

Q3FY2012 Review
Sector: Material Handling
BSE Sensex : 17,432

TRF

Downgrade REDUCE
CMP Rs345
TP Rs372

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Expected order inflows to improve visibility

TRF reported consolidated sales growth of 48% to Rs4.3bn (PINCe Rs3.4bn) led by better execution in project division (sales up by 132%). Margins at operating level were at 4.4% (after adjusting forex loss). Cost overrun in certain projects, higher material cost, unrealised foreign exchange loss and high tax rate impacted bottom line adversely. TRF reported loss of Rs8.5mn. Adjusted PAT was Rs27mn (PINCe Rs112mn). The company, in this quarter managed to bag orders worth Rs2bn. It expects orders worth Rs6.5bn in Q4FY12 in projects and product division. The automotive subsidiaries reported subdued growth of 4% on account of slowdown in the overseas market.

Healthy order inflows expected in Q4FY12

Project division revenue increased by 132% to Rs2.5bn in Q3FY12 on account of better execution. However, cost overrun in certain projects impacted the segmental margins which declined sharply by 790bps to 1.7%. Order inflow in Q3FY12 was Rs1.9bn. TRF expects orders worth Rs5.7bn mainly from NTPC and Tata Steel in Q4FY12. We believe this is extremely positive for TRF as lack of orders in last five consecutive quarters, reduced revenue visibility.

Subdued performance from product division

The product division report de-growth of 5% in sales to Rs694mn on account of slowdown in demand. Change in product mix and high material cost impacted the margins which declined sharply by 390bps to 12.2%. We believe margins to remain under pressure in the near term.

Automotive subsidiaries witnessed an impressive sales growth of 46%. Slowdown in demand of trailers in Middle East and Europe impacted the sales of DLT. In 9MFY12, automotive subsidiaries witnessed a revenue growth of 47% to Rs4.1bn. Adjusting to forex loss, segmental margins improved by 70bps in Q3FY12 and 40bps in 9MFY12. With expected improvement in margins and healthy revenue growth driven by expanded capacities coming on stream, we believe the automotive segment would be the key growth driver for the company going forward.

VALUATIONS AND RECOMMENDATION

The current order book of the company stands at Rs12.2bn. We have increased our sales estimates for FY12 by 8.4% and 9.2% in FY13 to factor in expected order inflows in Q4FY12 and performance of project division in the current quarter. We reduced our profit estimates by 35% for FY12 to factor in lower margins and increased it by 7.8% for FY13E. We expect TRF to witness sales CAGR of 27% (FY11-14E). The key triggers remain acceleration in order inflows and margin improvement in automotive business. Considering the steep rise witnessed in the stock price in last one month we believe there is limited upside. We maintain our target multiple at 8x and downgrade the stock to 'REDUCE' from 'BUY' and revise our target price to Rs372 (earlier Rs350).

KEY FINANCIALS (CONSOLIDATED)

	(Rs mn)				
	FY10	FY11	FY12E	FY13E	FY14E
Net Sales	8,659	11,151	14,897	16,664	18,485
YoY Gr (%)	19.5	28.8	33.6	11.9	10.9
Op.Profits	809	214	779	1,196	1,466
OPM (%)	9.3	1.9	5.2	7.2	7.9
Adj Net Profit	485	3	271	512	683
YoY Gr (%)	(9.8)	(99.4)	-	89.0	33.4

KEY RATIOS

Dil EPS (Rs)	42.5	0.2	24.6	46.5	62.0
ROCE (%)	25.7	5.0	12.0	15.6	17.1
RoE (%)	34.4	0.2	17.2	26.4	27.2
PER (x)	8.1	-	14.0	7.4	5.6
EV/Net Sales (x)	0.6	0.6	0.5	0.5	0.5
EV/EBITDA	6.8	30.6	9.9	7.1	5.7

QUARTERLY SNAPSHOT (Rs mn)

	Quarter Ended		
	Jun-11	Sep-11	Dec-11
Net Sales	2,720	2,657	4,276
YoY Gr (%)	13.7	38.1	72.1
Op. Profit	141	346	190
OPM (%)	5.2	13.0	4.4
Adj.Net Profit	36	100	27
YoY Gr (%)	(44.4)	-	(84.3)

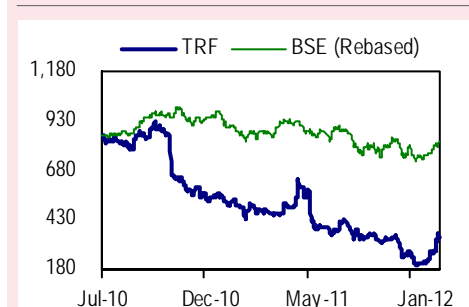
STOCK DATA

Market cap	Rs3.9bn
Book Value per share	Rs132
Shares O/S (F.V. Rs10)	11mn
Free Float	60.4%
Avg Trade Value (6 months)	Rs44mn
52 week High/Low	653/195
Bloomberg Code	TRFIN
Reuters Code	TRF.BO

