


TRADING BUY (unchanged)

Thai Rung Union Car PCL (TRU)

Signs of recovery in 3Q15

CGR Scoring Rating 

Share price: THB3.92
Target price: THB5.50 (from 5.80)

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Stock Information

Description : Product design, research and development, Manufacture of dies and jigs, Manufacture of automotive parts and seats, Contract vehicle painting and assembly, vehicle modification

Ticker :	TRU
Shares Issued (m):	591
Market Cap (THBm)	2,316.12
Market Cap (USDm)	65.58
3-mth Avg. Daily Turnover (THBm)	0.84
SET index	1,384.29
Free float (%)	28.35

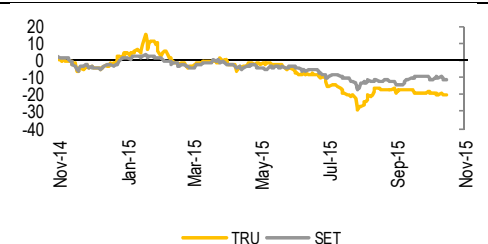
Major Shareholders :

	%
Phaoenchoke Family	71.10
CITIBANK NOMINEES SINGAPORE PTE LTD-S.A PBG CLIENTS SG	4.73

Key Indicators

ROE – annualised (%)	4.7
Net cash (THBm):	309
NTA/shr (THB):	5.4
Interest cover (x):	nm

Historic Chart



Performance

52-week High/Low	THB 6.00/THB 3.46				
	1-m	3-mth	6-mth	1-yr	YTD
Absolute (%)	-3.9	-1.5	-18.7	-20.0	-16.9
Relative (%)	-2.0	-0.1	-10.7	-9.7	-10.1

3Q15 earnings summary. TRU announced net profit recovered to THB46m in 3Q15, improving 69% QoQ and 6% YoY. Sales and service income was quite flat at THB503m (+4% QoQ, -11% YoY), growing at a slower pace than auto production, which was 496,829 units (+21% QoQ, +9% YoY). This was due to the phasing out of certain models and a fall in pick-up body assembly and painting work as a project came to an end, as well as lower orders from heavy machinery manufacturers and a slowdown in the excavator market. The gross profit margin improved to 15.4% from 12.3% last quarter, thanks to increased Transformer and semi-bodykit Transformer sales, plus improved operational efficiency and lower production costs. However, the gross profit margin dropped from last year to 16.7%. SG&A expenses were well controlled at THB71m (+1% QoQ, -7% YoY). Other income shrank to THB20m (-12% QoQ, -32% YoY) but investment gain increased to THB22m (+46% QoQ, +519% YoY).

What's next? The FTI has revised down 2015 auto production from 2.05m units (+9% YoY) to 1.95-2m units (+4-6% YoY). TRU management has revised down its sales forecast in 2015 from +8-10% YoY to +5-6% YoY. This year, it has recently launch its strongest SUV, the TR Transformer Max (high ceiling), consisting of 5-11 seats. In the long term, it is setting up two new joint venture companies with Japanese partners to expand the cab assembly business for excavators, construction, and agricultural machinery and tractors. Also, for the assembly of truck bodies of all types, including ten-door vans, wing vans, dump-truck boxes, trailer dumpers and concrete mixer trucks, which will strengthen growth over the long run. We have revised down our earnings further. We estimate 2015 sales will slide to THB2.05b (-9% YoY) and profit will be THB148m (-3% YoY).

Recommendation. TRU has a strong financial position with net cash of THB255m on hand and remains debt-free while continuing to invest. The current share price has moved down to below the book value per share of THB5.4 to discount the negative Thai auto industry and earnings. We recommend a TRADING BUY with a TP of THB5.50 based on a 2015 booked value per share.

Risks. Slower auto industry growth and less purchasing power with lower auto parts prices.

