



# IPO Note on Runner Automobiles Limited

IPO Size: 139 mn

Public Offer Price: BDT 67

DSE Ticker: RUNNERAUTO

Sector: Engineering

9.75 million shares are tradable on debut trading day

## IPO Summary

IPO Size (BDT mn)	1,000
IPO Size (Shares in mn)	14
Cut-Off Price Per Share (BDT)	75
Public Offer Price Per Share (BDT)	67
Authorized Capital (BDT mn)	2000
Pre-IPO Paid up Capital (BDT mn)	942
Post IPO Paid up Capital (BDT mn)	1081
Year End	June
Revenue Size in 2017-18 (BDT mn)	,9961
Net Profit in 2017-18 (BDT mn)	592
Total Assets (BDT mn)	15,352
Retained Earnings (BDT mn)	2201
Ann. Post-IPO EPS (as per Q3 FY19)	4.16
Post-IPO NAV per Share (Q3, FY19)	66.95
Issue Date of Prospectus	Jan 06,2019
Issue Managers:	IDLC Investment Limited
Registrar to the Issue:	LankaBangla Investments Ltd

Source: BASL Research and Company Prospectus

## IPO utilization Plan

Particulars	BDT (mn)	As (%)
Design, Development and R&D	147,000,000	14.70%
Machinery for New Models	100,000,000	10.00%
Die & Mould for New Models	205,000,000	20.50%
Development of Existing 80cc/100cc	18,000,000	1.80%
Workshop & QC Machinery	160,000,000	16.00%
Repayment of Bank Loan	330,000,000	33.00%
IPO Expenses	40,000,000	4.00%
<b>Total</b>	<b>1,000,000,000</b>	<b>100.00%</b>

Source: BASL Research and Company Prospectus

## IPO Shareholding Composition

Category	(%)	No. of Stocks
Eligible Investors (EIs)	MF & EI (10%)	1,393,035
	Other EIs (50%)	6,965,174
	NRBs (10%)	1,393,035
General Public	Gen. Public (30%)	4,179,104
<b>Total</b>		<b>13,930,348</b>

Source: BASL Research and Company Prospectus

## Company Overview

**Runner Automobiles Limited (RAL)** is the flagship company of Runner Group which is renowned in Bangladesh as a pioneering domestic manufacturer, assembler and seller of 2 Wheelers and scooters. Initially the company established as a proprietorship business named M/S Runner, later it was incorporated as Runner Automobiles Limited on July 4, 2000. The principal product of the Company is 2 Wheeler & 3 Wheeler. The company two subsidiaries- **Runner motors limited** which is engaged in importing and distributing of Commercial Vehicles like trucks and pickups and **it holds 61.67% of RAL** and another one is **Freedom Motors Limited** which deals with manufacturing and assembling of all kinds of automobiles or mechanicals products manually or automatically and marketing the product to all over the Bangladesh. It has also been appointed as a distributor of BAJAJ Autos Ltd. Of India for famous BAJAJ RE Brand of 3 Wheeler in Bangladesh. The company sells its products through dealers and company owned company operated stores, as well as directly to corporates through tenders and online. The company also export its product in Nepal and also received Import permission for importing the raw materials to manufacture motorcycles from 165cc to 500 cc specifically to export in international market.

## Corporate Profile

Incorporation	July 04, 2000
Commercial Operation	July 04,2000

### Chairman

Hafizur Rahman Khan is the Chairman of Runner Automobiles Limited who is one of the most experienced industrialists in the automobiles sector. He won 'President's Award for Industrial Development' as recognition to his contributions to the national economy in industrial sector in 2018. Hafizur Rahman Khan has also been selected as Commercially Important Person (CIP) for the period 2013-2014.

### Managing Director

Mukesh Sharma is the Managing Director and Chief Executive Officer of Runner Automobiles Limited. He has strong engineering and marketing background with over 23 years of experience including over 20 years in the automobiles industry specially with world class 2 Wheelers manufacturers like Hero MotoCorp Ltd. (formerly Hero Honda Motors Ltd.

Factory Location	Bhaluka, Mymensingh
Subsidiary/Associate :	Runner Motors Limited & Freedom Motors Limited

## Product and Services

The Company has different kinds of 2 Wheelers namely Cheeta, F 100-6A, DY 50, Bullet, Royal+, Knight Rider, Turbo, Turbo 125, AD 80S, AD 80S Deluxe, Freedom, Kite, Kite+ in its product portfolio.

