

Trading Buy (unchanged)

Thai Rung Union Car PCL (TRU) Recovering, but still unimpressive

CGR Scoring Rating 

Share price: Bt4.90
Target price: Bt6.50 (unchanged)

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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):	591
Market Cap (Btmn)	2,895
Market Cap (US\$m)	88.2
3-mth Avg. Daily Turnover (Btmn)	2.95
SET index	1,562.03
Free float (%)	25.95

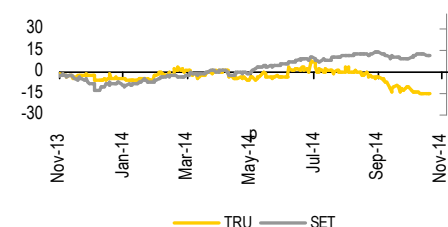
Major Shareholders :

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

Key Indicators

ROE – annualised (%)	5.3
Net cash (Btmn):	199
NTA/shr (Bt):	5.3
Interest cover (x):	Nm.

Historic Chart



Performance

52-week High/Low	Bt 6.40/Bt 4.90				
	1-m	3-mth	6-mth	1-yrs	YTD
Absolute (%)	-5.8	-14.0	-10.9	-15.4	-13.0
Relative (%)	-6.7	-15.1	-20.4	-23.4	-27.6

3Q14 earnings summary: TRU reported that 3Q14 earnings recovered to Bt44mn, up 139% QoQ, but down 39% YoY. Quarterly auto production increased slightly to 546,435 units (+5% QoQ, -23% YoY), helping TRU sales improve to Bt563mn (+11% QoQ, -26% YoY). GPM recovered to 16.7%, up from 10.3% last quarter and 15.0% last year due to the company's continued commitment to boosting production efficiency by increasing labor efficiency and reducing production costs. SG&A/Sales expenses remained flat at Bt76 (-2% QoQ, +6% YoY). Interest expenses were Bt0.3mn. TRU is essentially debt-free, with only Bt17mn worth of debt from financial contracts.

What's next? 9M14 earnings account for 69% of our full-year forecast. As we expect 4Q14 earnings to recover further, but remain unimpressive, to around Bt50mn, we maintain our 2014 earnings and sales forecast at Bt165mn (-53% YoY) and Bt2.32bn (-26% YoY). In the future, TRU will seek new partners and establish two JV companies to expand the cab assembly business for excavators, construction and agricultural machinery, tractors and the assembly of truck bodies of all types. Including ten-door vans, wing vans, dump-truck boxes, trailer dumpers and concrete mixer trucks. In 2015, we expect sales and net profit to be Bt2.552bn (+10% YoY) and Bt321mn (+95% YoY), respectively.

Recommendation. TRU has a strong financial position with net cash of Bt182mn on hand and remains debt-free while continuing to invest. The current share price has moved down to discount the negative Thai auto industry, which we expect to bottom out in the second quarter. We recommend a Trading Buy with a TP of Bt6.50 based on a 2015 PER of 12x (peer average).

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

TRU – Summary Earnings Table

FYE: Dec 31 (THB m)	2012	2013	2014F	2015F	2016F
Revenue	3,500	3,138	2,320	2,552	2,782
EBITDA	716	475	293	456	511
Recurring Net Profit	556	354	165	321	369
Net profit	556	354	165	321	369
EPS(Bt)	1.13	0.72	0.28	0.54	0.62
EPS growth (%)	198.5	(36.4)	(61.1)	94.7	14.8
DPS (Bt)	0.60	0.20	0.14	0.27	0.31
PER	4.3	6.8	17.5	9.0	7.8
EV/EBITDA (x)	2.6	4.5	9.2	5.7	4.9
Div Yield (%)	12.2	4.1	2.8	5.5	6.4
P/BV(x)	0.8	0.8	0.9	0.9	0.8

	Net cash	Net cash	Net cash	Net cash	Net cash
Net Gearing (%)					
ROE (%)	20.0	11.7	5.3	9.9	10.7
ROA (%)	16.2	9.4	4.4	8.1	8.9

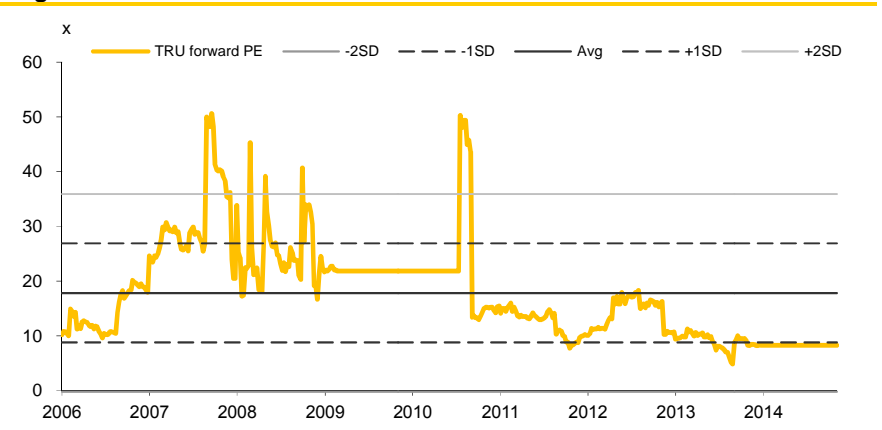
Cons. Net Profit (Btmn) - - - - -
Source: Company reports and MBKET.