TRU – Summary Earnings Table

FYE: Dec 31 (THB m)	2013	2014	2015F	2016F	2017F
Revenue	3,138	2,255	2,050	2,235	2,402
EBITDA	475	307	261	354	373
Recurring Net Profit	354	152	148	220	243
Net profit	354	152	148	220	243
EPS(THB)	0.60	0.26	0.25	0.37	0.41
EPS growth (%)	(47.0)	(56.9)	(2.6)	48.0	10.7
DPS (THB)	0.20	0.15	0.13	0.19	0.21

PER	6.5	15.2	15.6	10.5	9.5
EV/EBITDA (x)	4.3	6.6	7.8	5.6	5.1
Div Yield (%)	5.1	3.8	3.2	4.7	5.3
P/BV(x)	0.8	0.7	0.7	0.7	0.7

Net Gearing (%)	Net cash	Net cash	Net cash	Net cash	Net cash
ROE (%)	11.7	4.9	4.7	6.8	7.2
ROA (%)	9.4	4.2	4.0	5.8	6.1
Cons. Net Profit (THBm)	-	-	-	-	-

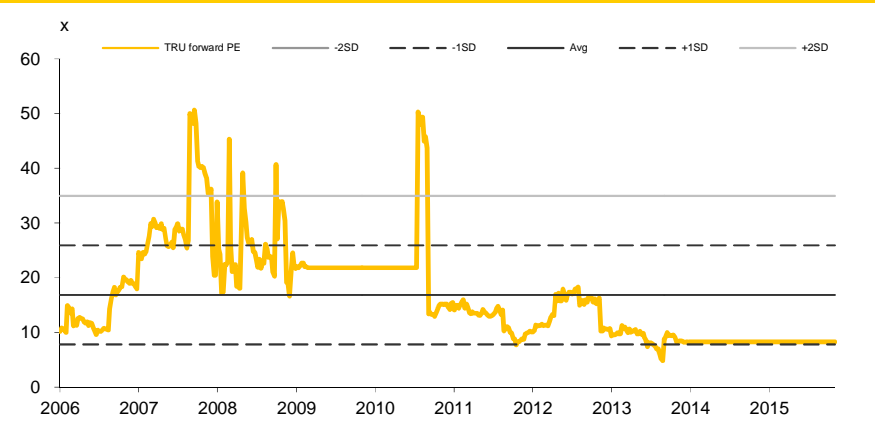
Source: Company reports and MBKET.

Figure 1 : Quarterly earnings (THBm)

	3Q15	2Q15	%QoQ	3Q14	%YoY	9M15	%YoY	9M/15F
Sales	503	486	4%	563	-11%	1,542	-7%	75%
Other Income	20	23	-12%	29	-32%	69	-34%	73%
COGS	381	388	-2%	427	-11%	1,210	-8%	76%
Depreciation & amortisation	45	38	18%	42	7%	126	5%	77%
Gross profit	78	60	30%	94	-18%	206	-11%	72%
Gross margin (%)	15.4%	12.3%	-	16.7%	-	13.4%	-	-
SG&A	71	70	1%	76	-7%	213	-4%	75%
SG&A/sales (%)	14.1%	14.5%	-	13.5%	-	14%	-	-
EBITDA	72	50	42%	90	-20%	188	-19%	72%
EBITDA margin (%)	14%	10%	-	16%	-	12%	-	-
Interest expenses	0	0	-9%	0	-53%	1	-46%	nm.
Equity income	22	15	46%	4	519%	51	162%	77%
Net profit	46	27	69%	44	6%	106	-8%	71%
EPS (THB)	0.08	0.05	69%	0.07	6%	0.18	-8%	71%

