

Q2FY2012 Review
 Sector: Material Handling
 BSE Sensex : 17,482

TRF

 Upgrade HOLD
 CMP Rs356
 TP Rs350

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TRF reported operationally better Q2FY12 results. Net sales on a consolidated basis increased by 38% to Rs2.7bn (PINCe Rs2.9bn). Margins at operating level were at 8.7% (after adjusting forex loss). Higher interest and unrealised foreign exchange loss impacted bottom line adversely. TRF reported PAT of Rs26mn. Adjusted PAT was Rs95mn (PINCe Rs60mn). The company, in this quarter too, failed to bag any major order which further reduces FY13 revenue visibility. However, the current L1 positions stood at Rs5bn. The product division and subsidiaries continue to perform well.

Project division disappoints again...

TRF's Q2FY12 consolidated revenue increased by 38% on a consolidated basis to Rs2.7bn mainly on account of high growth witnessed in product division. Operating margins were at 8.7% (after adjusting for unrealised forex losses). Project division witnessed a growth of 24% in revenues and incurred a loss of Rs11mn at PBIT level. However, on SA basis product division witnessed a growth of 18% in revenues to Rs685mn and 29% in profits at PBIT level to Rs137mn. Margins at PBIT level improved by 205bps to 20%. We believe margins in the standalone product division to sustain at the current levels going forward.

Subsidiaries continue to perform well...

The subsidiaries witnessed a cumulative revenue growth of 71% in Q2FY12 to Rs1.4bn. PBIT margins declined by 54bps to 5.6% for the quarter (after adjusting Rs 56mn of unrealised foreign exchange loss pertaining to this segment). 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.

Project division fails to bag orders...

In Q2FY12, no major orders were bagged by TRF in the project division. This is the fifth consecutive quarter where TRF has not bagged any major order in the project division. The current consolidated order book of the company at Rs12.8bn is down by 33% on a YoY basis. Project order book stands at Rs11.3bn and product at Rs1.5bn. Management has announced L1 positions worth Rs5bn from NTPC and expects order worth Rs3bn from Tata Steel Kalinganagar project in the coming months. Margins are expected to remain under pressure going forward.

VALUATIONS AND RECOMMENDATION

We expect TRF to witness sales CAGR of 17% (FY11-13E). Order inflows from NTPC and the Kalinganagar project of Tata Steel could provide some respite. The key triggers remain acceleration in order inflows and margin improvement in automotive business. Debt equity ratio increased to 2.4x at the end of Q2FY12. Considering the price correction witnessed in the stock in last few months we believe there is limited downside. We upgrade the stock to 'HOLD' from 'SELL' and maintain our target price of Rs350 (8x FY13E).

KEY FINANCIALS (CONSOLIDATED)

	(Rs mn)				
	FY09	FY10	FY11	FY12E	FY13E
Net Sales	7,246	8,659	11,151	13,737	15,262
YoY Gr (%)	61.3	19.5	28.8	23.2	11.1
Op.Profits	881	809	214	980	1,120
OPM (%)	12.2	9.3	1.9	7.1	7.3
Adj Net Profit	538	485	3	416	475
YoY Gr (%)	35.4	(9.8)	(99.4)	-	14.3

KEY RATIOS

Dil EPS (Rs)	36.8	42.5	0.2	37.8	43.2
ROCE (%)	39.5	25.7	5.0	16.1	16.1
RoE (%)	37.3	34.4	0.2	25.3	23.0
PER (x)	9.7	8.4	-	9.4	8.2
EV/Net Sales (x)	0.4	0.7	0.6	0.6	0.5
EV/EBITDA	3.0	7.0	31.2	7.7	6.9

QUARTERLY SNAPSHOT

(Rs mn)

	Quarter Ended		
	Mar-11	Jun-11	Sep-11
Net Sales	4,333	2,720	2,657
YoY Gr (%)	64.8	13.7	38.1
Op. Profit	55	141	232
OPM (%)	1.3	5.2	8.7
Adj.Net Profit	(14)	36	95
YoY Gr (%)	(125.5)	(44.4)	-

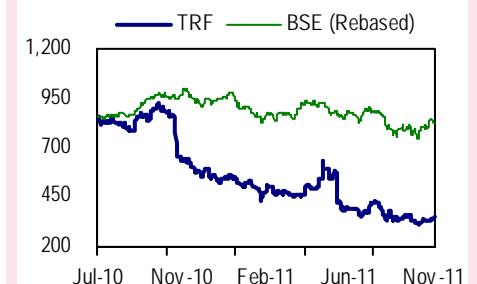
STOCK DATA

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)	Rs42mn
52 week High/Low	665/305
Bloomberg Code	TRFIN
Reuters Code	TRF.BO

