

Trading Buy (unchanged)

CGR Scoring Rating



Share price: Bt7.15
Target price: Bt8.00 (from 8.50)

Surachai Pramualcharoenkit

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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 (mn):	492
Market Cap (Btmn)	3,520
Market Cap (US\$ m)	108.68
3-mth Avg. Daily Turnover (Btmn)	1.83
SET index	3,360.50
Free float (%)	25.49

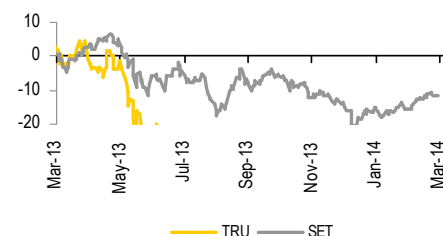
Major Shareholders :

	%
Phaoenchoke Family	72.15
CITIBANK NOMINEES SINGAPORE PTE LTD-S.A PBG CLIENTS SG	4.94

Key Indicators

ROE – annualised (%)	10.1
Net cash (Btmn):	328
NTA/shr (Bt):	6.6
Interest cover (x):	Nm

Historic Chart



Performance

52-week High/L w	Bt 13.70/Bt 5.90				
	1-mth	3-mth	6-mth	1-yrs	YTD
Absolute (%)	8.3	5.1	-7.7	-44.6	5.9
Relative (%)	5.6	3.8	-2.6	-37.7	1.1

Thai Rung Union Car PCL (TRU)

Weak 2014 with a brighter Long term outlook

Auto production in 2014 will likely contract -5% YoY to 2.33mn units, while TRU sales are projected to fall 10% YoY, pressuring the 2014 profit to drop to Bt321mn (-9% YoY). TRU has diversified risks with a plan to co-operate with a Japanese firm to produce truck bodies. Despite slower industry growth, the current valuation is still attractive and we reiterate a Trading Buy call at a TP of Bt8.00.

Auto output to contract 5% in 2014 with TRU sales shrinking 10%.

TRU management estimates 2014 auto production to decline 5% YoY to 2.3 units with political pressures and decreasing farm income. Management estimates TRU sales to fall 10% YoY. However, in 2015 they believe auto production will rise 7% YoY to 2.5mn units. The management guideline leads us to cut our sales and net profit projections further to Bt2.824bn down 10% YoY and to Bt321mn down 9% YoY (from Bt343mn).

To announce Japanese deal. TRU has almost reached a deal to produce truck bodies and equipment bodies with a Japanese company in order to diversify products and risks. Capex is expected at Bt500mn and construction should be complete this year before start up in 1Q15. Note that we have not priced in this project into our projection, as yet.

Diversified products. Recently, TRU announced a co-operation with Kyowa Sangyo Co. Ltd. (Japan) to establish Kyowa Thairung to produce auto parts and passenger cabins for industrial cars, including agricultural machines with a paid-up capital of Bt20mn (produced in TRU plants). TRU has also focused more on SPV TR Transformer trucks with a goal to produce 300 units per month (Bt1.395mn/unit).

Lower TP to Bt8, but maintain TRADING BUY. TRU has a strong financial position with no debt and Bt298mn in cash. TRU has announced a 2013 DPS of Bt0.20 and a stock dividend at a 5 : 1 ratio. We recommend a Trading Buy and a TP of Bt8.00, down from Bt8.50, based on a 2014 PER of 12x (peer average).

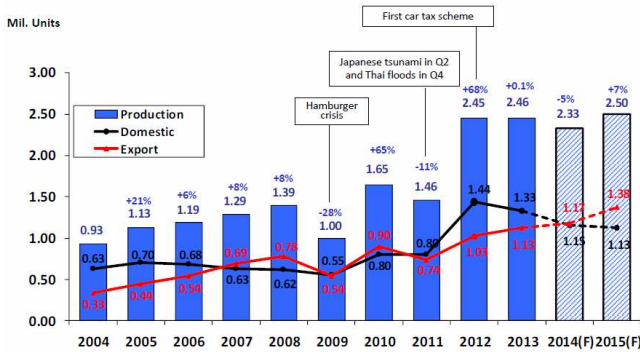
Risks. The Thai auto industry and economy may face some risk of softening more than anticipated in 2014.

