflers etc.) even in FY17, which contributes 63%-64% of total sales and hence the most part aspect.

The company is in excellent liquidity position and won't be needing any additional loans. In this regard, we do not expect financial charges to rise.

We expect LOADS to report Rs 4.4bn in FY17 and to Rs 6bn in FY18.

### ....other investments

We have assumed 'other income' to increase considering good dividend income from Tri-pack Films (TRIPF) small holdings.

Nonetheless increase in bottom line is mainly due to increased sales and decreasing cost. The re-measurement of investment loss is due to mark-to-market policy for TREET *Participation Term Certificate* (PTC); we assume the price of PTCs will remain under pressure. Although, LOADS is earning interest on these PTCs, also it will be converted into ordinary shares after 7 years.

The group have two fully owned subsidiaries namely Specialised Autoparts Industries and Multiple Autoparts Industries, located at Post Qasim.

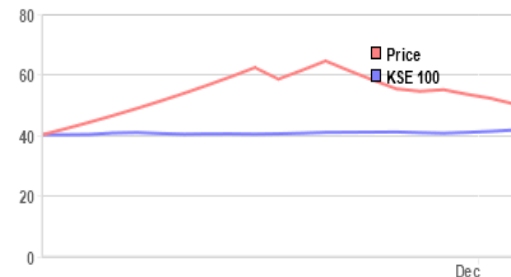
### IPO Premise...

Earlier LOADS targeted to raise PKR 750mn funds from the IPO, out of which 550mn are to be used in expansion while remaining 200mn were planned to be used as working capital. Although, given highly successful IPO, the company raised a whopping Rs1,700mn (given working of 50mn shares allotted at a certain price and a strike price of Rs34).

### Expansion...

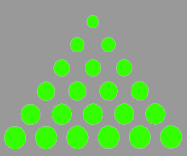
LOADS expansion does not only include increasing capacity but modernisation of the plants. The modernisation project includes usage of robotics and other

LOADS @ **54.12**  
52 Week Low **38.50**  
52 Week High **67.75**  
Annual EPS FY16 **2.4**



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highly automated machines, which will result in efficiency and reduction in human errors, as per their reports.

The expansion will result in 83% increase in Exhaust Systems, 52% increase in Radiators and 110% increase capacity of Sheet Metal Components. Taking into considerations these expansions, our model demonstrates an increase in top line by 49% during FY18.

Some of the expansions will come live in FY17, although, the complete benefits will be derived in FY18. We believe the expansion and modernisation will reduce the costs notably.

### Automobile boom....

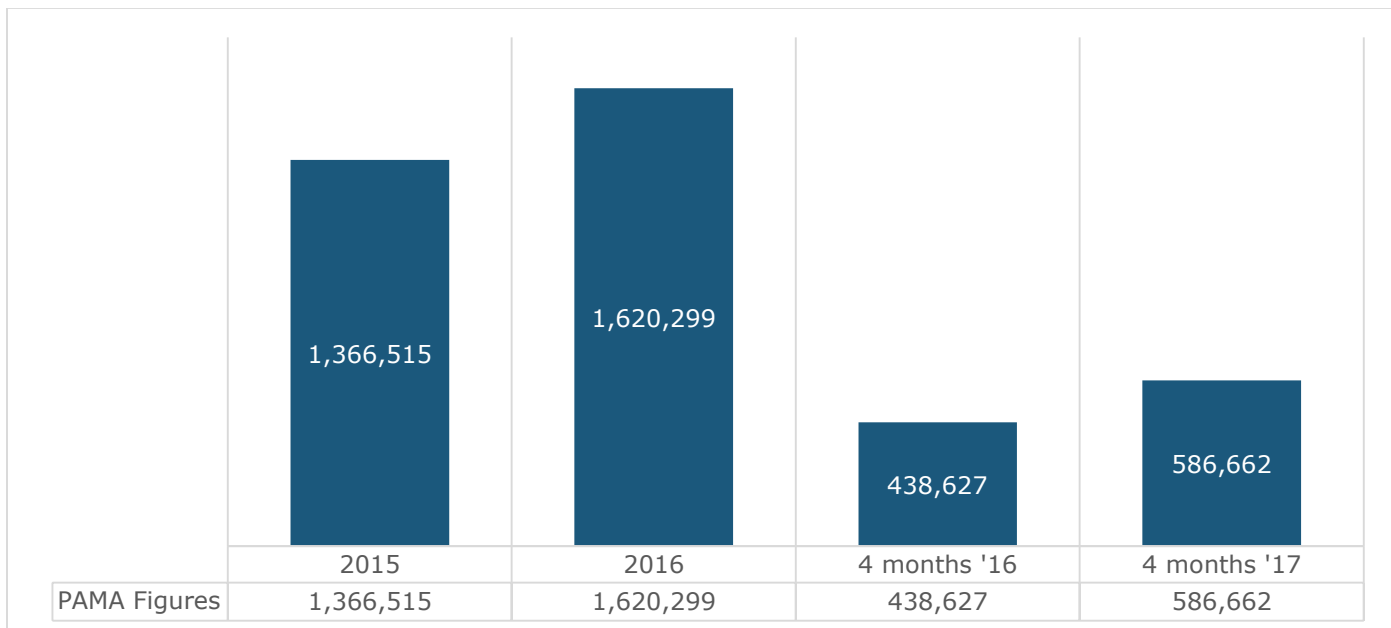
There has been a continuous rise in the demand of the automobile. The demand in 2016 rose by 18.57%. We expect demand to rise by a faster pace in FY17, considering incremental jump in GDP. Pakistan averages 18 vehicles per 1,000 people which are significantly lower.

