


Trading Buy (unchanged)

## Thai Rung Union Car PCL (TRU) A slightly improving 1Q14 profit to Bt52mn

CGR Scoring Rating 

Share price: Bt5.60  
Target price: Bt6.50 (from 8.00)

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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)	2,708
Market Cap (US\$m)	100.15
3-mth Avg. Daily Turnover (Btmn)	3.75
SET index	3,396.03
Free float (%)	25.95

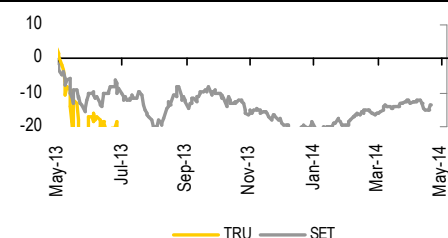
### Major Shareholders :

	%
Phoenchoke Family	73.51
CITIBANK NOMINEES SINGAPORE PTE LTD-S.A PBG CLIENTS SG	4.73

### 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/Low	Bt 11.42/Bt 4.92				
	1-m	3-mth	6-mth	1-yr	YTD
Absolute (%)	-1.9	1.8	-3.3	-44.4	-0.5
Relative (%)	-1.5	-4.2	-1.9	-35.4	-7.5

**1Q13 earnings summary.** TRU announced a 1Q14 profit recovering 65% QoQ to Bt52mn (EPS Bt0.11), driven by better production efficiency and lower production costs, but still contracting 70% YoY along with the slower industry growth. TRU sales dropped to Bt596mn (-7% QoQ, -37% YoY) due to a 28% YoY decline in vehicle production to 517,492 units. The gross profit margin improved to 14.4% from 11.3% last quarter, thanks to the better operational efficiency and lower production costs, but contracting from 22.6% last year on a smaller portion of contract vehicle assembly and paint works with the lower utilization factor. The SG&A expenses were controlled at Bt68mn (-30% QoQ, -13% YoY) and interest was zero as TRU has no debt burden.

**What's next?** Auto production in 2014 will likely contract -6% YoY to 2.3mn units on political pressures and decreasing farm income. We estimate TRU sales will decline by 10% YoY to Bt2,824mn and the net profit will fall to Bt321mn, down 9%. The 1Q14 earnings account for just 16% of our full 2014 year forecast. We do forecast TRU earnings recovering in the second half of the year and expect to see the bottom in the second quarter.

**Recommendation.** TRU has a strong financial position with no debt and Bt345mn in cash. The current share price has moved down to discount the negative auto industry and we expect the Thai auto industry to bottom out in the second quarter. We thus recommend a Trading Buy on weakness and a TP of Bt6.50 based on a 2014 PER of 12x (peer average) down from Bt8.00 after the dilution from the XD 5:1.

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

### TRU – Summary Earnings Table

FYE: Dec 31 (Btmn)	2011	2012	2013	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	0.54	0.60
EPS growth (%)	1.4	198.5	(36.4)	(24.4)	9.9
DPS (Bt)	0.25	0.60	0.20	0.27	0.30
PER	14.8	5.0	7.8	10.3	9.4
EV/EBITDA (x)	8.8	3.1	5.2	6.5	5.9
Div Yield (%)	4.5	10.7	3.6	4.8	5.3
P/BV(x)	1.1	0.9	0.9	1.0	1.0

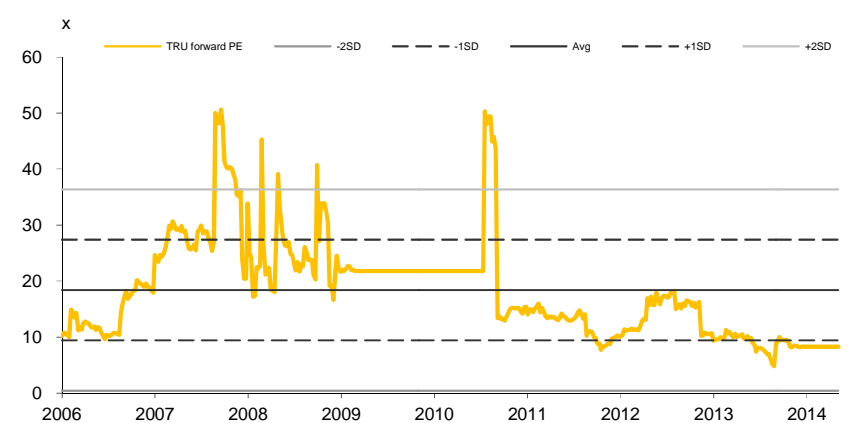
	Net cash	Net cash	Net cash	Net cash	Net cash
Net Gearing (%)					
ROE (%)	7.3	20.0	11.7	10.1	10.5
ROA (%)	6.2	16.2	9.4	8.5	8.9
Cons. Net Profit (Btmn)	-	-	354	-	-