PERFORMANCE (%)

	1M	3M	12M
Absolute	65.1	1.2	(30.3)
Relative	46.9	1.4	(27.7)

RELATIVE PERFORMANCE



Segmental Performance (Consolidated)								(Rs mn)
	Q3FY12	Q3FY11	Gr. (%)	Q2FY12	Gr. (%)	9MFY12	9MFY11	Gr. (%)
Segment Revenues								
Projects & Services	2,539	1,093	132.3	941	169.8	4,518	2,964	52.4
Products & Services	2,143	1,721	24.6	2125	0.9	6,160	4,671	31.9
Gross Sales	4,682	2,814	66.4	3,066	52.7	10,678	7,635	39.9
Less: Inter segment revenue	406	330	23.2	409	(0.6)	1,025	832	23.1
Net Sales	4,276	2,484	72.1	2,657	60.9	9,654	6,802	41.9
Segment PBIT								
Projects & Services	43	88	(51.1)	(11)	(507.9)	(28)	(228)	(87.8)
Products & Services	65	172	(61.9)	167	(60.7)	428	462	(7.4)
Total PBIT	109	260	(58.3)	156	(30.4)	400	234	70.9
Less: Interest	81	51	57.6	70	15.1	216	118	82.6
Total PBT after exc items	27	209	(86.8)	86	(67.9)	185	116	59.0
Less: Net other unallocable expenses	2	14	(86.3)	44	(95.7)	49	49	1.6
PBT	26	195	(86.9)	41	(37.9)	135	67	100.4
Capital Employed								
Projects & Services	2,466	1,804	36.7	2258	9.2	2,466	1,804	36.7
Products & Services	2,359	2,384	(1.1)	2689	(12.3)	2,359	2,384	(1.1)
Capital Employed in segment	4,825	4,188	15.2	4,947	(2.5)	4,825	4,188	15.2
Unallocated	(3,169)	(2,714)	16.7	(3372)	(6.0)	(3,169)	(2,714)	16.7
Total	1,656	1,473	12.4	1,575	5.1	1,656	1,473	12.4
PBIT Margin (%)								
Projects & Services	1.7	8.1	(78.9)	(1.1)		(0.6)	(7.7)	
Products & Services	3.1	10.0	(69.4)	7.8		6.9	9.9	
Total	2.3	9.2	(74.9)	5.1		3.7	3.1	
Net Sales Mix (%)								
Projects & Services	59	44	34.9	35	(100.0)	47	44	7.4
Products & Services	50	69	(27.6)	80	(100.0)	64	69	(7.1)
Inter Segment	9	13	(28.4)	15	(100.0)	11	12	(13.3)
Total	100	100	-	100		100	100	-

Financial Table (Consolidated)								(Rs mn)
	Q3FY12	Q3FY11	Gr. (%)	Q2FY12	Gr. (%)	9MFY12	9MFY11	Gr. (%)
Net Sales	4,276	2,484	72.1	2,657.4	60.9	9,653.6	6,802.2	41.9
Op. Profit	190	264	(28.1)	345.5	(45.1)	675.8	84.4	700.5
OPM (%)	4.4	10.6		13.0		7.0	1.2	
Interest	81	51	57.6	70.5	15.1	215.6	118.0	82.6
Depreciation	33	22	47.8	25.0	31.1	80.8	59.8	35.1
PBT	26	195	(86.9)	155.0	(83.5)	249.1	67.5	269.3
RPAT	(11)	167	(106.8)	19.5	(158.4)	53.4	16.5	224.5
Minority Interest	3	4	(24.4)	6.4	(54.4)	(7.7)	(3.9)	97.3
Adj PAT	27	171	(84.3)	99.9	(73.1)	162.8	(3.8)	-
EPS (Rs)	2	16	(84.3)	9.1	(73.1)	14.8	(0.03)	-

Consolidated Financials

Year Ended March (Figures in Rs mn)

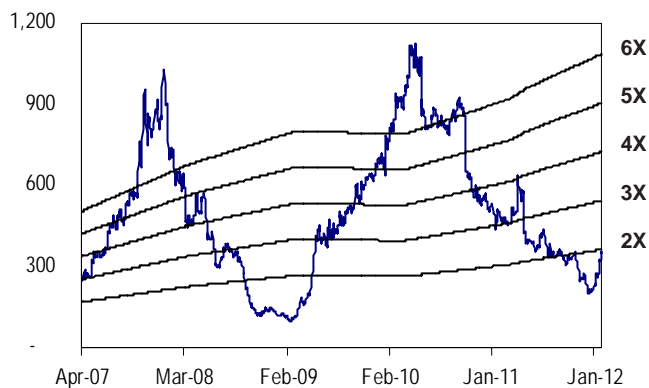
Income Statement	FY10	FY11	FY12E	FY13E	FY14E
Net Sales	8,659	11,151	14,897	16,664	18,485
Growth (%)	19.5	28.8	33.6	11.9	10.9
EBIDTA	809	214	779	1,196	1,466
Growth (%)	(8.2)	(73.5)	263.5	53.6	22.6
Other Income	124	110	45	42	46
(-) Depreciation	61	85	106	118	130
EBIT	747	240	672	1,078	1,336
(-) Interest	114	169	298	341	341
PBT & E/O Items	633	71	374	737	995
E & O Items	(18)	-	(167)	-	-
PBT	739	71	252	779	1,041
(-) Tax Provision	251	52	83	257	344
RPAT Before Minority Int.	488	19	169	522	698
Minority Interest	20	16	10	10	15
Adj Profit	485	2.7	271	512	683
Growth (%)	(9.8)	(99.4)	-	89	33
Dil. EPS	42	0.2	25	47	62