TRU – Summary Earnings Table

FYE: Dec 31 (Btmn)	2011	2012	2013F	2014F	2015F
Revenue	2,055	3,500	3,138	2,824	2,966
EBITDA	292	716	475	457	494
Recurring Net Profit	186	556	354	321	352
Net profit	186	556	354	321	352
EPS (Bt)	0.38	1.13	0.72	0.65	0.72
EPS growth (%)	1.4	198.5	(36.4)	(9.3)	9.9
DPS (Bt)	0.25	0.60	0.20	0.33	0.36
PER	18.9	6.3	10.0	11.0	10.0
EV/EBITDA (x)	11.4	4.2	6.8	7.0	6.3
Div Yield (%)	3.5	8.4	2.8	4.6	5.0
P/BV(x)	1.4	1.2	1.2	1.1	1.0
Net Gearing (%)	Net cash	Net cash	Net cash	Net cash	Net cash
ROE (%)	7.3	20.0	11.7	10.1	10.5
ROA (%)	6.2	16.2	9.4	8.5	8.9
Cons. Net Profit (Btmn)	-	-	-	-	-

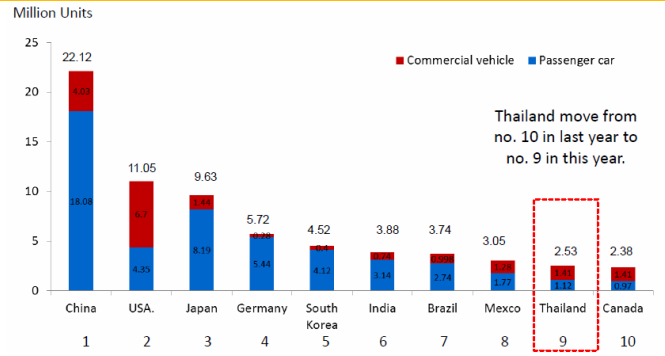
Source: Company reports and MBKET estimates.

Figure 1 : Thai Auto Industry 2004-2015F



Source: Company reports

Figure 2 : Top 10 World Vehicle Production 2013



Source: Company reports

Figure 3 : Scope of Business

- Research & Development (R&D)
- Tooling (Dies/Jigs/CF¹)
- Pressed metal parts & plastic parts
- EDP² & Painting
- Auto Assembly
- Seats
- After-sales service & Spare parts



Note : 1. CF = Checking Fixture
2. EDP = Electro Deposit Primer

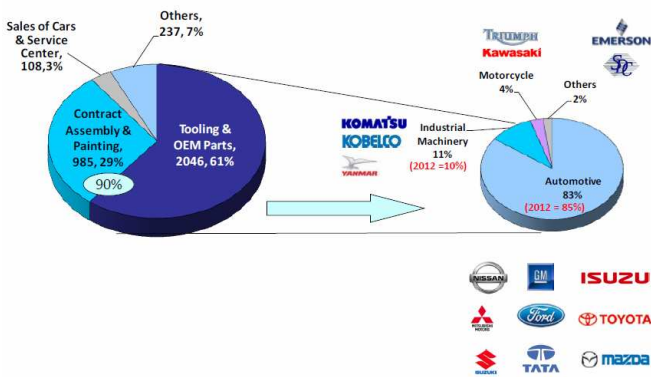
Source: Company reports

Figure 4 : Business Units



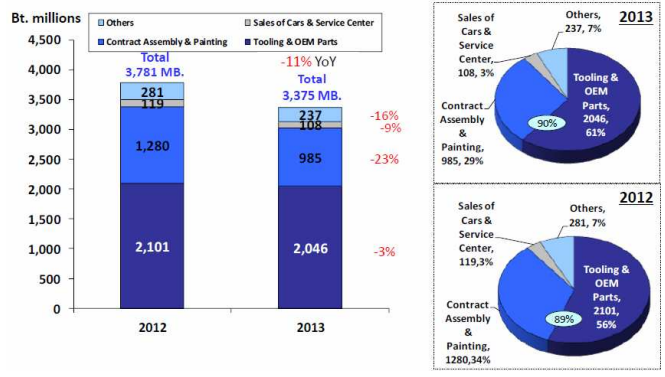
Source: Company reports

Figure 3 : Revenue portfolio 2013



Source: Company reports

Figure 4 : Revenue breakdown 2013



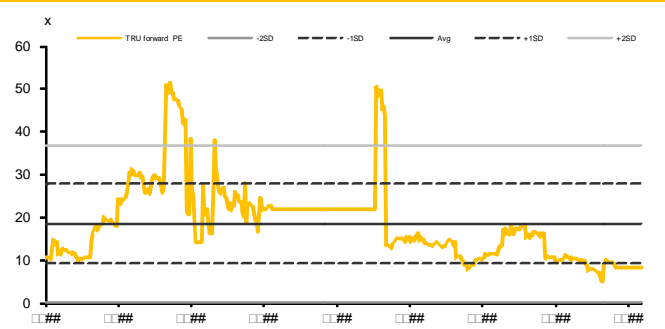
Source: Company reports

Figure 7 : Revised earnings forecasts

	Revision		Original		%Chg	
	2014F	2015F	2014F	2015F	2014F	2015F
Sales (Btmn)	2,824	2,966	3,076	3,229	-8%	-8%
Net Profit (Btmn)	321	352	343	366	-6%	-4%
EPS (Bt)	0.65	0.72	0.70	0.74	-6%	-4%

Source: Company reports and MBKET estimates.

