

Foundation Alert

LOADS: Analyst Briefing Takeaways

Event

- Loads Limited (LOADS PA) held its analyst briefing today to discuss its FY22 financial results and outlook. Following are the key takeaways of the briefing.

Impact

- LOADS consolidated revenue clocked in at Rs7.8bn, up by 65% YoY, during FY22 on the back of 53% YoY increase in OEM sales. However, company reported loss of Rs86mn on consolidated basis in FY22 due to (1) imposition of 10% super tax and (2) decline in share of profit from associated undertaking, Treet Corporation Limited, which went from a profit of Rs26mn in FY21 to a loss of Rs8mn in FY22.
- Management disclosed that revenue increase was experienced across all segments with 53/108/54% YoY increase in revenue contribution from exhaust systems/sheet metal components/radiators. Shares of these segments in total sales is 59/28/12%.
- In the exhaust systems segment which grew by 53% YoY, sales from 3 major customers (Suzuki/Honda/Toyota) grew by 71/36/26% YoY.
- The radiator segment witnessed growth of 54% reflecting growth in sales of pickups and vans of Suzuki by 48% and 51% respectively.
- Sheet metal components segment saw growth of 108% YoY mainly due to increase in overall volumes of all the customers.
- Customer-wise breakdown of company's sales is Suzuki (49%), Indus (22%), Honda (14%), after market (8%), Millat (1%), Yamaha (2%) and others (4%).
- Gross margins clocked in at 12% in FY22 compared to 11% in FY21. Company mentioned that margins increased despite higher electricity prices, elevated inflation and steep depreciation of Rs-US\$ exchange rate evidencing the management's ability to pass on higher costs to clients.
- Management shared that they believe the auto sector would witness a quick recovery when SBP removes restrictions on import of CKD kits which was imposed in July 2022 amid paucity of FX reserves of the country.
- Management foresees very high demand for automobiles in next 3 years.
- To support the auto sector, company wants the Gov't to (1) remove import restrictions on CKD kits and raw materials, (2) reduce the policy rate, (3) withdraw the reduced duty on import of used tractors and (4) improve investment climate and restore economic stability.

Outlook

- The company is not under our formal coverage. We expect LOADS profitability to struggle in near term amid (1) imposition of import restrictions by Gov't and (2) dampening of car demand due to elevated interest rates, high car prices and rupee depreciation.

Fig 1 - Loads Limited (Consolidated) Financial Highlights

Rs in mn	1QFY23	1QFY22	YoY	QoQ	FY22	FY21	YoY
Revenue - net	1,334	1,673	-20%	-35%	7,792	4,717	65%
Cost of revenue	1,222	1,462	-16%	-34%	6,845	4,218	62%
Gross profit	112	210	-47%	-44%	947	499	90%
Administrative expenses	81	69	18%	6%	307	244	26%
Other expenses	18	6	177%	63%	46	38	22%
Other income	6	48	-87%	283%	85	49	72%
Operating profit	20	183	-89%	-83%	679	266	155%
Financial charges	210	124	69%	53%	493	340	45%
Share of profit I (loss) in associates-net	(4)	11	na	na	(30)	164	na
PBT	(194)	71	na	na	156	90	73%
Taxation	68	34	102%	-33%	242	94	158%
PAT	(262)	37	na	na	(86)	(4)	na
PAT attributable to owners	(216)	50			1	58	
EPS @251mn Sh	(0.86)	0.20			0.00	0.23	
Gross Margin	8%	13%			12%	11%	
Net Margin	-509%	4510%			-9034%	-132618%	

Source: Company Accounts, PSX, Foundation Research, November 2022

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About the company

The principal activity of the Loads Limited is to manufacture and sale of radiators, exhaust systems and other components for automotive industry. Loads Limited was incorporated in Pakistan on January 01, 1979 as a private limited company. On December 19, 1993, the Company was converted to public unlisted company and subsequently on November 01, 2016, the shares of the Company were listed on the Pakistan Stock Exchange (PSX). The plant of the company is situated in Korangi Industrial Area and Port Qasim in Karachi.

Subsidiaries:

1. Specialized Autoparts Industries (Private) Limited - 91% ownership
Manufacture and sell components for the automotive industry.
2. Multiple Autoparts Industries (Private) Limited - 92% ownership
Manufacture and sell components for the automotive industry.
3. Specialized Motorcycles (Private) Limited - 100% ownership
Acquire, deal in, purchase, import, sales, supply and export motorcycles and auto parts. The operations have been ceased from 1 July 2015.
4. Hi-Tech Alloy Wheels Limited - 80% ownership
It will manufacture alloy wheels of various specifications and sell them to local car assemblers. Commercial production has not yet started.

Auditors: KPMG Taseer Hadi & Co Chartered Accountants

Fig 2: LOADS Key Personnel

Key Personnel	Name	Designation
Board of Directors	Syed Shahid Ali Shah	Chairman
	Mr. Munir K. Bana	Chief Executive
	Syed Sheharyar Ali	Non-Executive Director
	Mr. Muhammad Mohtashim Aftab	Non-Executive Director
	Mr. Shamim A. Siddiqui	Executive Director
	Mr. M. Z. Moin Mohajir	Independent Director
	Mrs. Rozina Muzammil	Independent Director
Management	Mr. Munir K. Bana	Chief Executive
	Syed Mehdi Hasnain	Chief Operating Officer
	Mr. Shamim A. Siddiqui	Chief Financial Officer
	Mr. Babar Saleem	Company Secretary

Source: Company Accounts, Foundation Research, November 2022

Categories of Shareholders	Shares Held (mn)	Percentage
Syed Shahid Ali Shah	94.7	37.67
Mr. Munir K. Bana	5.8	2.32
Associated Companies, undertakings and related parties	34.0	13.54
Banks, DFI, NBFC	3.1	1.22
Others	25.9	10.31
General Public	87.8	34.93
Total	251.3	100.00

Source: Company report, Foundation Research, November 2022

Important disclosures:

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Recommendations definitions

If	
Expected return >+10%	Outperform.
Expected return from -10% to +10%	Neutral.
Expected return <-10%	Underperform.