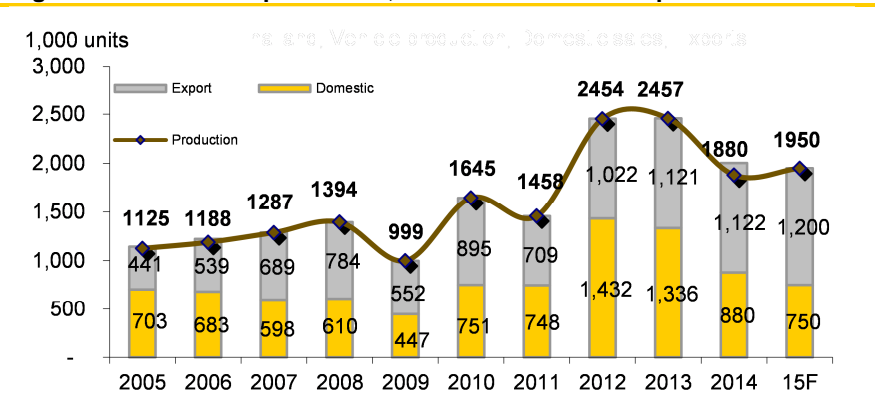
Source: Company reports and MBKET estimates.

Figure 2: TRU forward PER



Source: Bloomberg

Figure 3: Thai vehicle production, domestic sales and exports



Source: The Federation of Thai Industries / MBKET estimates.

Figure 4: Revised earning forecasts

	Revision		Original		%Chg	
	2015F	2016F	2015F	2016F	2015F	2016F
Sales (THBm)	2,050	2,235	2,255	2,458	-9%	-9%
Net Profit (THBm)	148	220	163	224	-9%	-2%
EPS (THB)	0.25	0.37	0.28	0.38	-9%	-2%

Source: Company reports and MBKET

INCOME STATEMENT (THBm)

FY December	2014	2015F	2016F	2017F
Revenue	2,255	2,050	2,235	2,402
EBITDA	307	261	354	373
Depreciation & Amortisation	163	164	165	165
Operating Profit (EBIT)	143	97	188	208
Interest (Exp) / Inc	1	0	0	0
Associates	35	66	72	79
One-offs	0	0	0	0
Pre-Tax Profit	177	162	261	288
Tax	18	7	34	37
Minority Interest	7	7	7	7
Net Profit	152	148	220	243
Recurring Net Profit	152	148	220	243
Revenue Growth %	(28.1)	(9.1)	9.0	7.5
EBITDA Growth (%)	(35.4)	(14.9)	35.5	5.6
EBIT Growth (%)	(60.6)	(32.7)	95.0	10.6
Net Profit Growth (%)	(56.9)	(2.6)	48.0	10.7
Recurring Net Profit Growth (%)	(56.9)	(2.6)	48.0	10.7
Tax Rate %	12.3	7.0	18.0	18.0

BALANCE SHEET (THBm)

FY December	2014	2015F	2016F	2017F
Fixed Assets	1,837	1,847	1,857	1,842
Other LT Assets	734	800	872	952
Cash / ST Investments	306	310	372	446
Other Current Assets	759	755	775	795
Total Assets	3,636	3,712	3,876	4,035
ST Debt	10	13	14	19
Other Current Liabilities	347	340	350	360
LT Debt	5	6	7	10
Other LT Liabilities	62	62	62	62
Minority Interest	105	112	119	126
Shareholders' Equity	3,107	3,179	3,324	3,458
Total Liabilities-Capital	3,636	3,712	3,876	4,035
Share Capital (m)	591	591	591	591
Gross Debt / (Cash)	16	19	21	29
Net Debt / (Cash)	(290)	(291)	(351)	(417)
Working Capital	412	415	425	435
BVPS	5.26	5.38	5.63	5.85

CASH FLOW (THBm)

