

Singapore Trader's Spectrum IPO Snapshot

DBS Group Research . Equity .

10 May 2006

ANALYST

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Listing Details

Listing Date: 10th May 2006

Quotation: SGX-SESDAQ

Business Description

Key Activities: Install, service & trade air-condition systems;

Manuf/Sale of Switchgear

Customers: Joho Engineering & Services Pte Ltd

Suppliers: Daikin

Airconditioning, Panasonic,

Mitsubishi Electric Asia

Issue Statistics

Underwriter: Westcomb Securities

Issue Manager: PrimePartners

Offer Price (\$\$):	0.2
Funds Raised (\$\$m):	4.40
Net Proceeds (\$\$m):	3.20
Pre Share Cap ('000):	66,160
New Shares ('000):	22,000
Vendor Shares ('000):	0
Placement ('000):	21,000
Public Offer ('000):	1,000
Post Share Cap ('000):	88,160
Mkt Cap (\$\$m):	17.63

Management

Dr Wu Ching (Chairman)

Mr Chen Choon Khee (CEO)

Valuation Metrics

FYE Dec (\$\$'000)	
Revenue	39,513
EPS (\$ cts)	3.1
P/E (x)	6.4
BV/Shre (\$ cts)	7.2
P/B (x)	2.8
ROE (%)	44%
ROA (%)	12%
Net Gearing (%)	101%
Cash % of	
Net Assets	12%
Cash % of	
Current Assets	6%
Cash/Shre (\$ cts)	4.45

* Based on Post-IPO Share Cap

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Refer to important disclosures at the end of this report

Natural Cool

Please refer to Prospectus for further details.

Company Profile

Engaged in the installation and servicing of air-conditioning systems, serving both the retail and commercial sectors.

Strengthen presence in the commercial sector with the horizontal expansion into switchgear manufacturing and sale.

The Group engages in the trading of air-conditioning systems, air-conditioning components and other tools to other entities in the business of retail installation.

The Group has a total of five subsidiaries, three in Singapore and one each in India and the PRC.

Use of Proceeds

\$1.00 million for the regional expansion of the business of Natural Cool (Shanghai) in PRC.

\$1.00 million for the setting up of the manufacturing plant in India under VNS India.

\$0.75 million for development engineering, recycling and reconditioning activities.

The balance for general working capital purposes.

Financial Summary

Profit & Loss

FYE Dec (\$\$'000)	FY02	FY03	FY04
Revenue	25,279	33,938	39,513
Gross Profit	3,295	5,288	9,145
Operating Profit	355	929	3,735
Net Profit	175	669	2,764

Balance Sheet

FYE Dec (\$\$'000)	FY04
Current Assets	13,577
Non-Current Assets	9,099
Current Liabilities	12,361
Non-Current Liabilities	3,984
Net Current Assets	1,217
Shareholder's Equity	6,325

IPO Snapshot

SWOT Analysis

Strengths:

The Group derives synergy from the integration of its air-conditioning and switchgear operations. It is able to pitch for bigger projects at more competitive bids, and to provide a better range of products and services to cater to the various market segments' needs.

The Group is able to achieve economies of scale through the quantity and consistency of its purchases to fulfil the requirements of its various business units for its operations. This allows the Group to remain cost competitive and provides it with a competitive advantage over other competitors.

The Group is able to cross-refer or to tap on the resources and expertise of its various business segments to provide efficient and timely services.

The Group adopts strict quality assurance and control measures in its manufacturing and service process to ensure consistency and reliability in its products and services. It has been certified by independent accreditation authorities such as SPRING Singapore, ASTA, PSB and AJA, accredited by UKAS.

The Group has established close relationships with its suppliers. It is the authorised dealer and a major stockist for various brands of air-conditioning systems and electrical components.

Weaknesses:

The Group is subject to competition from existing industry players and new entrants. If its competitors are able to provide comparable products and services at more competitive prices or better quality and value added services than the Group, it may lose its customers.