Source: Company reports and MBKET estimates.

**Figure 1 : Quarterly earnings (Btmn)**

	1Q14	4Q13	%QoQ	1Q13	%YoY	2014F	2013	%YoY
Sales	596	644	-7%	950	-37%	2,824	3,138	-10%
Other Income	38	47	-21%	49	-23%	175	181	-3%
COGS	473	558	-15%	704	-33%	2,260	2,519	-10%
Depreciation & amortisation	37	14	166%	31	21%	125	111	13%
Gross profit	86	73	18%	215	-60%	439	508	-14%
Gross margin (%)	14.4%	11.3%	-	22.6%	-	15.5%	16.2%	-
SG&A	68	97	-30%	78	-13%	282	325	-13%
SG&A/sales (%)	11%	15%	-	8%	-	10%	10%	-
EBITDA	93	37	153%	216	-57%	457	475	-4%
EBITDA margin (%)	16%	6%	-	23%	-	16%	15%	-
Interest expenses	0	0	-25%	0	198%	-	1	nm.
Equity income	7	9	-29%	26	-75%	60	56	8%
Net profit	52	32	65%	175	-70%	321	354	-9%
EPS (Bt)	0.11	0.06	65%	0.36	-70%	0.54	0.72	-24%

Source: Company reports and MBKET estimates.