PERFORMANCE (%)

	1M	3M	12M
Absolute	11.8	(0.8)	(44.3)
Relative	1.5	0.4	(34.8)

RELATIVE PERFORMANCE



Segmental Performance (Consolidated)						(Rs mn)
	Q2FY12	Q2FY11	Gr. (%)	H1FY12	H1FY11	Gr. (%)
Segment Revenues						
Projects & Services	941	760	23.9	1,978	1,871	5.8
Products & Services	2,125	1,434	48.2	4,017	2,950	36.2
Gross Sales	3,066	2,194	39.8	5,996	4,821	24.4
Less: Inter segment revenue	(409)	(269)	52.1	(618)	(503)	23.0
Net Sales	2,657	1,925	38.1	5,377	4,318	24.5
Segment PBIT						
Projects & Services	(11)	(353)	(97.0)	(71)	(316)	(77.6)
Products & Services	167	157	5.8	363	290	24.9
Total PBIT	156	(195)	(179.8)	292	(26)	(1229.3)
Add Prior Period	-	-	-	-	-	-
Less: Interest	(70)	(31)	128.1	(135)	(67)	102.0
Total PBT after exc items	86	(226)	(137.8)	157	(92)	(270.1)
Less: Net other unallocable expenses	(44)	(19)	131.7	(48)	(35)	36.5
Exceptional items	-	-	-	-	-	-
PBT	41	(245)	(116.8)	110	(127)	(186.2)
Capital Employed						
Projects & Services	2,258	1,790	26.2	2,258	1,790	26.2
Products & Services	2,689	1,995	34.8	2,689	1,995	34.8
Capital Employed in segment	4,947	3,784	30.7	4,947	3,784	30.7
Unallocated	(3,372)	(2,479)	36.0	(3,372)	(2,479)	36.0
Total	1,575	1,305	20.7	1,575	1,305	20.7
PBIT Margin (%)						
Projects & Services	(1.1)	(46.4)	-	(3.6)	(16.9)	-
Products & Services	7.8	11.0	(28.6)	9.0	9.8	(8.3)
Total	5.1	(8.9)	-	4.9	(0.5)	-
ROCE (%)						
Projects & Services	(2)	(79)	-	(3)	(18)	-
Products & Services	25	32	-	13	15	-
Net Sales Mix (%)						
Projects & Services	35	39	(10.3)	37	43	(15.1)
Products & Services	80	74	7.3	75	68	9.3
Inter Segment	(15)	(14)	10.2	(11)	(12)	(1.2)
Total	100	100	-	100	100	-

Financial Table (Consolidated)						(Rs mn)
	Q2FY12	Q2FY11	Gr. (%)	H1FY12	H1FY11	Gr. (%)
Net Sales	2,657	1,925	38.1	5,377.5	4,318.1	24.5
EBITDA	232	(235)	-	372.3	(113.0)	-
OPM (%)	8.7	(12)	-	6.92	(2.62)	-
Interest	70	31	128.1	134.5	66.6	102.0
Depreciation	25	20	27.0	48.0	37.6	27.5
PBT	14	(19)	-	109.7	(127.2)	-
RPAT	21	(220)	-	57.1	(154.8)	-
Minority Interest	6	(7)	-	8.1	(0.0)	-
Adj PAT	95	(240)	-	131.1	(175.1)	-
EPS (Rs)	9	(22)	-	11.9	(15.9)	-

Year Ended March (Figures in Rs mn)

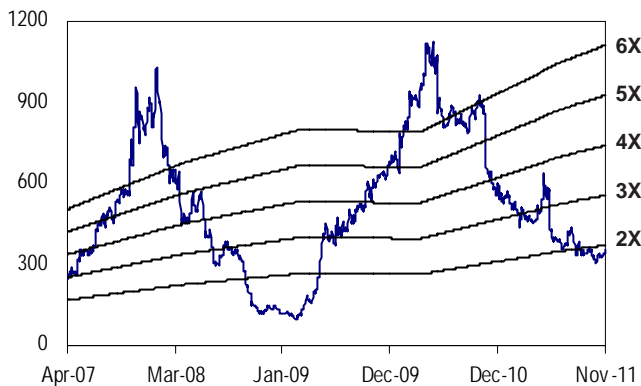
Income Statement	FY09	FY10	FY11	FY12E	FY13E
Net Sales	7,246	8,659	11,151	13,737	15,262
Growth (%)	61.3	19.5	28.8	23.2	11.1
EBIDTA	881	809	214	980	1,120
Growth (%)	61.9	(8.2)	(73.5)	357.5	14.3
Other Income	19	124	110	70	76
(-) Depreciation	38	61	85	95	105
EBIT	842	747	240	885	1,015
(-) Interest	77	114	169	260	278
PBT & E/O Items	766	633	71	625	737
E & O Items	(133)	(18)	-	-	-
PBT	652	739	71	695	814
(-) Tax Provision	247	251	52	229	268
PAT Before Minority Int.	405	488	19	466	545
Minority Interest	-	20	16	50	70
Adj Profit	538	485	2.7	416	475
Growth (%)	35.4	(9.8)	(99.4)	-	14
Dil. EPS	37	42	0.2	38	43