The Group is highly dependent on various business associates for referrals. In the event that referrals decrease, financial performance for both the Group's air-conditioning and switchgear businesses will be adversely affected.

Some of the Group's customers are contractors who normally receive progressive payments upon achieving certain milestones. The irregular cash flow experienced by the contractors may affect their ability to pay and there can be no assurance on the timeliness of payments.

Opportunities:

Given the tropical climate of Singapore and its economic improvements, air-conditioning systems have evolved to becoming commonplace items. With the rapid expansion of the PRC and India economies, there are also huge potential for growth in the consumption of air-conditioning systems and switchgears.

The Singapore Government's drive for upgrading programmes involves upgrading works which include the replacement and upgrading of switchgears and switchgear related equipment. This will increase the demand in both the air-conditioning and switchgear industries.

The amendment of Singapore Government's residential policies has facilitated greater demand for public housing from HDB and private properties. This increase in demand will result in an increase in demand for new air-conditioning systems and switchgears.

The move to a higher standard for air-conditioning systems which is environmentally-friendly presents new opportunities for the Group, both in the area of gas-replacement and also in the installation of new air-conditioning systems which are compliant with the new standards.

Threats:

As the Group derives a significant portion of its revenue from property owners, developers, contractors & interior designers, it is subjected to the cyclical nature of the construction industry. In the event there is a slowdown in the construction industry, the Group's turnover would be adversely affected.

The Group's Singapore operations are dependent on foreign labour. Any change in governmental policies which increase levies or restrict the employment of foreign workers in Singapore may result in higher employment costs and would affect the Group's profitability.

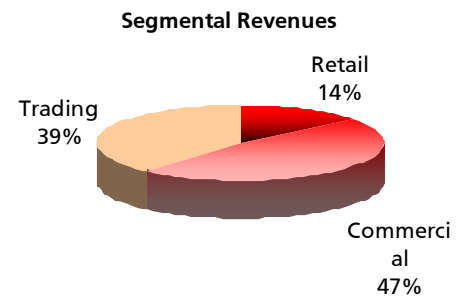
The Group is dependent on the political, economic, regulatory and social conditions in the countries in which it operates. Any changes in the policies which are detrimental to the Group's business, could adversely affect its operations, financial performance and future growth.

IPO Snapshot

Business Segmentals

Segmental Revenues	FY02	FY03	FY04
Retail	5,254	5,469	5,668
Commercial	4,153	13,575	18,529
Trading	15,872	14,894	15,316
Total	25,279	33,938	39,513

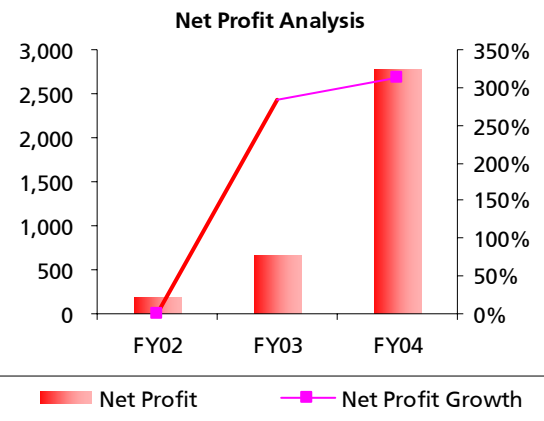
Segmental Gross Profits	FY02	FY03	FY04
Retail	1,132	1,547	1,888
Commercial	1,045	2,970	5,159
Trading	1,118	771	2,099
Total	3,295	5,288	9,146