Figure 8 : TRU forward PER



Source: Bloomberg

INCOME STATEMENT (Btmn)

FY December	2012	2013	2014F	2015F
Revenue	3,500	3,138	2,824	2,966
EBITDA	716	475	457	494
Depreciation & Amortisation	111	111	125	130
Operating Profit (EBIT)	605	364	331	364
Interest (Exp) / Inc	1	1	0	0
Associates	79	56	60	65
One-offs	0	0	0	0
Pre-Tax Profit	683	418	391	429
Tax	111	54	60	66
Minority Interest	16	11	11	11
Net Profit	556	354	321	352
Recurring Net Profit	556	354	321	352
Revenue Growth %	70.3	(10.3)	(10.0)	5.0
EBITDA Growth (%)	145.2	(33.7)	(3.7)	8.2
EBIT Growth (%)	189.4	(39.9)	(8.9)	9.9
Net Profit Growth (%)	198.5	(36.4)	(9.3)	9.9
Recurring Net Profit Growth (%)	198.5	(36.4)	(9.3)	9.9
Tax Rate %	18.4	14.8	18.0	18.0

BALANCE SHEET (Btmn)

FY December	2012	2013	2014F	2015F
Fixed Assets	1,428	1,821	1,895	1,965
Other LT Assets	664	724	784	849
Cash / ST Investments	532	298	330	382
Other Current Assets	1,239	790	860	885
Total Assets	3,862	3,632	3,869	4,081
ST Debt	3	10	1	0
Other Current Liabilities	723	396	421	431
LT Debt	1	14	1	0
Other LT Liabilities	46	60	60	60
Minority Interest	95	100	111	122
Shareholders' Equity	2,995	3,053	3,275	3,467
Total Liabilities-Capital	3,862	3,632	3,869	4,081
Share Capital (mn)	502	492	492	492
Gross Debt / (Cash)	3	23	2	0
Net Debt / (Cash)	-528	-275	-328	-382
Working Capital	516	394	439	454
BVPS	6.08	6.20	6.65	7.04

CASH FLOW (Btmn)

FY December	2012	2013	2014F	2015F
Profit before taxation	683	418	391	429
Depreciation	111	111	125	130
Net interest receipts / (payments)	1	1	0	0
Working capital change	66	122	-45	-15
Cash tax paid	-111	-54	-60	-66
Others (inc. exceptional items)	-100	-33	-71	-76
Cash flow from operations	649	566	341	403
Capex	-257	-521	-200	-200
Disposals / (purchases)	0	0	0	0
Others	54	14	0	0
Cash flow from investing	-203	-507	-200	-200
Debt raised / (repaid)	-2	20	-22	-1
Equity raised / (repaid)	15	-17	11	11
Dividends (paid)	-123	-295	-98	-160
Interest payments	1	1	0	0
Others	0	0	0	0
Cash flow from financing	-110	-292	-109	-151
Change in cash	336	-233	32	52

RATES & RATIOS

FY December	2012	2013	2014F	2015F
Gross margin %	19.0	16.2	15.5	15.5
EBITDA Margin %	19.3	14.3	15.2	15.7
Op. Profit Margin %	16.3	11.0	11.0	11.6
Net Profit Margin %	15.0	10.7	10.7	11.2
ROE %	20.0	11.7	10.1	10.5
ROA %	16.2	9.4	8.5	8.9
Net Margin Ex. EI %	15.0	10.7	10.7	11.2
Dividend Cover (x)	1.9	3.6	2.0	2.0
Interest Cover (x)	749.4	301.5	Nm	Nm
Asset Turnover (x)	0.9	0.9	0.7	0.7
Asset / Debt (x)	5.0	7.6	8.0	8.3
Debtors Turn (days)	88.0	92.3	79.8	81.2
Creditors Turn (days)	65.9	77.7	65.8	65.3
Inventory Turn (days)	29.4	32.0	33.5	32.7
Net Gearing %	Net cash	Net cash	Net cash	Net cash
Debt / EBITDA (x)	0.0	0.0	0.0	0.0
Debt / Market Cap (x)	0.0	0.0	0.0	0.0

Source: Company reports and MBKET estimates.