FY December	2014	2015F	2016F	2017F
Profit before taxation	177	162	261	288
Depreciation	163	164	165	165
Net interest receipts / (payments)	1	0	0	0
Working capital change	(19)	(2)	(10)	(10)
Cash tax paid	(18)	(7)	(34)	(37)
Others (inc. exceptional items)	(140)	(72)	(79)	(86)
Cash flow from operations	165	245	303	319
Capex	(50)	(175)	(175)	(150)
Disposals / (purchases)	0	0	0	0
Others	(105)	0	0	0
Cash flow from investing	(155)	(175)	(175)	(150)
Debt raised / (repaid)	(7)	3	2	8
Equity raised / (repaid)	103	7	7	7
Dividends (paid)	(98)	(76)	(74)	(110)
Interest payments	1	0	0	0
Others	0	0	0	0
Cash flow from financing	(2)	(66)	(66)	(95)
Change in cash	8	5	62	75

RATES & RATIOS

FY December	2014	2015F	2016F	2017F
Gross margin %	12.0	13.9	15.1	15.1
EBITDA Margin %	12.7	12.2	15.0	14.7
Op. Profit Margin %	5.9	4.5	8.0	8.2
Net Profit Margin %	6.3	6.9	9.3	9.6
ROE %	4.9	4.7	6.8	7.2
ROA %	4.2	4.0	5.8	6.1
Net Margin Ex. EI %	6.3	6.9	9.3	9.6
Dividend Cover (x)	1.7	2.0	2.0	2.0
Interest Cover (x)	116.5	nm	nm	nm
Asset Turnover (x)	0.6	0.6	0.6	0.6
Asset / Debt (x)	8.6	8.8	9.0	8.9
Debtors Turn (days)	90.9	95.5	88.6	84.7
Creditors Turn (days)	74.4	78.3	72.7	69.1
Inventory Turn (days)	42.7	50.4	46.9	44.3
Net Gearing %	Net cash	Net cash	Net cash	Net cash
Debt / EBITDA (x)	0.1	0.1	0.1	0.1
Debt / Market Cap (x)	0.0	0.0	0.0	0.0

Source: Company reports and MBKET estimates.

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Adex = Advertising Expenditure	FCF = Free Cashflow	PE = Price Earnings
BV = Book Value	FV = Fair Value	PEG = PE Ratio To Growth
CAGR = Compounded Annual Growth Rate	FY = Financial Year	PER = PE Ratio
Capex = Capital Expenditure	FYE = Financial Year End	QoQ = Quarter-On-Quarter
CY = Calendar Year	MoM = Month-On-Month	ROA = Return On Asset
DCF = Discounted Cashflow	NAV = Net Asset Value	ROE = Return On Equity
DPS = Dividend Per Share	NTA = Net Tangible Asset	ROSF = Return On Shareholders' Funds
EBIT = Earnings Before Interest And Tax	P = Price	WACC = Weighted Average Cost Of Capital
EBITDA = EBIT, Depreciation And Amortisation	P.A. = Per Annum	YoY = Year-On-Year
EPS = Earnings Per Share	PAT = Profit After Tax	YTD = Year-To-Date
EV = Enterprise Value	PBT = Profit Before Tax	