LOADS is direct beneficiary for this rise, as it holds majority of market share for exhaust systems, radiators and sheet metals components. The customers of LOADS include Pak Suzuki, Indus Motor, Honda Atlas, Hinopak, Master motors, Millat tractors, Ghandhara Nissan and Yamaha motor etc., comprising of all most all the major players in the industry. The company have benefited from government initiatives of Apna Rozgar and Tractor Scheme.

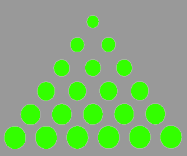
### 'Loads' of money...

With a massive money raised in the IPO, the management has not yet revealed the planned usage of the money. The company can earn up to 190mn per annum. We have not incorporated this in our model.

### Automobile production figures...



Source: SCS Research



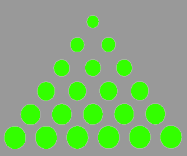
## Government Initiatives...

Current automobile players plan to introduce new variants in the future. The new auto policy by the government has started to bear fruit. International players like Renault plans to start production in Pakistan. Chinese also plan to enter automobile production and according to the company books, LOADS is already in negotiations with them.

LOADS estimated P&L	FY15	FY16	FY17E	FY18E
<b>Turnover</b>	3,332,572,072	4,035,658,287	4,441,509,827	6,008,197,777
Cost of sales	<u>2,838,082,094</u>	<u>3,467,862,743</u>	<u>3,642,038,058</u>	<u>4,866,640,199</u>
<b>GP</b>	<b>494,489,978</b>	<b>567,795,544</b>	<b>799,471,769</b>	<b>1,141,557,578</b>
Admin & selling expenses	<u>134,281,088</u>	<u>146,052,992</u>	<u>142,128,314</u>	<u>186,254,131</u>
<b>EBIT</b>	360,208,890	421,742,552	657,343,454	955,303,446
Other expenses	25,415,248	19311386	21,253,462	28,750,359
Other income	<u>46,405,838</u>	<u>17383213</u>	<u>18,625,921</u>	<u>19,034,097</u>
	20,990,590	-1,928,173	-2,627,542	-9,716,262
	381,199,480	419,814,379	654,715,913	945,587,184
Financial charges	85,524,995	105,927,482	111,037,746	126,172,153
Unrealised (loss)	15,944,655	(66,123,817)	-	-
Share of profit (associate)	10,784,220	12,563,481	13,826,945	15,217,471
<b>PBT</b>	<b>322,403,360</b>	<b>260,326,561</b>	<b>557,505,112</b>	<b>834,632,501</b>
Taxation	111,349,963	79612308	172,826,585	250,389,750
<b>PAT</b>	<b>211,053,397</b>	<b>180,714,253</b>	<b>384,678,527</b>	<b>584,242,751</b>
<b>EPS</b>	<b>2.81</b>	<b>2.41</b>	<b>3.85</b>	<b>4.67</b>

Source: Standard Capital Research

\*Rupees



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