Cash Flow Statement	FY09	FY10	FY11	FY12E	FY13E
Profit Before Tax	651	739	71	695	814
Depreciation	39	62	85	95	105
Net Interest Exp	77	124	169	260	278
Tax Paid	(227)	(324)	(52)	(229)	(268)
(Inc)/Dec in working capital	(583)	(521)	(572)	(1,016)	(578)
Other Items	(4)	1	-	-	-
Cash from Operation (a)	(47)	81	(300)	(195)	350
Purchase of Fixed Assets	(124)	(268)	(344)	(400)	(200)
(Purchase)/Sale of Invest.	3	(475)	4	-	-
Other Items	5	1	(180)	-	-
Cash from Investment (b)	(116)	(742)	(520)	(400)	(200)
Issue of new Capital	-	33	-	-	-
Net borrowing from bank	351	1,049	1,117	610	154
Dividend	(64)	(76)	(26)	(26)	(26)
Interest Paid	(79)	(125)	(169)	(260)	(278)
Cash from Fin (c)	207	881	923	324	(150)
Net change in cash (a+b+c)	44	220	103	(271)	(0)

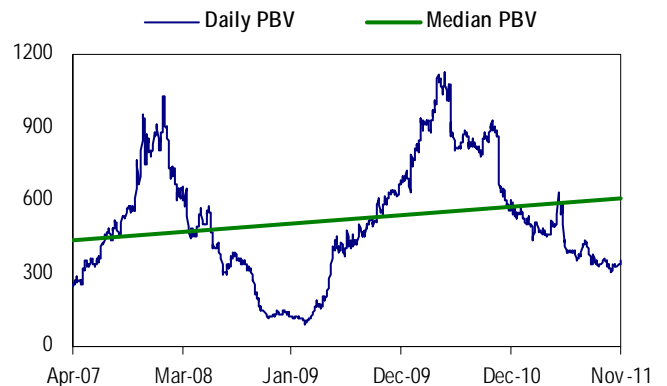
Balance Sheet	FY09	FY10	FY11	FY12E	FY13E
Equity Share Capital	55	110	110	110	110
Reserves & Surplus	1,189	1,362	1,338	1,728	2,177
Net Worth	1,244	1,472	1,448	1,838	2,287
Total Debt	934	2,166	3,283	3,893	4,047
Minority Interest	408	597	687	737	807
Capital Employed	2,579	4,208	5,400	6,450	7,124
Fixed Assets	367	753	1,012	1,316	1,412
Net Current Assets	2,033	2,953	3,612	4,357	4,935
Investments	37	37	33	33	33
Goodwill	142	465	744	744	744
Deffered Tax Assets	7	27	17	17	17
Total Assets	2,579	4,208	5,400	6,450	7,124

Key Ratios	FY09	FY10	FY11	FY12E	FY13E
OPM (%)	12.2	9.3	1.9	7.1	7.3
Net Margin (%)	5.6	5.3	0.0	3.0	3.1
Yield (%)	3.4	2.1	0.6	0.6	0.6
Debt/Equity	0.8	1.5	2.3	2.1	1.8
Net Working Capital (Days)	90	105	100	108	111
ROACE (%)	39.5	25.7	5.0	16.1	16.1
ROE (%)	37.3	34.4	0.2	25.3	23.0
EV/Sales (x)	0.4	0.7	0.6	0.6	0.5
EV/EBITDA (x)	3.0	7.0	31.2	7.7	6.9
P/E (x)	9.7	8.4	1454.7	9.4	8.2
P/CEPS (x)	4.4	7.4	44.7	7.7	6.8
P/BV (x)	3.2	2.7	2.7	2.1	1.7

P/BV Band



Median P/BV v/s Daily P/BV



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