Figure 1 : Quarterly earnings (Btmn)

	3Q14	2Q14	%QoQ	3Q13	%YoY	9M14	%YoY	9M/14F
Sales	563	505	11%	759	-26%	1,664	-33%	72%
Other Income	29	36	-18%	38	-23%	103	-23%	70%
COGS	427	413	3%	613	-30%	1,313	-33%	70%
Depreciation & amortisation	42	40	4%	32	30%	119	23%	95%
Gross profit	94	52	81%	114	-17%	232	-47%	72%
Gross margin (%)	16.7%	10.3%	-	15.0%	-	13.9%	-	-
SG&A	76	78	-2%	72	6%	222	-3%	74%
SG&A/sales (%)	13.5%	15.4%	-	9.5%	-	13%	-	-
EBITDA	90	51	77%	112	-20%	233	-47%	79%
EBITDA margin (%)	16%	10%	-	15%	-	14%	-	-
Interest expenses	0	0	3%	0	-26%	1	30%	nm.
Equity income	4	9	-61%	7	-47%	19	-59%	57%
Net profit	44	18	139%	71	-39%	114	-64%	69%
EPS (Bt)	0.07	0.03	139%	0.12	-39%	0.19	-64%	69%

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.

INCOME STATEMENT (Btmn)

FY December	2013	2014F	2015F	2016F
Revenue	3,138	2,320	2,552	2,782
EBITDA	475	293	456	511
Depreciation & Amortisation	111	125	130	135
Operating Profit (EBIT)	364	167	326	376
Interest (Exp) / Inc	1	0	0	0
Associates	56	34	65	72
One-offs	0	0	0	0
Pre-Tax Profit	418	201	391	448
Tax	54	25	59	68
Minority Interest	11	11	11	11
Net Profit	354	165	321	369
Recurring Net Profit	354	165	321	369
Revenue Growth %	(10.3)	(26.1)	10.0	9.0
EBITDA Growth (%)	(33.7)	(38.3)	55.8	12.0
EBIT Growth (%)	(39.9)	(54.0)	94.7	15.4
Net Profit Growth (%)	(36.4)	(53.4)	94.7	14.8
Recurring Net Profit Growth (%)	(36.4)	(53.4)	94.7	14.8
Tax Rate %	14.8	15.0	18.0	18.0

BALANCE SHEET (Btmn)

FY December	2013	2014F	2015F	2016F
Fixed Assets	1,821	1,895	1,965	2,030
Other LT Assets	724	757	822	894
Cash / ST Investments	298	330	382	370
Other Current Assets	790	860	885	912
Total Assets	3,632	3,843	4,054	4,206
ST Debt	10	54	34	1
Other Current Liabilities	396	421	431	445
LT Debt	14	77	48	1
Other LT Liabilities	60	60	60	60
Minority Interest	100	111	122	133
Shareholders' Equity	3,053	3,119	3,358	3,566
Total Liabilities-Capital	3,632	3,843	4,054	4,206
Share Capital (mn)	492	591	591	591
Gross Debt / (Cash)	23	131	83	1
Net Debt / (Cash)	(275)	(199)	(299)	(369)
Working Capital	394	439	454	467
BVPS	6.20	5.28	5.68	6.04

CASH FLOW (Btmn)

FY December	2013	2014F	2015F	2016F
Profit before taxation	418	201	391	448
Depreciation	111	125	130	135
Net interest receipts / (payments)	1	0	0	0
Working capital change	122	(45)	(15)	(13)
Cash tax paid	(54)	(25)	(59)	(68)
Others (inc. exceptional items)	(33)	(45)	(76)	(83)
Cash flow from operations	566	211	372	419
Capex	(521)	(200)	(200)	(200)
Disposals / (purchases)	0	0	0	0
Others	14	0	0	0
Cash flow from investing	(507)	(200)	(200)	(200)
Debt raised / (repaid)	20	108	(48)	(82)
Equity raised / (repaid)	(17)	11	11	11
Dividends (paid)	(295)	(98)	(82)	(161)
Interest payments	1	0	0	0
Others	0	0	0	0
Cash flow from financing	(292)	20	(120)	(231)
Change in cash	(233)	32	52	(12)

