

Chang Kok Keong

☎ 65-6531 1295

FAX 65-6536 4435

✉ changkk@phillip.com.sg

Recommendation:

HOLD

Previous call: Hold

Price

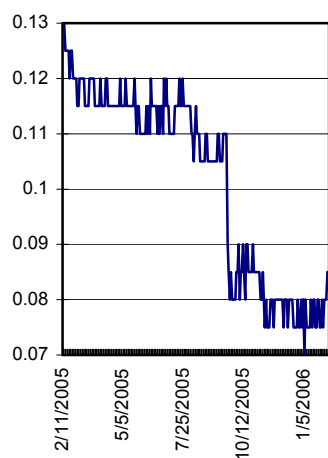
Previous close **\$0.085**
Target **\$0.11**

Share Statistics

Shares	1,762.1m
Market Cap.	149.8m
Trailing PER	8.1x
Forward PER	NA
P/NTA	0.63x
52-week Price Range	0.07-0.135
52-week PER Range	6.7-12.9x
Listing Bourse	SGX- MainBoard
Major Shareholders	Avenue Asia 24.5%, Thakral Investment 16.3%

Source: Bloomberg; Phillip Securities Research

Price Chart



Company Profile

Thakral Corp is a specialist in Supply Chain Management, Marketing and Brand Building. The Group is also involved strategically in contract manufacturing, as well as logistics and property

Thakral Corporation Limited

(SGX-MAS Research Incentive Scheme)

Challenging times ahead

10th February 2006

Segmental results: Revenue for 3Q06 fell sharply to \$90.2M on the back of weaker than expected contribution from the Supply Chain Management (“SCM”) division. NPATMI for 3Q06 stands at \$0.6M mainly due to the strong performance from the Property division. The SCM division is still affected by keen competition and parallel imports of competing models in the key China market. Operating margin improved from -1.3% to -0.4% (excluding exceptional items) QoQ due to better cost control and lower advertising cost. The drop in revenue was partially offset by the strong performance from the Property division, which clocked in revenue for the sales of some residential units in China. While the Electronic Manufacturing Services (“EMS”) division reported flat revenue, operating margin improved to almost breakeven level. This is due to the better margin for consignment projects. Other operating expenses, such as distribution and administrative cost, remained at a relatively flat level. Thakral also recorded a foreign exchange gain of \$1M in the quarter.

Rights and bonds issue: The rights and convertible bonds subscription had just closed and the subscription level is still unknown. Substantial shareholder, Thakral Investment Limited with a 16.3% stake, had announced earlier that it would not be subscribing for its rights and bonds entitlements. It is still unclear currently whether Thakral will carry on with its planned investment in property related activities in Asia. If so, the Company may require to take on additional borrowings to fund its investment plans.

Outlook: Outlook still remains very challenging for Thakral. Although operating margin for the SCM division has improved slightly in 3Q06, it is still a far cry as compared to that of FY05. Impact of parallel imports does not appear to alleviate significantly and we expect the margin of the SCM division to continue to come under pressure going forward. With the EMS division almost achieving breakeven in 3Q06, it will not be a surprise if they turn profitable in 4Q06 on an operating level. With the residential property sales completed, we do not expect the Property division to contribute significantly to the bottom line in 4Q06.

While the improving margin at the EMS division is a good sign, the flow of parallel imports does not seem to wither down in 3Q06 as expected and will continue to have a impact on the margin of the core SCM business. The weaker than expected 3Q revenue also does not bode well for the division.

Recommendation: We are concerned on the weak revenue number from the SCM division and the challenges it faces. Without the contribution of the Property division in 4Q06 and assuming there is no foreign exchange gain, we expect net profit number to dip back into the red. With no concrete solution on hand, outlook for the Company remains cloudy.

We have further lowered our forecast for FY06 to account for the recovery of the SCM division, which did not materialise. We are maintaining our FY07

forecast for the time being till we are able to gain more visibility. We maintain our HOLD call and price target of \$0.11, which translates into a 0.85x FY06 book value.

Key Financial Data

(Financial Year Ended 31st March)

	3Q06	2Q06	3Q05	9M06	QoQ	FY06	FY07
Turnover (S\$ m)	90.2	105.8	139.3	322.1	-14.7%	417.3	563.6
EBITDA (S\$ m)	2.9	-27.9	5.2	-21.8	n.m	-23.4	22.5
EBIT (S\$ m)	2.1	-28.6	4.7	-24.1	n.m	-26.4	18.1
NPATMI (S\$ m)	0.6	-28.1	4.4	-25.3	n.m	-29.0	17.2
ROE (%)	0.3	-24.6	11.1	-14.1	n.m	-12.8	6.9
EPS (cents)	0.03	-1.6	0.3	-1.4	n.m	-1.6	1.0
Book value per Share (cents)	13.6	13.0	11.1	13.6	4.2%	13.3	14.3

Source: Company, Phillip Securities Research

KK

Signed

Business Segment	3Q06	Operating Profit	9M06	Operating Profit	9M05	Operating Profit
Supply Chain Management (S\$m)	76.7	-0.4	299.5	-19.8	386.2	20.2
Electronic Manufacturing Services (S\$m)	4.5	-0.1	11.7	-2.8	11.8	-1.8
Property Holding (S\$m)	8.3	2.9	8.5	2.6	1.2	-1.4
Others (S\$m)	0.7	-0.7	2.3	-2.6	1.2	-1.4
Total	105.8	1.8	322.1	-7.0	261.2	10.3

