



LSE Securities

Transformers & Rectifiers - Buy

Transformers & Rectifiers (India) Limited (TRIL), was incorporated in 1994 and in a very short span of time has consolidated its position in the Indian Transformer Industry as a manufacturer of a wide range of transformers.

The company is engaged in the manufacturing of different types of Transformers like Power Transformer, Distribution Transformer, Rectifier Transformer, Furnace Transformer and Speciality Transformer.

Management

The management of the company is led by Jitendra U Mamtara-Chairman and Managing Director. Karuna Mamtara Executive Director, Satyen J Mamtara- Joint Managing Director. While other directors of the company includes Michael Homawalla, Rajendra Shah, Harish Rangwala and Sureshchandra Agarwal.

Business Overview

TRIL is one of India's leading transformer manufacturing companies, an ethically responsible company that operates with transparency, validate commitment and sincerity, both vertically and horizontally across the organization and inculcate a spirit of integrity.

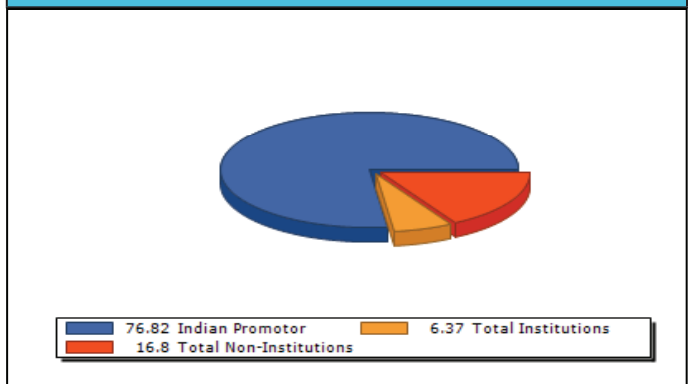
One of the manufacturing facility of the company is located at Changodar, 15 kms from Ahmedabad, a leading industrialised city of India and located on the western region. It has all required facilities to design manufacture & test transformers upto 160 MVA, 245 KV class with annual manufacturing capacity of 7000MVA per annum.

The other manufacturing facility of the company is located at Odhav, it consists of all required facilities to design manufacture & test transformers upto 15 MVA, 66 KV class with annual manufacturing capacity of 1200MVA per annum.

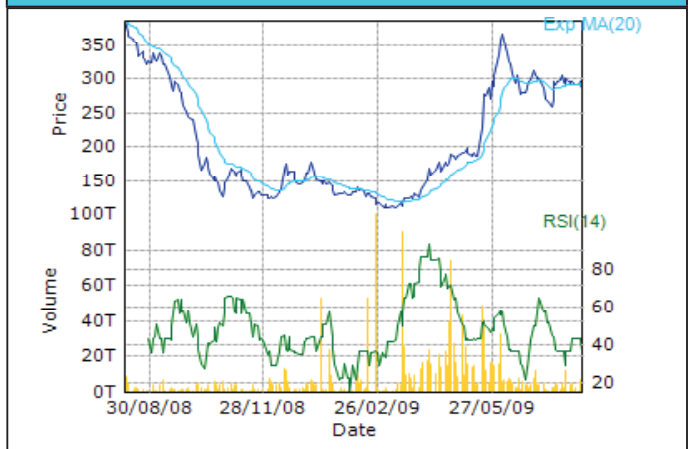
Theses facilities are equipped with world class state of the art equipment and managed by a high skilled and experienced team of production personnel who

Stock Data		10/08/09
Current Mkt Price (Rs)		276.50
52 Week High		396.90
52 Week Low		102.60
Mkt Cap (Rs. in Million)		3594.06
Return in last one Month (%)		-1.37

Share Holding



Performance in last one year



Y-o-Y Performance

Particulars	(Rs. in Million)		
	Mar 2009	Mar 2008	Change(%)
Net Sales	4250.78	3013.57	41.05
Other Income	104.01	57.68	80.31
Total Expenditure	3571.65	2431.17	46.91
Operating Profit	783.13	640.07	22.35
Interest	101.52	106.99	-5.12
Profits After Tax	441.19	331.03	33.28
Reserve & Surplus	0.02	0.02	19.69
Reported EPS(Rs)	34.14	25.61	33.29
Core EBITDA Margin (%)	16.29	18.44	-11.67



LSE Securities

consistently ensure that each and every production activity factors in an adherence to the high quality benchmarks established by the organization.

The company has recently launched its new Transformer plant at Moraiya near Ahmedabad, Gujarat. This is a full scale manufacturing unit, which will have an annual production capacity of over 16000 MVA, when fully operational probably in the next fiscal.

