SECTOR UPDATE

16 March 2010

THAILAND

Dry Bulk Shipping

OVERWEIGHT | Maintained

Divergent strategies, different outcomes

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- **Switch from TTA to PSL; bulk sector remains OVERWEIGHT.** After registering shock shipping losses last quarter, we have become wary of TTA's ability to deliver good earnings performance. More fundamentally, TTA's strategy of deferring vessel renewal will constrain future profit growth compared against PSL which is expanding after an accelerated disposal programme. In our opinion, PSL has the superior strategy with re-rating catalysts being revenue growth from more capacity and higher rates, and a reduction in unit costs as fleet age falls dramatically. We expect TTA's share price to remain at a discount to its sum-of-parts unless it re-energises its bulk shipping division with better earnings. Hence, we are downgrading our recommendation on TTA from Outperform to NEUTRAL with a lower target price of THB29 (from THB38) but maintain our OUTPERFORM recommendation on PSL with a higher target price of THB23 (from THB20.90). We leave PSL forecasts unchanged but cut TTA's FY10 EPS by around 50%.
- **The *yang* of Thai bulk shipping…** PSL's shipping strategy has been crystal clear over the past 15 months – sell 25 of its oldest ships, buy back another 25 newer ships to take advantage of weak asset prices and stick to its long-term industrial shipping model to reduce risk. Execution has been excellent, with the targeted disposals fully completed and two second-hand ships purchased. The average operating cost/day will decline after the disposals and should fall even further once the acquisitions are completed. PSL also managed to secure time charter contracts for many of its newbuilding and second-hand acquisitions at attractive terms.
- **…and the *yin*.** TTA continues to be circumspect in its fleet renewal, preferring to focus resources on business diversification. Vessels reaching 25 years old are disposed of to avoid expensive dry docking but are not replaced as TTA is still aiming to buy at lower prices. The unfortunate effect is an increase in average vessel operating cost/day as overheads have not reduced at the same pace. Unless TTA changes its view about the direction of vessel prices, its bulk fleet will continue to shrink with disposals and squeeze margins. In mitigation, the termination of the liner business from March may help lift average rates as ships are redeployed to more lucrative tramp trades. TTA expects the bulk division, which made 1Q losses (quarter ended December 2009), to breakeven in 2Q and turn a profit in 2HFY10.
- **PSL offers growth clarity and is our preferred Thai bulk exposure.** Our new target price for PSL is based on a 10% premium on its SOP (previously none), given its significant earnings growth in FY11. On the other hand, TTA's reticence in vessel acquisitions will hurt its near-term earnings and growth prospects for shipping. The acquisitions of UMS and Baconco as well as growth at Mermaid Maritime should help group earnings but we believe investors still see TTA as a bulk shipping play. Also, investors interested in Mermaid can get direct exposure through its SGX listing. Hence, we are now placing a 20% discount on its SOP (previously none).

Sector comparisons

	Bloomberg ticker	Recom.	Price (Local)	Target price (Local)	Mkt cap (US$ m)	Core P/E (x) CY2010	Core P/E (x) CY2011	3-yr EPS CAGR (%)	P/BV (x) CY2010	ROE (%) CY2010	Div yield (%) CY2010
Precious Shipping	PSL TB	O	18.90	23.00	604	9.1	4.5	32.3	1.1	12.3	6.3
TTA	TTA TB	N	25.25	29.00	549	31.9	12.3	23.9	0.7	2.9	1.1
STX	STX SP	O	16.10	17.30	2,377	11.8	8.7	259.1	1.0	9.2	0.0
Pacific Basin	2343 HK	O	6.57	8.15	1,616	13.3	8.7	20.4	1.1	8.6	4.5
Maybulk	MBC MK	U	3.16	2.70	956	15.1	12.5	15.2	1.7	11.5	3.0
Simple average						**16.2**	**9.3**	**69.9**	**1.1**	**8.9**	**3.0**

O = Outperform, N = Neutral, U = Underperform, TB = Trading Buy and TS = Trading Sell
Source: Company, CIMB-GK Research

Divergent strategies

PSL and TTA have very different strategies for their growth as PSL steadfastly sticks to its core bulk shipping business while TTA is keen to diversify away from dry bulk. In addition, the two Thai companies are renewing their dry bulk fleets at varying speeds. PSL is already expanding after an accelerated disposal programme but TTA is still continuing its fleet sales while holding back on new acquisitions until it can secure lower prices. As a result, PSL should be able to deliver substantial capacity-led earnings growth in the next few years while TTA may lag behind.

