

# Analyse This...

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## Thakral Corporation

**Margins Continue to Soar.**

 THK SP  
 BUY; TP S\$0.032

 Price @18/08/11: S\$0.028  
 52-week range (SGD): 0.023-0.035  
 Market cap: S\$73.15m

### Key Highlights

- Valuation.** Taking higher gross margins, into consideration but also factoring in the slowdown in the Chinese and global economy, we reduce our target price to S\$0.032 from S\$0.05 but maintain our buy call based on 0.63x CY12 P/BV.
- Better than expected earnings.** Revenue reported for 3Q11 came in within our expectations with revenue for the first nine months of FY11 forming 69% of our projected revenue for the year. However, due to the much higher margins for the 3Q11, TCL's net income surged and beat our expectations. Accordingly, we raised our earnings projection for FY11 by 20-30%.
- Higher margins expected to persist into 4Q11.** The higher margins in 3Q11 can be attributed to TCL's strategic move into distributing higher margin products for their consumer electronics distribution business and also from the better contributions from the property business segment. The management expects such margins to persist for 4Q11.

### Results Summary

FYE Dec	2009	2010	2011F	2012F	2013F
Revenue (S\$ m)	438.8	409.3	410.6	459.8	514.9
EBITDA (S\$ m)	4.3	34.9	13.7	13.9	15.6
EBITDA margins (%)	1.0	8.5	3.3	3.0	3.0
Pretax profit (S\$ m)	10.7	39.2	13.1	13.0	14.1
Net profit (\$ m)	11.5	37.5	10.1	10.0	10.8
EPS (S cts)	0.4	1.4	0.4	0.4	0.4
EPS growth (%)	+156%	+226%	-73%	-1%	+9%
P/E (x)	6.3	1.9	7.3	7.3	6.8
Gross DPS (S cts)	0.0	0.0	0.1	0.1	0.1
Dividend yield (%)	0.0	0.0	3.6	3.6	3.6
P/NTA (x)	0.3	0.7	0.6	0.6	0.5
ROE (%)	5.3	22.9	9.1	7.9	7.9
Net cash per share (S\$)	4.5	0.4	1.6	1.8	2.0
P/CF (x)	6.8	1.9	6.9	7.0	6.4

Source: Company, CIMB Research

### Financial Highlights

FYE Dec (S\$ m)	3Q11	3Q10	yoy %	2Q11	qoq %	9M11	9M10	yoy %
			chg		chg			
Revenue	91.9	101.2	-9.2	82.7	11.1	283.0	327.8	-13.6
Operating costs	-7.9	-5.0	58.1	-5.9	32.6	-18.9	-14.9	27.0
EBITDA	5.0	1.8	181.5	2.1	137.2	10.0	5.0	99.3
EBITDA margin (%)	5.5	1.8	210.0	2.6		3.5	1.5	130.8
Depn & amort.	-0.1	-0.1	-0.9	-0.1	11.5	-0.3	-0.4	-10.4
EBIT	4.9	1.7	194.4	2.0	143.7	9.7	4.7	107.8
Interest expense	-0.3	0.0	2180.0	-0.3	-0.3	-0.9	0.0	5147.1
Interest & invt inc	0.2	0.1	90.8	0.2	7.8	0.4	0.8	-46.6
Associates' contrib	0.0	0.0		0.0		0.0	0.0	
Exceptionals	0.0	0.0		0.0		0.0	30.2	-100.0
Pretax profit	3.3	3.0	10.0	2.1	52.1	8.7	35.4	-75.4
Tax	0.0	-0.5	-91.0	-0.4	-87.9	-1.2	-1.0	18.9
Tax rate (%)	1.4	17.7		18.2		13.8	2.9	
Non-citling interests	0.3	0.0	1181.5	0.2	40.1	1.1	0.2	520.7
Net profit	2.9	2.4	18.8	1.5	90.3	6.4	34.3	-81.3
Core net profit	4.3	1.2	265.2	1.2	265.2	6.9	2.8	151.7
EPS (cts)	0.11	0.09	18.81	0.06	90.35	0.24	1.31	-81.34

Source: Company, CIMB Research

### Technical Buy



- Based on its longer term charts, we see a completed 5-wave downtrend. It is possible to count it over, which means that there is going to be a corrective move upwards in the coming months.
- Indicators are still rising, suggesting that the bulls are ready to move prices upward. However, the lack of trading volume is a negative. Without volume, prices could just trade sideways for a long while.
- Nevertheless, we are positive on the stock for the longer term. A push past the S\$0.035 levels on strong volume would signal that prices are likely to head upward towards S\$0.07-0.08 in the medium to long term. There is also a minor resistance at S\$0.05-0.055. A fall below the recent low of S\$0.023 would delay the rebound for a couple of months.

### About Thakral

Listed on the SGX Mainboard since December 1995 with its Distribution business headquartered in Shanghai, China, Thakral Corporation Ltd is in the consumer electronics distribution business as well as strategic property and equity investments.

Presently, China (including Hong Kong) and India are the Group's key markets for its products. Under its extensive consumer brand portfolio are global names such as Apple, Canon, Casio, Fuji, Hewlett-Packard, Kodak, Lenovo, Nikon, Nokia, Orion, Panasonic, Samsung and Sony. The Group has also taken up new brands such as Altec Lansing, Built, Cygnett, Empire, Logic3, Moshi Moshi, Parrot, Scott, Skullcandy and SwitchEasy.

Major products distributed under these key brands include digital cameras, data projectors, iPhones, iPads, mobile phones, plasma and LED TVs, digital photo frames, portable DVD players, iPod accessories, MP3/MP4/MP5 players, desktop and notebook computers, memory cards, personal digital assistants (PDAs), games/media players, printers, electronic accessories and consumables.

The Group also markets and distributes trendy consumer electronics products under its own proprietary brand "YES". These products include audio players and accessories, portable media players, portable DVD players, LCD/Plasma/LED-backlit LCD TVs, digital photo frames, LED flashlights, battery chargers and memory cards.

The Group is now also progressively implementing its plan to grow its investments in real estate projects in Australia.

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**HOLD:** The stock's total return is expected to range between +15% and -15% over the next three months.

**SELL:** The stock's total return is expected to be -15% or worse over the next three months.

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**NEUTRAL:** The industry, as defined by the analyst's coverage universe, has either (i) an equal number of stocks that are expected to have total returns of +15% (or better) or -15% (or worse), or (ii) stocks that are predominantly expected to have total returns that will range from +15% to -15%; both over the next three months.

**UNDERWEIGHT:** The industry, as defined by the analyst's coverage universe, has a high number of stocks that are expected to have total returns of -15% or worse over the next three months.