



## TRC Synergy Berhad

TRC – “T”hree “R”ailway “C”ontracts in hand

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**TP: RM0.77 (+22.2%)**

Last traded: RM0.63

**BUY**

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Soon after we updated on TRC Synergy Berhad (TRC) in our report titled “Getting “Rail”ly Busy in 2013” last week, TRC will get even busier after its unit Trans Resources Corporation Sdn Bhd secured another railway related project, the Sungai Buloh-Kajang KVMRT Station Package S1 under Bumiputera category worth RM283.7mn.

### Sizeable order book in hand

The Package S1 is for the construction and completion of elevated stations and other associated works at Sungai Buloh, Kampung Baru Sungai Buloh and Kota Damansara.

TRC is being appointed as a nominated sub-contractor to Syarikat Muhibbah Perniagaan dan Pembinaan Sdn Bhd, the contractor for the Package V1 of the elevated civil works

It comes after TRC has emerged as the successful bidder for the Package DPT1 worth RM459mn for the construction and completion of the Sungai Buloh maintenance depot, administrative building, external and other associated works, which was awarded early May 2012.

This is the 4<sup>th</sup> construction contracts secured in FY12 and it brings the total value of contracts secured in this year to about RM973mn. Outstanding order book breached RM2bn (see Table 1) with about 70% of the amount comes from rail related projects. The ratio of outstanding order book to construction revenue (FY2011) stands at a very impressive multiple of about 6.5x.

Table 1: TRC’s order book

No	Project	Value RM'mn	Unbilled portion RM'mn	Expected completion date
1	LRT extension - Kelana Jaya line	950	800	December 2014
2	Public housing at Precinct 8	44	25	December 2012
3	Maintenance of submarine base facilities	45	30	June 2013
4	Brunei Airport	319	300	November 2014
5	Lumut Jetty	51	45	June 2013
6	Public Housing at Precinct 14	38	30	July 2013
7	Renovation Dayabumi	36	30	June 2013
8	Samalaju Port	194	194	July 2013
9	KVMRT Sungai Buloh Depot	459	459	Q42014
10	KVMRT ST1 Station	284	284	NA
<b>Total</b>		<b>2420</b>	<b>2197</b>	

Source: Company, TA Research

Besides the expected additional earnings, we are positive on the news as we think by securing the package adjacent to the Sungai Buloh Depot package which its unit had secured earlier, it could provide some advantages in term of logistic arrangement, saving in mobilization costs and preliminaries items.

### Share Information

Bloomberg Code	TRC MK
Bursa	TRC
Stock Code	5054
Listing	Main Market
Share Cap (mn)	476.2
Market Cap (RMmn)	300.0
Par Value	1.00
52-wk Hi/Lo (RM)	0.815/0.54
12-mth Avg Daily Vol ('000 shrs)	794.1
Estimated Free Float (%)	36.6
Beta (x)	1.39

### Major Shareholders (%)

TRC Capital Sdn Bhd	12.51
Kolektif Aman Sdn Bhd	12.29
Mohd Zin Sufri bin Haji	9.74
Leong Kam Heng	9.53
Lembaga Tabung Haji	9.42
Khoow Tew Choon	6.80

### Forecast Revision

	FY12	FY13
Forecast Revision (%)	5.8	10.4
Net profit (RMm)	21.6	35.9
Consensus (RM'mn)	23.2	39.2
TA's / Consensus (%)	93.1	91.7
Previous Rating	Hold (Upgraded)	

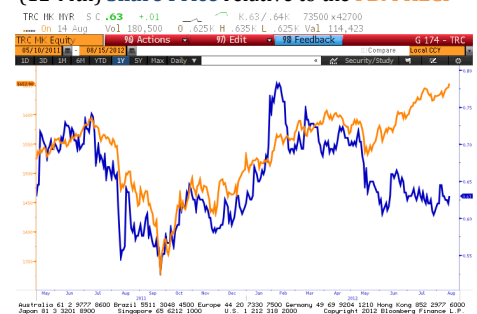
### Financial Indicators

	FY12	FY13
Net Debt / Equity (%)	Net Cash	Net Cash
CFPS (sen)	9.9	6.5
Price / CFPS (x)	6.3	9.5
ROA (%)	4.3	5.9
NTA/Share (RM)	0.7	0.7
Price/NTA (x)	0.9	0.9

### Share Performance (%)

Price Change	TRC	FBM KLCI
1 mth	0.0	1.6
3 mtn	(10.0)	4.9
6 mth	(20.8)	5.5
12 mth	9.6	11.4

### (12-Mth) Share Price relative to the FBM KLCI



Source: Bloomberg

The vast experience gained in the LRT line extension, Sungai Buloh Depot and KVMRT stations will also put the group among the front-runners for future railway related projects such as the KVMRT Line 2 & Line 3, Monorail extension, Southern Double Track, KL-Singapore High Speed Rail, KTMB Freight Relieved Line and East Coast Rail Route.

We expect significant jump in the construction revenues in FY13 and FY14. Factors such as stability of prices of construction material, smooth supply of resources such as labour, machinery and equipment for the works, and project execution will determine how well the upsurge in the top line will flow to the bottom line.

### Forecast

As the total value of contracts secured year to date has exceeded our forecast of RM700mn job replenishment for FY2012, we raise the assumption of job replenishment to RM1.1b and tweak our earnings forecast for FY12 and FY13 higher by 5.8% and 10.4% respectively.

### Valuation

We raise the target price for TRC from RM0.715/share to RM0.77/share, based on 10x CY13 earnings estimate. With the potential upside improves to 22.2%, we upgrade our call from Hold to **Buy**.

### Earnings Summary

FYE December (RMmn)	2010	2011	2012F	2013F	2014F	
Revenue	376.7	391.3	571.3	957.3	948.1	
Gross Profit	44.7	27.8	77.4	119.1	117.9	
EBITDA	24.4	9.5	36.9	49.9	51.8	
EBITDA margin (%)	54.6	34.1	47.7	41.9	43.9	
EBIT	19.3	9.5	30.7	43.6	44.6	
PBT	23.0	14.8	28.8	47.9	49.3	
PAT	16.2	13.5	21.6	35.9	37.0	
EPS *	(sen)	3.5	2.9	4.6	7.7	7.9
PER	(x)	17.5	21.3	13.4	8.1	7.8
Gross dividend *	(sen)	2.1	2.0	2.0	4.0	4.0
Dividend yield	(%)	3.4	3.2	3.2	6.5	6.5
ROE	(%)	5.4	4.2	6.7	10.6	10.4

\* adjusted for share split and bonus issue

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for TA SECURITIES HOLDINGS BERHAD(14948-M)

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