**Figure 2 : 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
<b>Operating Profit (EBIT)</b>	<b>605</b>	<b>364</b>	<b>331</b>	<b>364</b>
Interest (Exp) / Inc	1	1	0	0
Associates	79	56	60	65
One-offs	0	0	0	0
<b>Pre-Tax Profit</b>	<b>683</b>	<b>418</b>	<b>391</b>	<b>429</b>
Tax	111	54	60	66
Minority Interest	16	11	11	11
<b>Net Profit</b>	<b>556</b>	<b>354</b>	<b>321</b>	<b>352</b>
<b>Recurring Net Profit</b>	<b>556</b>	<b>354</b>	<b>321</b>	<b>352</b>
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
<b>Total Assets</b>	<b>3,862</b>	<b>3,632</b>	<b>3,869</b>	<b>4,081</b>
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
<b>Total Liabilities-Capital</b>	<b>3,862</b>	<b>3,632</b>	<b>3,869</b>	<b>4,081</b>
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
<b>Cash flow from operations</b>	<b>649</b>	<b>566</b>	<b>341</b>	<b>403</b>
Capex	-257	-521	-200	-200
Disposals / (purchases)	0	0	0	0
Others	54	14	0	0
<b>Cash flow from investing</b>	<b>-203</b>	<b>-507</b>	<b>-200</b>	<b>-200</b>
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
<b>Cash flow from financing</b>	<b>-110</b>	<b>-292</b>	<b>-109</b>	<b>-151</b>
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						Score Range	Number of Logo	Description
ADVANC	CIMBT	ICC	PG	S&J	SPALI	90-100	▲▲▲▲▲	Excellent
AOT	CK	INTUCH	PHOL	SAMART	SPI	80-89	▲▲▲▲▲	Very Good
ASIMAR	CPF	IRPC	PR	SAMTEL	SSI	70-79	▲▲▲▲	Good
BAFS	CPN	IVL	PRANDA	SAT	SSSC	60-69	▲▲▲	Satisfactory
BANPU	CSL	KBANK	PS	SC	SM	50-59	▲	Pass
BAY	DRT	KKP	PSL	SCB	SYMC	Lower than 50	No logo given	N/A
BBL	DTAC	KTB	PTT	SCC	TCAP			
BCP	EASTW	LPN	PTTEP	SCSMG	THAI			
BECL	EGCO	MCOT	PTTGC	SE-ED	THCOM	TKT	TRC	UV
BKI	ERW	MINT	QH	SIM	THRE	TM6	TRUE	VGI
BROOK	GRAMMY	NKI	RATCH	SIS	TIP	TMTY	TTW	WACOAL
BTS	HANA	NOBLE	ROBINS	SITHAI	TISCO	TOP	TVO	
▲▲▲▲ Very Good								
ZS	BH	EEL	JAS	MAKRO	PE	SINGER	THANI	TTCL
ACAP	BIGC	EIC	JUBILE	MBK	PF	SIRI	THIP	TUF
AF	BJC	ESSO	KBS	MBKET	PJW	SKR	TICON	TWFP
AHC	BLA	FE	KCE	MFC	PM	SMT	TIPCO	TYM
AIT	BMCL	FORTH	KGI	MFEK	PPM	SNP	TK	UAC
AKP	BWG	GBX	KKC	MODERN	PPP	SPCG	TLUXE	UMI
AMANAHA	CCEET	GC	KSL	MTI	PREB	SPPT	TMILL	UMS
AMARIN	CENDEL	GFPT	KWC	NBC	PRG	SSF	TMT	UP
AMATA	CFRESH	GL	L&E	NCH	PT	STANLY	TNL	UPOIC
AP	CGS	GLOW	LANNA	NINE	PYLON	STEC	TOG	UT
APCO	CHOW	GOLD	LH	NMG	QTC	SUC	TPC	VIBHA
APCS	CM	GSTEL	LHBANK	NSI	RASA	SUSCO	TPCORP	VH
ASIA	CNT	GUNKUL	LHK	NWR	SABINA	SYNTEC	TPIPL	VNG
ASK	CPALL	HMPRO	LIVE	OCC	SAMCO	TASCO	TRT	VNT
ASP	CSC	HTC	LOXLEY	OFM	SCCC	TCP	TRU	YUASA
AYUD	DCC	IFEC	LRH	OGC	SCG	TF	TSC	ZMICO
BEC	DELTA	INET	LST	OISHI	SEAFKO	TFD	TSTE	
BFIT	DTC	ITD	MACO	PB	SFP	TFI	TSTH	
			MAJOR	PDI	SIAM	THANA	TTA	
▲▲▲ Good								
A	BGT	DNA	HTECH	KWH	PAE	SIMAT	TIC	UEC
AAV	BLAND	DRACO	HYDRO	LALIN	PATO	SLC	TIES	UOBKH
AEC	BOL	EA	IFS	LEE	PICO	SMT	TIW	UPF
AEDNTS	BROCK	EARTH	IHL	MATCH	PL	SMK	TKS	UWC
AFC	BSBM	EASON	ILINK	MATI	POST	SOLAR	TMC	VARO
AGE	CHARAN	BMC	INOX	MBAX	PRECHA	SPC	TMD	VTE
AH	CHUO	EPCO	IRC	MDX	PRIN	SPG	TMI	WAVE
AI	CI	F&D	IRCP	PRINC	Q-CON	SRICHA	TNDT	WG
AJ	CIG	FNS	IT	MJD	QLT	SSC	TNCP	WIN
AKR	CITY	FOCUS	JMART	MK	RCI	STA	TOPP	WORK
ALUCON	CMR	FPI	JMT	MOONG	RCL	SUPER	TPA	
ANAN	CNS	FSS	JTS	MPIC	ROJNA	SVOA	TPP	
ARIP	CPL	GENCO	JUTHA	MSC	RPC	SWC	TR	
AS	CRANE	GFM	KASET	NC	SCBLIF	SYNEX	TTI	
BAT-3K	CSP	GJS	KC	NIPPON	SCP	TBSP	TVD	
BCH	CSR	GLOBAL	KCAR	NNCL	SENA	TCCC	TM	
BEAUTY	CTW	HFT	KDH	NTV	SF	TEAM	TWZ	
			KTC	OSK	SGP	TGCI	UBIS	

Source: Thai Institute of Directors (IOD)

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