## Revenue Composition

Product & Services	Revenue Contribution
2 wheeler	91.80%
3 Wheeler	8.2%

Source: BASL Research and Company Prospectus

## Capacity Utilization

### Current Capacity

Product	Capacity (pcs)	2014-15	2015-16	2016-17
	Installed	1000	1000	1000
2 & 3 Wheeler	Utilization	29550	18867	31741
	Utilization (%)	29.55	18.87	31.74

### Projected Capacity

	Installed	1000	1000	1000
2 & 3 Wheeler	Utilization	36000	48000	62000
	Utilization (%)	36.00	48.00	62.00

Source: BASL Research and Company Prospectus

## Shareholding of Sponsor & Directors (Pre-IPO)

Name of Directors and Sponsors	% held	No. of Shares
Hafijur Rahman Khan	10.90%	10,272,000
Md. Mozammel Hossain	7.06%	6,648,000
Brummer Frontier PE II (Mauritius) Limited	28.62%	26,956,521
Islami Bank Bangladesh Limited	5.80%	5,462,000
<b>Total</b>	<b>52.37%</b>	<b>49,338,521</b>

Source: BASL Research and Company Prospectus

## Lock-In Free Shares & period

Type	Lock-in Shares	Lock-in Free Date
Directors/Sponsors	54,106,521	May 21, 2022
Private Placement Holders	40,096,400	May 21, 2020
Institutions (Post-IPO)	4,179,104	May 21, 2019
	2,089,552	Nov 21, 2019
	2,089,552	Feb 21, 2020
Public (Post-IPO)	5,572,139	May 21, 2019
<b>Total</b>	<b>108,133,269</b>	

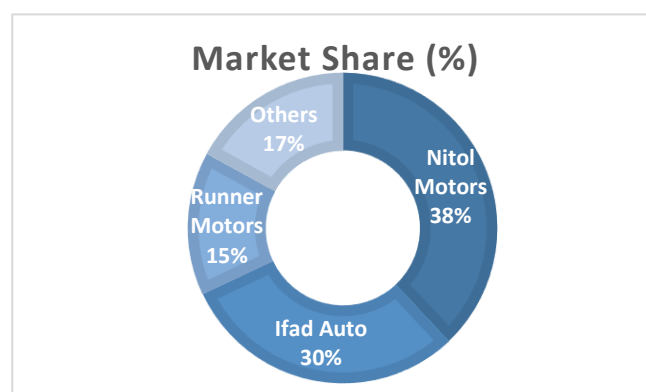
Source: BASL Research and Company Prospectus

\* Issue of prospectus date is on January 06, 2019.

## Industry Insights

Automobile Bangladesh's growing automobile market, fuelled by consistent economic growth and rising purchasing power, is drawing in automakers from around the globe, especially the Asian ones who seek to dominate the passenger car segment.

According to Bangladesh Road Transport Authority (BRTA), around 9,224 vehicles were sold in 2012 whereas it was 18,227 units in 2018, meaning there has been 98 percent growth in the past six years. Automobile industry in Bangladesh is largely dominated by imported motorcycle mostly from China, India and Taiwan. Bangladesh's dependence on imported trucks, buses, cars and auto-rickshaws needs to be reduced in the interest of its economy. The problem here is with the raw materials. Imported iron ore or steel will not be very economical, so far as manufacture of automobiles is concerned. But collaborative ventures with foreign companies which want to shift their plants elsewhere for economic and other reasons may be highly feasible.



Source: BASL Research and Industry Insides

Recently few entrepreneurs emerged with the collaboration foreign companies like Hero, Yamaha, Honda etc. Many big companies like Tata Motors have come forward with investment initiatives. Tata Motors, in partnership with Bangladesh-based Nitol Motors, launched its Prima range of heavy commercial vehicles (CVs) in Bangladesh. The industry is very concentrated in Bangladesh as few major players dominate the market e.g Nitol Motors, Ifad autos, Bajaj autos, Runner Autos etc. At present, the market leader is Nitol Motors Limited, the largest distributor of TATA Motors in Bangladesh, holding 38% market share. IFAD Autos Limited has held second position capturing 30% market share. Runner Motors Limited has also 15% market share serving as an authorized distributor of Eicher Truck.

