# TRC to bid for MRT job

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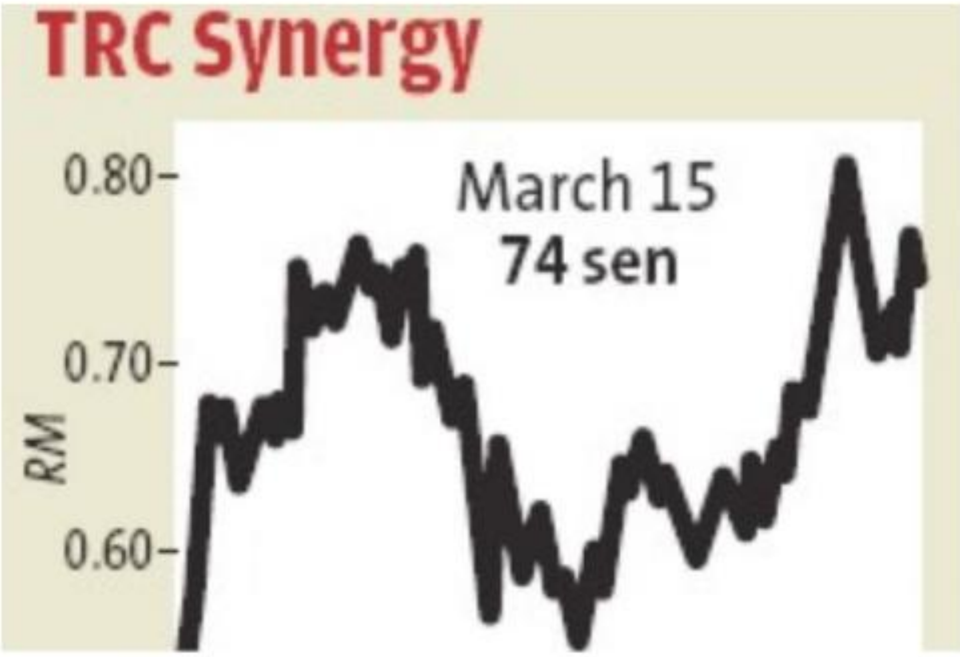
By **Analyst Reports**




TRC SYNERGY BHD By HwangDBS Vickers Research

Buy (maintained) Target price 80 sen

CONSTRUCTION and property developer TRC Synergy Bhd received a letter of award from Kompleks Dayabumi Sdn Bhd for the proposed alteration and addition of construction works to existing Kompleks Dayabumi (Phase 2) for a contract sum of RM36mil.

The contract represents TRC's first contract win for financial year ending Dec 31, 2012 (FY12) and accounts for 7% of our new order win assumption of RM500mil. We expect margins to be at around 5% to 6% typical of building jobs. The bigger catalyst remains the My Rapid Transit project.

TRC is one of 28 contractors short-listed to bid for elevated works of the Sungai Buloh-Kajang line worth RM12bil (elevated portion). It is present in all categories elevated civil works, stations and depots in both the open and bumiputra categories.

We maintain our buy rating and target price of 80 sen. This is pegged to 12 times FY12 forecast earnings per share, which is based on 25% discount to the sector average. TRC's current orderbook of RM1.3bil provides earnings visibility for the next two to three years.

TAN CHONG MOTOR HOLDINGS BHD By Hong Leong Investment Bank Research

Buy (maintained) Target price RM5.10

Tan Chong Motor targets to sell 60,000 units in financial year ended Dec 31, 2013 (FY13) and 100,000 units in FY16. It sold 32,276 units in FY11 in Malaysia. Admittedly, the target sounds ambitious, but we do not discount the possibility of achieving the target with the support of Nissan Motor. We have only imputed Nissan sales of 35,000 in FY13.

Main growth driver in FY12 will be coming from B-segment Sunny (to be launch in September-October 2012) and panel van Vanette NV200 launched in February. There will be new Sylphy generation and window van Vanette NV200 in FY13. TCM is on track with its strategy to capture a larger market share by introducing one or two new models each year.

Management concurred that the domestic market has reached maturity stage and expect total industry volume growth to be marginal going forward. Hence, TCM is embarking on its regional growth strategy aggressively. Vietnam is likely to break even only in FY13 (depending on sales volume growth). Sabah assembly plant is likely to commence by FY16 (part of its regional growth strategy) in targeting Borneo and East Indonesia market. Similarly Segambut land development is likely to be delayed at least to FY17.

Management had also suggested the possibility of exporting commercial models to the regional market (Indonesia and Thailand Nissan plants are more focused on passenger cars and 4x4 trucks).

The contract assembly for Subaru is expected to contribute RM30mil to revenue, but only marginally to bottomline due to high initial start-up cost in FY13. Significant earnings will only come in by FY14.

TCM will benefit from the recent strengthening of ringgit against US dollars (mostly completely knocked down packs) and yen (mostly completely built-up units). The introduction of Nissan Sunny into Malaysia market will create excitement and strong competition to market leader Toyota Vios and Honda City. Management targets to sell 1,000 units per month.

Risks includes prolonged tightening on lending, slowdown of Malaysia economy affecting car sales, slow market development in Indochina, particularly Vietnam and global automotive supply chain disruption.

We reiterate buy recommendation with target price at RM5.10.

AIRASIA BHD By AmResearch

Buy (maintained) Fair value RM4.20

We re-affirm our buy rating on AirAsia Bhd with an unchanged fair value of RM4.20 a share. Our sum-of-parts-derived valuation continues to peg AirAsia at 12 times financial year ending Dec 31, 2012 (FY12) forecast earnings. It was reported in a local daily yesterday that AirAsia is expected to raise some RM500mil from the listing of its 49%-owned Thai unit, Thai AirAsia (TAA).

We estimate that this will reverse TAA's shareholder's deficit of 533 million baht (as of fourth quarter ended Dec 31, 2011) to around 4.5 billion baht.

TAA has been consistently profitable since fourth quarter 2009. Last year, TAA registered two billion baht in net profit, which although flattish versus 2010, is a commendable performance taking into account the Thai floods.

The listing is said to be taking place in July, while the prospectus is expected to be out in May. The listing was supposed to take place last year but was delayed due to the floods in Thailand as well as unfavourable market valuations back then.

This development is a huge positive and underpins AirAsia's balance sheet de-gearing story. We understand, however, that the transfer of aircraft would only happen gradually as TAA builds up balance sheet capacity to take up its own aircraft financing. We estimate close to RM1.9bil worth of associate aircraft financing attributable to TAA and Indonesia AirAsia, which if taken off AirAsia's books, will improve net gearing to 0.95 times from 1.4 times (as of fourth quarter 2011).

The listing will crystallise the value of AirAsia's stake in TAA we estimate that TAA is worth some 70 sen per share. TAA still has RM30mil in accumulated losses that need to be reversed before AirAsia can start recognising the former's earnings. At the current earnings run rate, we estimate it will only take one to two more quarters before AirAsia can start equity accounting for TAA. Based on FY11 results, TAA would have contributed some RM99mil to AirAsia's earnings (at 49% stake in TAA), or a 15% enhancement to the group's bottom line.

The existence of a market value for TAA (upon listing) on top of gains on partial disposal of stake upon listing should give a better reflection of TAA's value to investors. We estimate that AirAsia's current market capitalisation only captures 25% of the value of AirAsia's stake in TAA