Although the TTA group has invested in other growth legs like Mermaid Maritime, Baconco, UMS and Merton, we believe that investors have traditionally viewed TTA as a dry bulk play and this perception may be difficult to change in the near term. Furthermore, investors will need time to become familiar and comfortable with Baconco and UMS while direct exposure to Mermaid Maritime (MMT SP, Not Rated) can be secured through its listing on the Singapore Exchange. In our opinion, the direction of TTA's share price will depend primarily on the prospects of its dry bulk division,which, unfortunately, has been dimmed by the unexpected losses incurred during the December quarter. TTA's reticence in buying more vessels may cause its dry bulk fleet size to contract from 35 ships at end-FY09 to only 26 ships at end-FY10. At the end of FY13, we expect TTA to have a fleet of only 30 vessels, assuming no change in strategic outlook, five ships less that its fleet size at the end of last year.

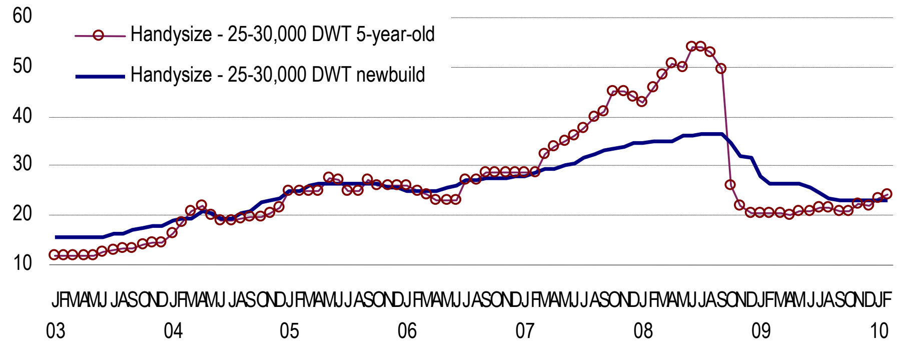
In contrast, PSL has demonstrated clarity of vision and smooth business execution, quickly disposing of 25 vessels with an average age of 25 years as soon as they came off-charter. The company is now in the market for a further 23 vessels after already buying two. Fleet renewal will reduce average operating costs and increase earnings prospects as charterers favour newer vessels. We forecast PSL to increase its fleet size from 24 vessels at end-FY09 to 43 ships at end-FY10 and rising further to 64 vessels by the end of FY13 after factoring in the newbuilding pipeline. We believe that investors will understand and appreciate this simple but effective strategy that will deliver earnings growth.

Second hand prices rising

TTA's reticence in immediate vessel acquisitions is founded on its view that current second-hand market prices for ships are too high. Hence, it will not be able to achieve its threshold ROE target on the basis of certain long-term average rate assumptions. It is extremely difficult to estimate what long-term average TCE rates will be but, in our opinion, the balance of probabilities suggests that near- to medium-term ship prices are unlikely to decline significantly, if at all.

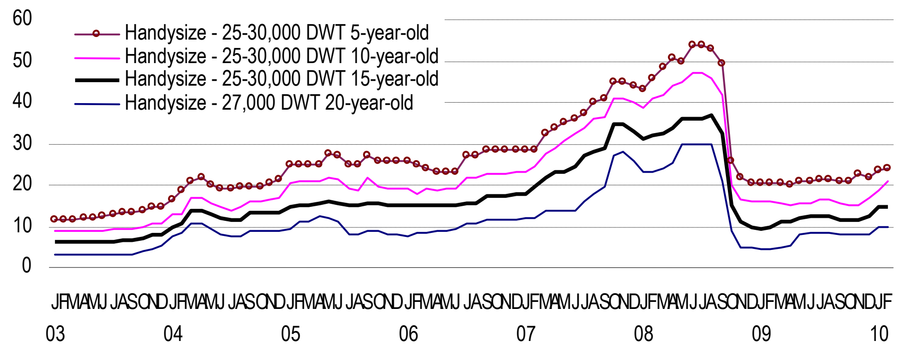
Second-hand handysize vessel prices have risen 20% from a low of US$20m in mid-2009 to US$24m currently for a five-year-old. Ten-year-old prices have risen 40% from the 2009 low, 15-year-old prices have risen 32% while 20-year-old prices have more than doubled. Only newbuilding prices have not risen but this is to be expected since they had declined with a lag throughout 2009.

