

Company Details

CMP:	Rs.352.45
Face value:	Rs.10.00
Market cap:	Rs.468.76 Crs.
TTM EPS	Rs.12.56
52 week high:	Rs.389
52 week low:	Rs.196
BSE Code:	532928
NSE Code:	TRIL
Sector	Electric Equipments

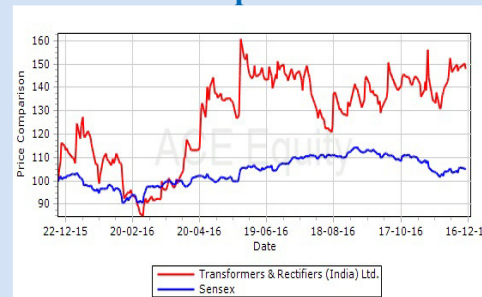
Financial Highlights (YoY)

Rs. In crores			
	FY16	FY15	% Var
Net Sales	576.37	541.69	6.40
Total Expendit	547.66	515.14	6.31
PBDIT	28.71	26.55	8.14
Op.Profit	33.75	30.06	12.28
OPM (%)	5.86	5.55	5.52
PBT	-12.54	-9.61	-
PAT	-8.54	-6.45	-
EPS (Rs.)	-6.44	-4.86	-
Equity	13.26	13.26	-

Half-Yearly Performance (YoY)

Rs. In crores			
	H1FY17	H1FY16	% Var
Net Sales	422.41	201.90	109.22
Total Expendit	383.34	203.98	87.93
PBDIT	39.07	-2.08	-
Op.Profit	41.18	-0.15	-
OPM (%)	9.75	-0.07	-
PBT	15.84	-21.83	-
PAT	10.35	-14.84	-
EPS (Rs.)	7.81	-11.19	-

Share Price Graph



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Company Background

Transformers & Rectifiers (India) Ltd., a Mumbai-based Company incorporated in 1994, is engaged in manufacture of power, distribution, furnace and specialty transformers. It has three manufacturing facilities in Changodhar, Odhav and Moraiya. Currently, it has the second-largest installed capacity of 33,000 MVA in India. The State Electricity Boards (SEBs), Power Grid Corporation of India Limited (PGCIL) and NTPC are some of the major clients and contribute about 85% of the company's overall order backlog (33-765 kV).

Financial Performance

During FY16, the net sales of the Company at Rs.576.37 crores were up by 6.4% but it recorded net loss of Rs.12.54 crores compared to loss of Rs.9.61 crores during FY15. For the past several years, the Company has not shown any major increase in sales and reported loss in last two years because of sluggish power sector and dumping from China & South Korea.

However, the scenario seems to have changed during H1FY17, where the net sales of the Company at Rs.422.41 crores are up by 109.2% and PAT has improved from loss of Rs.14.84 crores during H1FY16 to Rs.10.35 crores for H1FY17 on account of strong execution of third party orders (Vijay Electrical) and order inflow from State Transcom & PGCIL. The operating profit margin of the Company has improved from negative during H1FY16 to 9.8% during H1FY17 on the back of fall in raw material prices and other costs. The EPS has increased from negative Rs.11.19 for H1FY16 to Rs.7.80 for H1FY17.

Investment Rationale

- With strong Govt. focus on supplying 24x7 power for all, revival of Discoms through UDAY, amendments to the national tariff policy and strong capital expenditure in Transmission and Distribution, India's power sector is well poised for take-off. **The Company, with 85% of its revenue coming from the power transformer and balance from distribution transformer, stands to derive major benefit. This augurs well for the Company for the coming few years.**
- The Company is expected to get some further benefits from the 'Make in India' requirement that only companies that have a manufacturing set-up in India can participate in the bidding process of PSUs (public sector units) /SEBs. This requirement has eliminated the competition from Chinese and South Korean vendors.
- The management of the Company has provided guidance of Rs.850-900 crores revenue and 10%-11% EBITDA margins for FY17E. The current capacity utilisation is 60%-70% and is expected to reach at 80%-82% in next year.
- Currently, the company has order book of Rs.980 crores of around 29,622MVA (mega volt ampere) that showing strong revenue visibility in the coming two years. It also received a breakthrough order for 13,765kV (kilo-volt) class reactors from Power Grid Corporation of India Limited (PGCIL). It has Rs.80 crores of export orders (Arc furnace transformer) from Mexico and South Africa, Rs.205 crores pertains to third party (domestic player, Vijay Electricals) export orders. Further, Rs.95 crores of orders in backlog belongs to solar power projects. The Company has received order inflow of Rs.342 crores majorly driven by State Transcom orders at end of Q2FY17.
- State Electricity Boards are largely spending on power transformers (33-765 kV) and overall transformer industry is estimated to catapult to Rs.5700 crores (CAGR 23%) in FY18E from Rs.3000 crores in FY15. Further, limited players above 220 kV will ensure stable pricing for power transformers over the next 2 years. We estimate the Company to clock order inflow of 21% CAGR over FY16-18E.
- It has entered into a joint venture agreement (JVA) with Jiangsu Jingke Smart Electric Company(Jingke), which was incorporated for purpose of starting the business of manufacturing and marketing of GIS/HGIS/TGIS systems and products for 220kV and below and distribution products of 40.5 kV and below in India. The company will hold 60% of share of joint venture and balance by Jingke. This acquisition will help the Company to participate in upcoming opportunities in Smart Cities. This venture will bring in around Rs.200 crores revenues in FY18.
- The promoters hold 74.9% equity capital of the Company, followed by institutions and non-promoter corporates that hold 5.5% and 1.1%, respectively, and the balance 18.5% shares are held by the public. **It is pertinent to mention that institutions have increased their stake in the Company from 3.3% at the end of September, 2015 to 5.5% at the end of September, 2016.**

Concerns

Slow down in economy, delay in project execution and exchange rate fluctuations are some of the concerns.

Valuation

The share of the Company is trading at a lower P/E of 13x on estimated earnings of Rs.26 for FY18E against that of industry at 20.5x. Keeping in view the positive outlook for power & power equipment industries, turnaround in financial performance in the Company, strong order book position, recent JVA with Chinese company, margin expansion, higher promoters holding and reasonably low PE ratio, we recommend a buy on share of this Company with an expected price appreciation of about 30% over the next 12 months.

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