Source: Company, Phillip Securities Research

Phillip Research Stock Selection Systems

BUY	>15% upside from the current price
HOLD	Trade within \pm 15% from the current price
SELL	>15% downside from the current price

GENERAL DISCLAIMER

The addressee of this publication, as identified by Phillip Securities Research Pte Ltd ("Phillip Securities Research"), agrees to be bound by the terms and limitations set out below (the "designated recipient"). If you have received this publication and are not a designated recipient as defined above, then in addition and without prejudice to the following, Phillip Securities Research shall not owe any duty of care to you.

This publication is confidential and is only available to and intended for the reference of designated recipients and shall not be reproduced in whole or in part, distributed or published by such designated recipient for any purpose. Phillip Securities Research shall not be liable for any direct or consequential loss arising from any use of material contained in this publication.

The information contained in this publication has been obtained from public sources which Phillip Securities Research has no reason to believe are unreliable and any analysis, forecasts, projections, expectations and opinions (collectively the "Research") contained in this publication are based on such information and are expressions of belief only. Phillip Securities Research has not verified this information and no representation or warranty, express or implied, is made that such information or Research is accurate, complete or verified or should be relied upon as such. Any such information or Research contained in this publication are subject to change, and Phillip Securities Research shall not have any responsibility to maintain the data and services made available or to supply any corrections, updates or releases in connection therewith. In no event will Phillip Securities Research be liable for any special, indirect, incidental or consequential damages which may be incurred from the use of the data or services made available, even if it has been advised of the possibility of such damages.

Non-applicability of Section 27 of the Financial Advisers Act (Act 43 of 2001) and the MAS Notice on Recommendations on Investment Products

Section 27 of the Financial Advisers Act (Act 43 of 2001) and the MAS Notice on Recommendations on Investment Products of 1 October 2002 do not apply in respect of this publication.

This material has been prepared for informational purposes only, and opinions contained in this publication have been made on a general basis. In the preparation of this publication, no consideration has been given to any particular individual or specific investment objectives, financial situations or other circumstances. As such, this publication should not be relied upon as authoritative without further being subject to the recipient's own independent verification and exercise of judgment. The fact that this publication has been made available constitutes neither a recommendation to enter into a particular transaction nor a representation that any product described in this material is suitable or appropriate for the recipient. Recipients should be aware that many of the products which may be described in this publication involve significant risks and may not be suitable for all investors, and that any decision to enter into transactions involving such products should not be made unless all such risks are understood and an independent determination has been made that such transactions would be appropriate. Any discussion of the risks contained herein with respect to any product should not be considered to be a disclosure of all risks or a complete discussion of such risks.

Nothing in this report shall be construed to be an offer or solicitation for the purchase or sale of a security. Any decision to purchase securities mentioned in this research should take into account existing public information, including any registered prospectus in respect of such security.

Statement Pursuant to Section 36 of the Financial Advisers Act. Phillip Securities Research Pte Ltd and its directors and employees may have interest in the securities recommended herein from time to time, and its associates and connected persons may also have positions from time to time. Opinions and views expressed in this report are subject to change without notice.

The information, tools and material presented herein are not directed, intended for distribution to or use by, any person or entity in any jurisdiction or country where such distribution, publication, availability or use would be contrary to the applicable law or regulation which would subject Phillip Securities Research to any registration or licensing requirement or penalty for contravention of such requirements within such jurisdiction.

© 2006 Phillip Securities Research Private Limited

PhillipCapital – Regional Member Companies

SINGAPORE

Phillip Securities Pte Ltd

Raffles City Tower
250, North Bridge Road #06-00
Singapore 179101
Tel : (65) 6531 6003
Fax : (65) 6535 6631
Website : www.poems.com.sg

MALAYSIA

Phillip Capital Management Sdn Bhd

B-2-6 Megan Phileo Avenue
12 Jln Yap Kwan Seng
50450 Kuala Lumpur
Tel : (603) 2166 8099
Fax : (603) 2166 5099
Website : www.poems.com.my

HONG KONG

Phillip Securities (HK) Ltd

11-12/F United Centre
95 Queensway, Hong Kong
Tel : (852) 2277 6600
Fax : (852) 2868 5307
Website : www.poems.com.hk

THAILAND

Phillip Securities (Thailand) Public Co Ltd

15/F, Vorawat Building
849 Silom Road
Bangkok Thailand 10500
Tel : (622) 635 7100
Fax : (622) 635 1616
Website : www.poems.in.th

JAPAN

The Naruse Securities Co Ltd

4-2, Nihonbashi Kabutocho
Chuo Ku, Tokyo
Japan 103-0026
Tel : (81) 03-3666-2101
Fax : (81) 03-3664-0141
Website : www.naruse-sec.co.jp

UNITED KINGDOM

Phillip Securities (UK) Ltd

3rd Floor Mansell Street
London E1 8AN
Tel : (44) 207 553 8280
Fax : (44) 207 954 9910
Website : www.phillip-uk.com