Figure 1: Handysize vessel prices



Source: Company, CIMB-GK Research

Figure 2: Handysize vessel prices



Source: Clarkson Research Services, CIMB-GK Research

Figure 3: Handysize prices have recovered 20-122% from the early 2009 lows

	Newbuilding	5-year-old	10-year-old	15-year-old	20-year-old
Peak (2008)	36.5	54	47	37	30
Low (2009)	23	20	15	11	4.5
Current (Feb 10)	23	24	21	14.5	10
Current vs. peak	-37.0%	-55.6%	-55.3%	-60.8%	-66.7%
Current vs. low	0.0%	20.0%	40.0%	31.8%	122.2%

Source: Clarkson Research Services, CIMB-GK Research

PSL's active vessel sales over 2009 to early 2010 are also a testimony to rising prices, with each subsequent sale of vessels of a similar size and age concluding at higher prices. In Example 7 below, the most recent sale of Neera Naree on 10 February 2010 was concluded at a price of US$6.29m, which is 91% higher than the price achieved from the sale of Sukarawan Naree one year ago.

Figure 4: PSL obtained higher pricing on later vessel sales

Example 1 **Vessel name**	**Year built**	**Date of sale**	**DWT**	**Age at time of sale**	**Category**	**Actual sale value (US$ m)**
Foranun Naree	1984	17-Dec-08	22,835	25.0	Handysize	3.12
Mallika Naree	1984	2-Feb-09	23,386	25.0	Handysize	3.45
Nayana Naree	1985	20-Jan-10	23,846	25.0	Handysize	4.15
Example 2						
Urana Naree	1983	15-Sep-09	33,005	26.0	Handysize	4.23
Nipha Naree	1984	3-Feb-10	33,024	26.0	Handysize	6.00
Example 3						
Thamisa Naree	1982	1-Sep-09	34,072	27.0	Handysize	3.90
Kritika Naree	1982	5-Dec-09	34,072	27.0	Handysize	4.35
Example 4						
Gomain Naree	1983	26-Mar-09	23,796	26.0	Handysize	3.05
Natcha Naree	1984	15-Jan-10	23,593	26.0	Handysize	4.70
Example 5						
Patchara Naree	1984	13-May-09	25,403	25.0	Handysize	3.80
Sumana Naree	1984	10-Sep-09	23,423	25.0	Handysize	4.35
Example 6						
Suthathip Naree	1983	12-Mar-09	25,404	26.0	Handysize	1.79
Worada Naree	1983	13-May-09	25,424	26.0	Handysize	3.05
Example 7						
Sukarawan Naree	1985	21-Jan-09	25,729	24.0	Handysize	3.30
Neera Naree	1986	10-Feb-10	25,309	24.0	Handysize	6.29

Source: Company, CIMB-GK Research

Many dry bulk companies are keen to acquire more ships. Barring another economic crisis, we believe that second-hand vessel prices are unlikely to fall because more and more companies are interested to buy ships. PSL is in the market for another 23 vessels after recently buying two. At its recent 2009 full-year results analysts briefing, Pacific Basin changed its view for the dry bulk markets in 2010 from negative to neutral and said that it will "significantly expand" its bulk fleet. Since December 2009, it had already signed to purchase five bulk ships for delivery in 2010, comprising one newbuilding for delivery in 4Q10, three second-hand ships and the exercise of one purchase option of an existing leased ship. Greek-based Seanergy Maritime Holdings said that it will seek to add to its fleet "quickly" and that the recent firming in the freight market would naturally lead to higher price offers from sellers. Another Greek company, Diana Shipping, said that it would spend US$500-700m to expand its fleet over the next two years although it did not anticipate a rapid rise in ship values.

Our forecast of the global handysize supply development also suggests that the available fleet should contract over a three-year period, from 76.2m dwt at end-2009 to 75m dwt at end-2012. This is based on expected order cancellations (or the removal of ineffective contracts) and delivery delays coupled with high levels of scrapping. Although handysize rates are now comfortably above breakeven, we believe that many older vessels have been sidelined by charterers and may still be scrapped before the critical 25-year dry docking arrives.