## Financial Highlights (BDT mn)

Financials	FY15	FY16	FY17	FY18
Sales	667	769	880	1,323
Operating Profit	351	364	393	592
Profit After Tax	11,264	12,499	13,800	15,352
Assets	3,537	3,590	4,191	4,564
Short Term Debt	1,661	1,935	2,364	2,154
Long Term Debt	5,022	5,714	6,086	6,557
Equity	667	769	880	1,323
Dividend (C/B) %	-	-	-	-
<b>Margin Ratio (%)</b>				
Gross Profit	24%	26%	25%	26%
Operating Profit	15%	15%	14%	13%
Pretax Profit	10%	10%	9%	8%
Net Profit	8%	7%	6%	6%
<b>Growth (%)</b>				
Sales	-11%	14%	26%	53%
Gross Profit	-11%	25%	23%	56%
Operating Profit	1%	15%	14%	50%
Net Profit	-1%	18%	5%	51%
<b>Profitability (%)</b>				
ROA	7%	6%	6%	6%
ROE	3%	3%	3%	2%
<b>Debt Ratio</b>				
Debt Ratio	46%	44%	48%	44%
Debt-Equity	103%	97%	108%	102%
Int. Coverage	1.4	1.2	1.0	1.2
<b>Valuation</b>				
Rstd. EPS(BDT)	3.25	3.36	3.64	5.48
Post-IPO NAVPS	46.4	52.8	56.3	60.6

Source: BASL Research and Company Prospectus

## Investment Rationale

- The company's profit margin has been on the increasing trend in the latest year which indicates their increasing efficiency. Gross profit margin has revolved around 56% along with a topline growth of 55% sales growth, in the latest year.
- RAL plans to utilize the major portion of its IPO proceeds in expansionary project for development of new models of motorcycles in the range of 110 CC to 150 CC as well as development of existing 80 CC to 100 CC. The Company has already signed an agreement for production of high range product with UM International LLC, USA for local and international market. Presently RAL is sourcing its products design from single supplier for specific models from PRC and India. By implementing this project, the Company will be able to improve excellence for producing different components at its own plant which will reduce the risk of single supplier also help to reduce cost of material.
- Debt ratio and Debt to ratio of the company is decreasing in the latest year. In 2017-18 debt ratio of the company stood at 44% while it was 48% in the

previous year. Moreover, the company is also able to maintain a stable growth in ROE for the last three years.

- BDT 330mn from IPO proceeds will be used to repay the long term loan to optimize the capital structure. The impact on the bottom line from loan repayment will be slightly positive and it will decrease the debt ratio further.

## Risk Factors

- The operating profit and net profit for last three years is cyclical in nature. Return on equity and asset is lower than industry average.
- Though the company is highly experienced renowned in the automobile industry but there are some strong brand and market leader in the local industry. So, the risk of substitute product is high. Currently the company is facing intense competition from Indian as well as international brands. Moreover more than 20% of the revenue comes from subsidiary company so the business of the company may get affected if the business of sister concerns decline.
- Cost of goods sold of the company has increased by 52% in 2018 whereas it was 27% in 2017 because the company imports more than 35% raw materials from China. It also imports from USA and India.
- Any kind of change in economic recession, and entrance of new technology, changes in government monetary & industrial policy, increasing competition, power supply disruption and political unrest may affect the business of the Company.

## Valuation

### Stock Pricing

Relative Valuation	Multiple	Fair Value
Industry Forward P/E	16.6	69.1
Peer Forward P/E	17.0	70.8
Price to Book Value	1.3	90.2
Market Forward P/E	13.9	57.8
Latest Post-IPO NAV (Q3,2018-19)		66.95
Last One-year avg. Price of Peer Companies		72.61
<b>Pricing Sensitivity at Different PE</b>		<b>Value</b>
Stock at 15x PE		62
Stock at 20x PE		83
Stock at 25x PE		104
Stock at 30x PE		125
Stock at 35x PE		146
Stock at 40x PE		166

Source: BASL Research and Dhaka Stock Exchange Ltd

Note: AFTABAUTO and IFADAUTOS are considered as peer companies of RAL.

**As per relative valuation, the fair value of RUNNERAUTO ranges from 57.8 to 90.2. And the last twelve months average price of peer companies is 72.61.**