RATES & RATIOS

FY December	2013	2014F	2015F	2016F
Gross margin %	16.2	13.8	16.7	18.1
EBITDA Margin %	14.3	11.9	16.7	17.2
Op. Profit Margin %	11.0	6.8	11.9	12.7
Net Profit Margin %	10.7	6.7	11.7	12.4
ROE %	11.7	5.3	9.9	10.7
ROA %	9.4	4.4	8.1	8.9
Net Margin Ex. EI %	10.7	6.7	11.7	12.4
Dividend Cover (x)	3.6	2.0	2.0	2.0
Interest Cover (x)	301.5	nm	nm	nm
Asset Turnover (x)	0.9	0.6	0.6	0.7
Asset / Debt (x)	7.6	6.3	7.1	8.3
Debtors Turn (days)	92.3	97.2	94.4	89.2
Creditors Turn (days)	77.7	79.4	77.8	74.4
Inventory Turn (days)	32.0	40.3	38.9	37.2
Net Gearing %	Net cash	Net cash	Net cash	Net cash
Debt / EBITDA (x)	0.0	0.4	0.2	0.0
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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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	SVI	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	ECL	JAS	MAKRO	PE	SINGER	THANI	TTCL
ACAP	BIGC	EE	JUBILE	MBK	PF	SIRI	THIP	TUF
AF	BJC	EIC	KBS	MBKET	PJW	SKR	TICON	TWFP
AHC	BLA	ESSD	KCE	MFC	PM	SMT	TIPCO	TYM
AIT	BLA	FE	KGI	MFEC	PPM	SNP	TK	UAC
AKP	BMCL	FORTH	KKC	MODERN	PPP	SPCG	TLUXE	UMI
AMANA	BWG	GBX	KSL	MTI	PREB	SPPT	TMILL	UMS
AMARIN	CCE	GC	KWC	NBC	PRG	SSF	TMT	UP
AMATA	CENDEL	GFPT	L&E	NCH	PT	STANLY	TNL	UPOIC
AP	CFRESH	GL	LANNA	NINE	PYLON	STEC	TOG	UT
APCO	CGS	GLOW	LH	NMG	QTC	SUC	TPC	VIBHA
APCS	CHOW	GOLD	LHBANK	NSI	RASA	SUSCO	TPCORP	VH
ASIA	CM	GSTEL	LHK	NWR	SABINA	SYNTEC	TPIPL	VNG
ASK	CNT	GUNKUL	LIVE	OCC	SAMCO	TASCO	TRT	VNT
ASP	CPALL	HMPRO	LOXLEY	OFM	SCCC	TCP	TRU	YUASA
AYUD	CSC	HTC	LRH	OGC	SCG	TF	TSC	ZMICO
BEC	DCC	IFEC	LST	OISHI	SEAFCO	TFD	TSTE	
BFIT	DELTA	INET	MACO	PB	SFP	TFI	TSTH	
	DTC	ITD	MAJOR	PDI	SIAM	THANA	TTA	
▲▲▲ Good								
A	BGT	DEMCO	HTECH	KWH	PAE	SIMAT	TIC	UEC
AAV	BLAND	DNA	HYDRO	LALIN	PATO	SLC	TIES	UOBKH
AEC	BOL	DRACO	IFS	LEE	PICO	SMT	TIW	UPF
AEONTS	BROCK	EA	IHL	MATCH	PL	SMK	TKS	UWC
AFC	BSBM	EARTH	ILINK	MATI	POST	SOLAR	TMC	VARO
AGE	EASON	EARTH	INOX	MBAX	PRECHA	SPC	TMD	VTE
AH	CHARAN	BMC	IRC	MDX	PRIN	SPG	TMI	WAVE
AJ	CHUO	EPCO	IRCP	PRINC	Q-CON	SRICHA	TNDT	WG
AKR	CI	F&D	IT	MJD	QLT	SSC	TNPC	WIN
ALUCON	CIG	FNS	JMART	MK	RCI	STA	TOPP	WORK
ANAN	CITY	FOCUS	JMT	MOONG	RCL	SUPER	TPA	
ARIP	CMR	FPI	JTS	MPIC	ROJNA	SVDA	TPP	
AS	CNS	FSS	JUTHA	MSC	RPC	SWC	TR	
BAT-3K	CPL	GENCO	KASET	NC	SCBLIF	SYNEX	TTI	
BCH	CRANE	GFM	KC	NIPPON	SCP	TBSP	TVD	
BEAUTY	CSP	GJS	KCAR	NNCL	SENA	TCCC	TM	
	CSR	GLOBAL	KDH	NTV	SF	TEAM	TWZ	
	CTW	HFT	KTC	OSK	SGP	TGCI	UBIS	

Source: Thai Institute of Directors (IOD)

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