Recent result analysis

- Net sales of the company for the quarter ended June 30, 2009 increased by marginal 4.51% to Rs 85.94 crore compared to Rs 82.23 crore in the corresponding previous quarter.
- Net Profit of the company dipped by 5.05% to Rs 8.83 crore from Rs 9.30 crore for the quarter under review.
- The total income remained almost flat for the quarter at Rs 86.45 crore as compared to Rs 86.42 crore in the same quarter last year.
- The other income of the company too declined by 64% to Rs 0.5 crore from Rs 1.4 crore during the quarter.
- The operating expenses of the company has grown up substantially, especially the employee cost that increased by about 51% because of the one-time payment which the company has made to its employees related to performance last year.
- The company was able to maintain EBITDA Margin at 17%.
- Per MVA realization of the company were up 6% YoY from Rs 4.9 Lacs to Rs 5.2 Lacs mainly due to export sales

Industry Scenario

The Indian Transformer industry is predominantly unorganized with lots of small players catering to the small transformer market. The Transformer production for the year 2008-09 stood around 1,56,000 MVA and is likely to reach near 1,90,000 MVA in the next fiscal. The domestic market size

Q-o-Q Performance			
(Rs. in Million)			
Particulars	Jun 2009	Jun 2008	Change(%)
Net Sales	859.40	822.30	4.51
Expenditure	714.10	704.00	1.43
Other Income	5.10	41.90	-87.83
EBITDA	150.40	160.20	-6.12
Interest	10.60	14.50	-26.90
Net Profit	88.30	93.00	-5.05
EBITDA Margin (%)	0.18	0.19	-10.17
NPM (%)	0.10	0.11	-9.15
EPS	6.84	7.20	-5.00

Profit & Loss			
(Rs. in Million)			
Particulars	Mar 2009	Mar 2008	Change(%)
Net Sales	4250.78	3013.57	41.05
Total Income	4354.78	3071.25	41.79
Total Expenditure	3571.65	2431.17	46.91
Operating Profit	783.13	640.07	22.35
Profits After Tax	441.19	331.03	33.28

Balance Sheet			
(Rs. in Million)			
Particulars	Mar 2009	Mar 2008	Change(%)
Share Capital	129.24	129.24	0.00
Reserve & Surplus	2316.91	1935.75	19.69
Total Liabilities	2997.20	2408.55	24.44
Investments	782.17	776.76	0.70
Current Liabilities	810.05	781.77	3.62
Net Current Assets	1430.89	1258.60	13.69
Total Assests	2997.20	2408.55	24.44

Key Ratios		
Particulars	Mar 2009	Mar 2008
Reported EPS (Rs)	34.14	25.61
Core EBITDA Margin (%)	16.29	18.44
EBIT Margin (%)	15.77	17.88
ROA (%)	14.72	13.74
ROE (%)	18.04	16.03
ROCE (%)	25.29	25.76
Price/Book (x)	0.66	2.47
Net Sales Growth (%)	41.05	38.24
EBIT Growth (%)	22.17	87.89
PAT Growth (%)	33.28	98.73
Total Debt/Mcap (%)	0.34	0.07



LSE Securities

of the industry is also likely to grow by about 26-28%.

The Indian transformer industry is one of the most growing industries today, with government intention to add more than 78,000 MW power capacity during the eleventh five-year plan, this industry has become most relevant. Union budget for FY-2009-10 has focused on increase in outlay in schemes such as R -APDRP and RGGVY that have been undertaken for the improvement of the power sector.

Initially the government was only focusing on adding power generation capacities but now has shifted focus to strengthen the distribution system and has increased expenditure for the sector. This increase in government expenditure will indirectly result in increase in demand for distribution and power transformers.

Recent developments

The company is in talk with some major state utilities for entering into the 765 kV class transformer segment. For this purpose, the company has already been pursuing talks with players worldwide for a technical tie up / arrangement.

During the last quarter, TRIL along with three other companies has entered into MOU with PGCIL to develop 1,200 kV class transformers. The syndicate has targeted to roll out this product within the next one year.

Recommendation Factors

The company is eyeing to generate a turnover of Rs 600 crore in the current fiscal against sales of Rs 425 crore in the last fiscal.

The company's order book as of today is worth Rs 489 crore and it was able to garner an orders of Rs 250 crore in the passing quarter only, it states that the company is genuinely poised to cater the transformer market and is equally capable for that. The present order book is 1.2 times its last year sales to be executed in the coming three quarters. That means the company is already having sufficient order in its kitty.

The other factor in the favour of the company is that it has entered into the export market, earlier the domestic supply demand were sufficient enough to consume the local companies production but as the capacities has increased the exports have become a key growth driver. The company has already entered into key African & North American Markets which has seen increased inquiries & resultant orders flowing into the company over the last 9-12 months.

The company has launched its Transformer plant at Moraiya near Ahmedabad. This is a full scale manufacturing unit, which will have an annual production capacity of over 16000 MVA, when fully operational. In the current fiscal, TRIL expects production of 3,000 to 4,000 MVA from this plant. This will enable the company to more-than-tripling transformer production capacity to 23,200 MVA in FY10. The new plant will make transformers of above 220 kV class. The revenue from the new plan would start coming from the next quarter of the current fiscal.

The scrip is currently trading at Rs 276.50 and with a P/E of 8.23. We would recommend a BUY with a price target of Rs 360 on the stock, for a long term outlook, keeping in view the strong order book of the company, its capacity addition through Moraiya plant and the indication of it entering the larger class transformers market.



LSE Securities



LSE Securities Ltd.

Disclaimer : This document has been prepared by **LSE Securities** and Accord Fintech Pvt. Ltd. and is being distributed in India by **LSE Securities**, a registered broker dealer. This information in the document has been compiled by the research department. Due care has been taken in preparing the above document. However, this document is not, and should not be construed, as an offer to sell or solicitation to buy any securities.

Any act of buying, selling or otherwise dealing in any securities referred to in this document shall be at investor's sole risk and responsibility. This document may not be reproduced, distributed or published, in whole or in part, without prior permission from the company.

© Copyright - 2009 - Accord Fintech Pvt. Ltd. and **LSE Securities**