## Statement of Profit or Loss and Other Comprehensive Income

Financials	FY15	FY16	FY17	FY18
<b>Revenue</b>	4,538,909,499	5,164,999,397	6,494,673,830	9,961,786,530
<b>Cost of goods sold</b>	3,465,312,105	3,824,348,503	4,845,959,645	7,383,976,694
Gross profit	<b>1,073,597,394</b>	<b>1,340,650,894</b>	<b>1,648,714,185</b>	<b>2,577,809,836</b>
<b>Operating expenses</b>	<b>406,685,909</b>	<b>571,484,217</b>	<b>768,686,382</b>	<b>1,255,230,886</b>
Administrative Expenses	120,585,133	144,543,686	184,898,660	254,676,016
Selling and Distribution Expenses	286,100,776	426,940,531	583,787,722	1,000,554,870
<b>Operating Profit</b>	<b>666,911,485</b>	<b>769,166,677</b>	<b>880,027,803</b>	<b>1,322,578,950</b>
<b>Financial Expenses</b>	253,358,834	291,219,500	385,425,765	510,413,094
Non Operating Income	0	0	0	0
Other Income	60,321,880	80,406,964	93,926,826	75,496,187
Profit Before Contribution to WPPF & Welfare Fund	473,874,531	558,354,141	588,528,864	887,662,043
Provision for workers' profit participation and welfare funds	22,606,590	26,616,775	29,579,022	43,852,664
<b>Net Profit Before Tax &amp; Share of Profit from Associates</b>	<b>451,267,941</b>	<b>531,737,366</b>	<b>558,949,842</b>	<b>843,809,379</b>
Share of Profit from associates		1,481,823	1,632,840	1,637,554
<b>Net Profit Before Tax</b>	<b>451,267,941</b>	<b>533,219,189</b>	<b>560,582,682</b>	<b>845,446,933</b>
Income tax expenses	99,895,686	169,448,017	167,092,993	253,169,103
Current Tax	101,256,089	178,312,979	155,727,429	235,315,855
Deferred Tax	-1,360,403	-8,864,962	11,365,564	17,853,248
<b>Net Profit after Tax</b>	<b>351,372,255</b>	<b>363,771,172</b>	<b>393,489,689</b>	<b>592,277,830</b>
Restated Post IPO Earnings Per Share (EPS)	<b>3.25</b>	<b>3.36</b>	<b>3.64</b>	<b>5.48</b>

Source: BASL Research and Company Prospectus

## Statement of Financial Position

Financials	FY14	FY15	FY16	FY17
<b>Non-Current Assets</b>	<b>5,271,016,305</b>	<b>6,679,160,053</b>	<b>6,790,301,276</b>	<b>7,781,057,791</b>
Property, Plant & Equipment	3,932,091,886	3,938,438,710	4,020,040,263	4,028,932,794
Intangible assets	-	-	1,100,000	660,073
Capital Work-In-Progress	102,174,659	199,941,872	152,732,456	544,193,090
Investment	9,506,500	58,101,823	59,734,663	53,752,216
Trade receivable-non current	1,227,243,260	2,482,677,648	2,556,693,894	3,153,519,618
<b>Current Assets</b>	<b>5,992,957,678</b>	<b>5,820,020,692</b>	<b>7,010,100,123</b>	<b>7,571,292,782</b>
Inventories	1,159,308,653	1,097,045,455	1,279,606,414	1,809,393,474
Trade and Other Receivables	2,896,985,146	2,413,690,676	2,941,160,370	3,415,113,909
Short term Investment	811,047,364	999,921,119	1,007,391,022	951,406,172
Accounts Receivable	-	0	0	-
Advances, Deposits & Prepayments	856,823,794	985,928,197	1,145,247,290	933,943,497
Investment	-	-	-	-
Related party receivables	95,097,113	106,374,373	115,527,371	29,682,271
other Receivables	61,149,973	107,378,822	79,136,968	81,439,698
Cash & Cash Equivalents	112,545,635	109,682,050	442,030,688	350,313,761
<b>Total Assets</b>	<b>11,263,973,983</b>	<b>12,499,180,745</b>	<b>13,800,401,399</b>	<b>15,352,350,573</b>
<b>Shareholders' Equity</b>	<b>5,021,948,979</b>	<b>5,713,570,697</b>	<b>6,086,360,386</b>	<b>6,556,991,877</b>
Share Capital	652,173,910	942,029,210	942,029,210	942,029,210
Share Premium	916,208,705	1,169,832,705	1,169,832,705	1,169,832,705
Other Comprehensive Income	-	-	-	-
General Reserve	-	-	-	-
Revaluation reserve	1,299,028,055	1,297,972,923	1,296,026,303	1,294,195,084
Retained Earnings	1,495,874,440	1,533,764,173	1,839,030,512	2,201,637,986
Non-Controlling Interest	658,663,869	769,971,686	839,441,656	949,296,892
<b>Non-Current Liabilities</b>	<b>1,765,638,798</b>	<b>2,027,991,581</b>	<b>2,467,363,672</b>	<b>2,274,433,181</b>
longTerm loan net of current maturity	1,660,919,867	1,934,841,034	2,364,097,436	2,154,154,036
Share Money deposit	3,953,297	1,249,875	-	-
Finance Lease net off current portion	-	-	-	1,834,735
Deffered Tax Liability	100,765,634	91,900,672	103,266,236	118,444,410
<b>Current Liabilities</b>	<b>4,476,386,208</b>	<b>4,757,618,468</b>	<b>5,246,677,342</b>	<b>6,520,925,515</b>
Accounts Payable and Other Payables	61,309,171	153,976,698	266,548,089	878,160,405
Accrued Expense	-	-	-	-
Current portion of finance lease obligation	639,068	1,825,980	731,746	1,904,628
Current portion of long term loan	1,723,978,576	1,014,631,447	1,221,764,343	508,087,497
Short term loan	1,812,642,866	2,575,417,542	2,969,580,926	4,056,087,374
Liabilities for Expenses	311,239,349	340,409,935	422,607,598	710,913,034
Related party payables	-	-	0	-
Provision for tax Liabilities	511,544,847	589,707,760	254,216,512	321,919,912
Provisions for WPPF & Welfare fund/employee benefit	55,032,331	81,649,106	111,228,128	43,852,665
Total Liabilities	6,242,025,006	6,785,610,049	7,714,041,014	8,795,358,696
<b>Total Shareholders' Equity &amp; Liabilities:</b>	<b>11,263,973,983</b>	<b>12,499,180,746</b>	<b>13,800,401,400</b>	<b>15,352,350,573</b>