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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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THAI INSTITUTE OF DIRECTORS ASSOCIATION (IOD) CORPORATE GOVERNANCE REPORT RATING 2014

▲▲▲▲▲ Excellent		HEMKAJ	PAP	RS	SNC			
Score Range	Number of Logo	Description						
90-100	▲▲▲▲▲	Excellent						
80-89	▲▲▲▲	Very Good						
70-79	▲▲▲	Good						
60-69	▲▲	Satisfactory						
50-59	▲	Pass						
Lower than 50	No logo given	N/A						
		ADVANC	CIMBT	ICC	PG	S&J	SPALI	
		AOT	CK	INTUCH	PHOL	SAMART	SPI	
		ASIMAR	CPF	IRPC	PR	SAMTEL	SSI	
		BAFS	CPN	IVL	PRANDA	SAT	SSSC	
		BANPU	CSL	KBANK	PS	SC	SM	
		BAY	DRT	KKP	PSL	SCB	SYMC	
		BBL	DTAC	KTB	PTT	SCC	TCAP	
		BCP	EASTW	LPN	PTTEP	SCSMG	THAI	
		BECL	EGCO	MCOT	PTTGC	SE-ED	THCOM	TIT
		BKI	ERW	MINT	QH	SIM	THRE	TRC
		BROOK	GRAMMY	NKI	RATCH	SIS	TIP	TRUE
		BTS	HANA	NOBLE	ROBINS	SITHAI	TISCO	TTW
								UV
								VGI
								WACOAL
								TOP
								TVO
▲▲▲▲ Very Good		ECL	JAS	MAKRO	PE	SINGER	THANI	TTCL
		2S	BH	EE	JUBILE	MBK	PF	SIRI
		ACAP	BIGC	EIC	KBS	MBKET	PJW	SKR
		AF	BJC	ESSO	KCE	MFC	PM	SMT
		AHC	BLA	FE	KGI	MFEC	PPM	SNP
		AIT	BMCL	FORTH	KKC	MODERN	PPP	SPCG
		AKP	BWG	GBX	KSL	MTI	PREB	SPPT
		AMANAH	CCET	GC	KWC	NBC	PRG	SSF
		AMARIN	CENDEL	GFPT	L&E	NCH	PT	STANLY
		AMATA	CFRESH	GL	LANNA	NINE	PYLON	STEC
		AP	CGS	GLOW	LH	NMG	QTC	SUC
		APCO	CHOW	GOLD	LHBANK	NSI	RASA	SUSCO
		APCS	CM	GSTEL	LHK	NWR	SABINA	SYNTEC
		ASIA	CNT	GUNKUL	LIVE	OCC	SAMCO	TASCO
		ASK	CPALL	HMPRO	LOXLEY	OFM	SCCC	TCP
		ASP	CSC	HTC	LRH	OGC	SCG	TF
		AYUD	DCC	IFEC	LST	OISHI	SEAFCD	TFD
		BEC	DELTA	INET	MACO	PB	SFP	TFI
		BFIT	DTC	ITD	MAJOR	PDI	SIAM	THANA
								TTA
▲▲▲ Good		DEMCO	HTECH	KWH	PAE	SIMAT	TIC	UEC
		A	BGT	DNA	HYDRO	LALIN	PATO	SLC
		AAV	BLAND	DRACO	IFS	LEE	PICO	SMT
		AEC	BOL	EA	IHL	MATCH	PL	SMK
		AEONTS	BROCK	EARTH	ILINK	MATI	POST	SOLAR
		AFC	BSBM	EASON	INOX	MBAX	PRECHA	SPC
		AGE	CHARAN	EMC	IRC	MDX	PRIN	SPG
		AH	CHUO	EPCO	IRCP	PRINC	Q-CON	SRICHA
		AI	CI	F&D	IT	MJD	QLT	SSC
		AJ	CIG	FNS	JMART	MK	RCI	STA
		AKR	CITY	FOCUS	JMT	MOONG	RCL	SUPER
		ALUCON	CMR	FPI	JTS	MPIC	ROJNA	SVA
		ANAN	CNS	FSS	JUTHA	MSC	RPC	SWC
		ARIP	CPL	GENCO	KASET	NC	SCBLIF	SYNEK
		AS	CRANE	GFM	KC	NIPPON	SCP	TBSP
		BAT-3K	CSP	GJS	KCAR	NNCL	SENA	TCCC
		BCH	CSR	GLOBAL	KDH	NTV	SF	TEAM
		BEAUTY	CTW	HFT	KTC	OSK	SGP	TGCI
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