Cash Flow Statement	FY10	FY11	FY12E	FY13E	FY14E
Profit Before Tax	739	71	419	779	1,041
Depreciation	62	85	106	118	130
Net Interest Exp	124	169	298	341	341
Tax Paid	(324)	(52)	(83)	(257)	(344)
(Inc)/Dec in working capital	(521)	(572)	(1,355)	(1,161)	(514)
Other Items	1	-	-	-	-
Cash from Operation (a)	81	(300)	(615)	(181)	655
Purchase of Fixed Assets	(268)	(368)	(163)	(200)	(200)
(Purchase)/Sale of Invest.	(475)	4	-	-	-
Other Items	1	(180)	-	-	-
Cash from Investment (b)	(742)	(544)	(163)	(200)	(200)
Issue of new Capital	33	-	-	-	-
Net borrowing from bank	1,049	1,117	886	747	(90)
Dividend	(76)	(26)	(26)	(26)	(26)
Interest Paid	(125)	(169)	(298)	(341)	(341)
Cash from Fin (c)	881	923	562	381	(456)
Net change in cash (a+b+c)	220	79	(216)	-	-

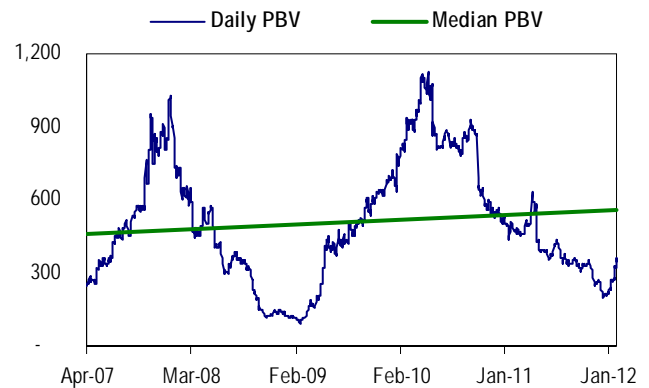
Balance Sheet	FY10	FY11	FY12E	FY13E	FY14E
Equity Share Capital	110	110	110	110	110
Reserves & Surplus	1,362	1,338	1,583	2,069	2,727
Net Worth	1,472	1,448	1,693	2,179	2,837
Total Debt	2,166	3,283	4,169	4,916	4,826
Minority Interest	597	687	697	707	722
Capital Employed	4,208	5,400	6,541	7,784	8,368
Fixed Assets	753	1,012	1,068	1,150	1,220
Net Current Assets	2,953	3,612	4,696	5,857	6,371
Investments	37	33	33	33	33
Goodwill	465	744	744	744	744
Deffered Tax Assets	27	17	17	17	17
Total Assets	4,208	5,400	6,541	7,784	8,368

Key Ratios	FY10	FY11	FY12E	FY13E	FY14E
OPM (%)	9.3	1.9	5.2	7.2	7.9
Net Margin (%)	5.3	0.0	1.8	3.1	3.7
Yield (%)	2.2	0.6	0.6	0.6	0.6
Debt/Equity	1.5	2.3	2.5	2.3	1.7
Net Working Capital (Days)	105	100	107	121	119
ROACE (%)	25.7	5.0	12.0	15.6	17.1
ROE (%)	34.4	0.2	17.2	26.4	27.2
EV/Sales (x)	0.6	0.6	0.5	0.5	0.5
EV/EBITDA (x)	6.8	30.6	9.9	7.1	5.7
P/E (x)	8.1	-	14.0	7.4	5.6
P/CEPS (x)	7.2	43.3	10.1	6.0	4.7
P/BV (x)	2.6	2.6	2.2	1.7	1.3

P/BV Band



Median P/BV v/s Daily P/BV



T E A M

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Rating Objective		
Rating	Large Caps	Mid Caps
	M.Cap > USD1bn	M.Cap <= USD1bn
Return %		
BUY	More than 15	More than 20
Accumulate	5 to 15	10 to 20
Reduce	(-)5 to +5	0 to 10
Sell	Below (-)5	Less than 0



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