Source: BASL Research and Company Prospectus



# IPO Note on Runner Automobiles Limited

## Disclaimer

This document has been prepared by Bank Asia Securities Ltd (BASL) based on publicly available data for information purpose only and does not solicit any action based on the material contained herein and should not be construed as an offer or solicitation to buy or sell or subscribe to any security. Neither BASL nor any of its directors, shareholders, member of the management or employee represents or warrants expressly or impliedly that the information or data of the sources used in the documents are genuine, accurate, complete, authentic and correct. However, all reasonable care has been taken to ensure the accuracy of the contents of this document. BASL or Research & Development Department will not take any responsibility for any decisions made based on the information herein. As this document has been made for the Traders of BASL and strongly prohibited for circulation to any clients, investors or any other persons from outside of BASL.

## About Bank Asia Securities (BASL)

Bank Asia Securities Limited (BASL) is one of the leading full-service brokerage companies in Bangladesh. The company was formed in 2009 and running its operation as a majority owned subsidiary of Bank Asia Limited. BASL offers full-fledged standard brokerage services for retail, institutional and foreign clients with a dedicated team of skilled professionals. The company is currently providing the brokerage services under the membership of Dhaka Stock Exchange Limited (DSE).

## BASL Research Team

*Mr. Shariful Alam Chowdhury*  
Head of Research & Investments

*tushar@basl-bd.com, tusharbd@bloomberg.net*

*Mr. Shohidul Islam*  
Research Analyst

*shohidul@basl-bd.com, shohidulbd@bloomberg.net*

*Tanzin Naher*  
Research Associate

*tanzin.naher@basl-bd.com*

## BASL Networks

<b>Head Office</b> Hadi Mansion (7th Floor) 2, Dilkusha Commercial Area Dhaka-1000, Bangladesh Phone: +88-02-9515826-28 Fax: +88-02-9567884	<b>Modhumita Extension Office</b> 158-160 Modhumita Building (5th Floor) Motijheel C/A, Dhaka-1000 Phone: +88-01819118893	<b>Dhanmondi Branch</b> Meher Plaza (1st Floor), House # 13/A, Road # 05 Dhanmondi, Dhaka - 1207 Phone: +8802-8624874-5	<b>Mirpur Branch</b> Nishi Plaza, plot # 01, Avenue-04, Section-06, Block-C Mirpur, Dhaka - 1216 Phone: +88-02-9013841	<b>Uttara Branch</b> House # 79/A, (4th Floor), Road # 07, Sector # 04 Uttara Model Town, Dhaka-1230 Phone: +88-02-8958371
<b>Banani Branch</b> Nur Empori, Plot # 77 (1st Floor), Road No # 11, Banani, Dhaka-1213 Phone: +8801716180767	<b>Khulna Branch</b> 28, Sir Iqbal Road (1st Floor) Khulna Phone: +88-041-731208-9			

For International Trade & Sales, please contact at +8801993111666, +880 02 9515826, Ext:101 at Business hour.

For further query, write to us at [research@basl-bd.com](mailto:research@basl-bd.com).