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					Score Range	Number of Logo	Description	
ADVANC	GRAMMY	MCOT	RATCH	THCOM	90-100	▲▲▲▲▲	Excellent	
BAFS	HANA	MINT	ROBINS	TISCO	80-89	▲▲▲▲	Very Good	
BCP	HMPRO	MONO	SAMART	TKT	70-79	▲▲▲	Good	
BIGC	INTUCH	NKI	SAMTEL	TMB	60-69	▲▲	Satisfactory	
BTS	IRPC	PHOL	SAT	TOP	50-59	▲	Pass	
CK	IVL	PPS	SC	VGI	Lower than 50	No logo given	N/A	
CPN	KBANK	PS	SCB	WACOAL				
DRT	KCE	PSL	SCC					
DTAC	KKP	PTT	SE-ED					
DTC	KTB	PTTEP	SIM					
EASTW	LHBANK	PTTGC	SNC					
EGCO	LPN	QTC	SPALI					
AAV	BKI	DEMCO	LANNA	PAP	SCG	SVI	TK	TTCL
ACAP	BLA	ECF	LH	PDI	SEAFCO	SWC	TKS	TTW
AGE	BMCL	EE	LOXLEY	PE	SFP	SYMC	TMI	TU
AHC	BOL	ERW	LRH	PG	SIAM	SYNTEC	TMILL	TVD
AKP	BROOK	GBX	MACO	PJW	SINGER	TASCO	TMT	TVO
AMATA	BWG	GC	MBK	PM	SIS	TBSP	TNDT	TWFP
ANAN	CENDEL	GFPT	MC	PPP	SITHAI	TCAP	TNITY	TWS
AOT	CFRESH	GLOBAL	MEGA	PR	SMK	TF	TNL	UAC
APCS	CHO	GUNKUL	MFEC	PRANDA	SMPC	TGCI	TOG	UT
ARIP	CIMBT	HEMRAJ	NBC	PREB	SMT	THAI	TPC	UV
ASIMAR	CM	HOTPOT	NCH	PT	SNP	THANA	TPCORP	VNT
ASK	CNT	HYDRO	NINE	PTG	SPI	THANI	TRC	WAVE
ASP	COL	ICC	NSI	Q-CON	SSF	THIP	TRU	WINNER
BANPU	CPF	ICHI	NTV	QH	SSI	THRE	TRUE	YUASA
BAY	CPI	INET	OCC	RS	SSSC	THREL	TSC	ZMICO
BBL	CSL	IRC	OGC	S&J	SST	TICON	TSTE	
BDMS	DCC	KSL	OISHI	SABINA	STA	TIP	TSTH	
BECL	DELTA	KTC	OTO	SAMCO	STEC	TIPCO	TTA	
2S	BKD	FPI	KKC	MTLS	RCL	SUC	UPOIC	
AEC	BTNC	FSMART	KTIS	NC	RICHY	SUSCO	UREKA	
AEONTS	CBG	FSS	KWC	NOK	RML	SUTHA	UWC	
AF	CGD	FVC	KYE	NUSA	RPC	SYNEX	VIBHA	
AH	CHG	GCAP	L&E	NWR	S	TAE	VIH	
AIRA	CHOW	GENCO	LALIN	NYT	SALEE	TAKUNI	VPO	
AIT	CI	GL	LHK	OCEAN	SAPPE	TCC	WHA	
AJ	CITY	GLAND	LIT	PACE	SAWAD	TCCC	WIN	
AKR	CKP	GLOW	LIVE	PATO	SCCC	TCJ	XO	
AMANAH	CNS	GOLD	LST	PB	SCN	TEAM		
AMARIN	CPALL	GYT	M	PCA	SCP	TFD		
AP	CPL	HTC	MAJOR	PCSGH	SEAOIL	TFI		
APCO	CSC	HTECH	MAKRO	PDG	SIRI	TIC		
AQUA	CSP	IEC	MATCH	PF	SKR	TIW		
AS	CSS	IFEC	MATI	PICO	SMG	TLUXE		
ASIA	CTW	IFS	MBKET	PL	SOLAR	TMC		
AUCT	DNA	IHL	M-CHAI	PLANB	SORKON	TMD		
AYUD	EARTH	IRCP	MFC	PLAT	SPA	TOPP		
BA	EASON	ITD	MILL	PPM	SPC	TPCH		
BEAUTY	ECL	JSP	MJD	PRG	SPCG	TIPL		
BEC	EFORL	JTS	MK	PRIN	SPPT	TRT		
BFIT	ESSO	JUBILEE	MODERN	PSTC	SPVI	TSE		
BH	FE	KASET	MOONG	PTL	SRICHA	TSR		
BIG	FIRE	KBS	MPG	PYLON	SSC	UMI		
BJC	FOCUS	KCAR	MSC	QLT	STANLY	UP		
BJCHI	FORTH	KGI	MPI	RCI	STPI	UPF		

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