Financial Statements & Ratios

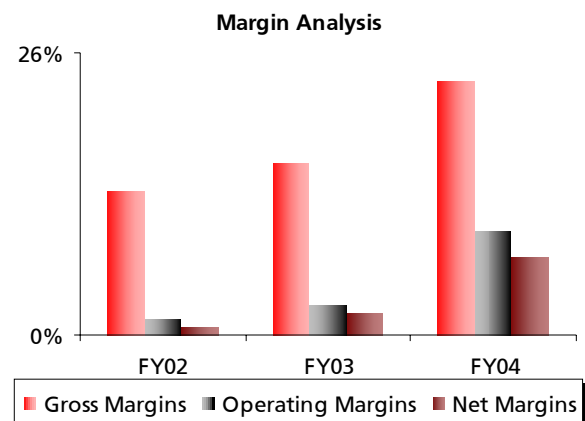
Profit & Loss

FYE Dec (S\$'000)	FY02	FY03	FY04
Revenue	25,279	33,938	39,513
Cost of Sales	(21,984)	(28,650)	(30,367)
Gross Profit	3,295	5,288	9,145
S,G & A Expenses	(2,816)	(4,298)	(5,253)
Other Expenses	(123)	(60)	(158)
Operating Profit	355	929	3,735
Other Income	11	78	119
Finance Costs	(160)	(170)	(304)
Associates	0	0	0
Profit Before Tax (PBT)	206	838	3,549
Tax	(31)	(169)	(781)
Minority Interests	0	0	(5)
Net Profit	175	669	2,764



Margin Analysis

	FY02	FY03	FY04
Gross Margins	13%	16%	23%
Operating Margins	1%	3%	9%
Net Margins	1%	2%	7%
S, G & A % of Revenue	11%	13%	13%
Tax Margins % of PBT	15%	20%	22%



Growth Rates (%)

	FY02	FY03	FY04
Revenues	na	34%	16%
Cost of Sales	na	30%	6%
S,G & A Expenses	na	53%	22%
Operating Profit	na	162%	302%
Finance Costs	na	6%	79%
Profit Before Tax (PBT)	na	308%	324%
Net Profit Growth	na	283%	313%

IPO Snapshot

Financial Statements & Ratios

Balance Sheet

FYE Dec (S\$'000)	FY04
Current Assets	
Cash & Equivalents	763
Total Receivables	9,255
Inventory	3,544
Other	15
	<u>13,577</u>
Non-Current Assets	
Property, Plant & Equipment	8,994
Long Term Investments	0
Other	105
	<u>9,099</u>
Total Assets	<u><u>22,676</u></u>

Current Liabilities

Total Payables	8,334
Total Short Term Loans	3,247
Tax Payable	779
Other	0
	<u>12,361</u>

Non-Current Liabilities

Total Long Term Loans	3,877
Other	107
	<u>3,984</u>
Total Liabilities	<u><u>16,351</u></u>

Minority Interest

	<u>6</u>
Net Current Assets	<u>1,217</u>
Net Assets	<u><u>6,325</u></u>

Shareholder's Equity

	<u><u>6,325</u></u>
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Cash Flow Statement

FYE Dec (S\$'000)	FY04
Cash from Operations	286
Cash used in Investing	(837)
Cash from Financing	1,157
Net Increase/Decrease in Cash	<u>606</u>
Cash at start of year	117
Effect of foreign exchange	0
Cash at end of year	<u>723</u>
Net Proceeds from IPO	<u>3,200</u>
Cash After Net Proceeds from IPO	<u><u>3,923</u></u>

Ratio Analysis

Ratio Summary	FY02	FY03	FY04
EPS (S cents)	0.2	0.8	3.1
EPS Growth (%)	na	283%	313%
P/E (x)	100.9	26.4	6.4
BV/Share (S cents)	na	na	7.2
P/B (x)	na	na	2.8
ROE (%)	na	na	44%
ROA (%)	na	na	12%
Net Gearing (%)	na	na	101%
Cash per Share (S cents)	na	na	4.45
Cash % of Net Assets	na	na	12%
Cash % of Total Current Assets	na	na	6%
Total Receivables % of Current Assets	na	na	68%
Current Assets % Total Assets	na	na	60%

* Based on Post-IPO Share Cap

Peers Comparison

Company (Mrk Cap in S\$m)	Mrk Cap	P/E	P/B	Net Gear (%)	Net Mgn (%)
Jiangsu Shuangliang Air-Con	1526.9	50.2	1.8	-32.0	6.7

Source: Bloomberg 8th May 2006

IPO Snapshot

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