Figure 5: Global handysize fleet expected to contract 1.6% between end-2009 and end-2012

	TOTAL Bulk		*Net fleet growth (%)*	
	No of vessels	DWT	*No of vessels*	*DWT*
End 2007	**2,838**	**75,650,000**		
+ 2008 deliveries (1H08)	55	1,468,670		
+ 2008 deliveries (2H08)	45	1,329,911		
+ 2008 conversions	5	84,575		
- 2008 scrapping	-56	-1,603,156		
End 2008	**2,887**	**76,930,000**	*1.7%*	*1.7%*
+ 2009 gross deliveries	308	9,198,189		
- 2009 net delivery delays	-65	-1,931,620		
- 2009 order cancellations	-124	-3,679,276		
+ 2009 net deliveries	119	3,587,294		
- 2009 scrapping	-160	-4,290,000		
End 2009	**2,846**	**76,227,294**	*-1.4%*	*-0.9%*
+ 2010 gross deliveries	282	8,774,226		
- 2010 net delivery delays	-24	-738,805		
- 2010 order cancellations	-114	-3,509,690		
+ 2010 net deliveries	144	4,525,731		
- 2010 scrapping	-160	-4,290,000		
End 2010F	**2,830**	**76,463,025**	*-0.6%*	*0.3%*
+ 2011 gross deliveries	194	6,441,294		
- 2011 net delivery delays	16	528,072		
- 2011 order cancellations	-78	-2,576,518		
+ 2011 net deliveries	132	4,392,849		
- 2011 scrapping	-160	-4,290,000		
End 2011F	**2,802**	**76,565,873**	*-1.0%*	*0.1%*
+ 2012 gross deliveries	86	2,934,050		
- 2012 net delivery delays	28	946,485		
- 2012 order cancellations	-35	-1,173,620		
+ 2012 net deliveries	79	2,706,915		
- 2012 scrapping	-160	-4,290,000		
End 2012F	**2,721**	**74,982,788**	*-2.9%*	*-2.1%*

Source: Clarkson Research Services, CIMB-GK Research

Outlook for PSL

PSL's shipping strategy has been crystal clear over the past 15 months – sell 25 of its oldest ships, buy back another 25 newer ships to take advantage of weak asset prices and stick to its long-term industrial shipping model to reduce risk. The targeted disposals have been largely completed with the final sale signed on 10 February 2010. PSL is on the lookout for another 23 vessels after having already purchased two.

For 2010, we forecast PSL to acquire 20 second-hand vessels, take delivery of four newbuildings and deliver five vessels, raising its fleet size from 24 ships to as many as

43 ships by end-FY10. For 2011, we forecast another five second-hand acquisitions and six newbuilding deliveries, taking the fleet size to 54 ships. A further six newbuildings in 2012 and four in 2013 will take the fleet to 64-strong by 2013. We highlight that the newbuilding orderbook of 18 ships has already been committed, with another three JV cement carriers to be contracted with ABG and the fourth cement carrier to be contracted at the charterers' option. Hence, virtually all of our newbuilding delivery assumptions have already been contracted. Also, PSL has made very clear its intention to acquire a total of 25 second-hand vessels. Therefore, we are confident about our medium-term fleet development projections for PSL although shipyard delays and management discretion on the pace of second-hand acquisitions may cause actual fleet numbers to differ against our projections from a purely timing angle.

Figure 6: PSL's fleet movement schedule (no. of ships)

	2009	2010F	2011F	2012F	2013
No. of ships at beg of year	44	24	43	54	60
+ Second-hand purchases	0	20	5	0	0
+ Newbuilding deliveries	0	4	6	6	4
- Disposals	-20	-5	0	0	0
No. of ships at end of year	**24**	**43**	**54**	**60**	**64**

Source: Company, CIMB-GK Research

The renewed fleet will be much younger and will have an impact on average operating cost per day. PSL's original 44-strong fleet had an average age of almost 22 years. After effecting 25 disposals, the remaining 19 ships have an average age of 15 years. With two five-year-old second-hand vessels recently purchased, the average age of PSL's current fleet of 21 ships has dropped to 14.4 years. By the end of 2010, PSL's fleet of 43 ships should have an average age of 10 years, assuming all second-hand acquisitions are of five-year-old ships. The average age should drop further to 8.5 years by 2011 but rise slightly to nine years by 2012.

The younger fleet may have twin advantages: higher potential earnings and lower ship operating costs. Newer vessels are preferred by charterers because they consume less fuel and encounter fewer breakdowns, hence average earnings tend to be higher. PSL's average operating cost/day was US$5,040/day in 2009 and the company has guided for costs to fall 5.8% to US$4,750/day in 2010 (CIMB has a more conservative assumption of US$4,788/day). As the average age should fall further in 2011, the average operating cost/day should also fall next year although we have presently assumed no change.

Time charter contracts at attractive terms. In addition, PSL managed to secure time charter contracts for many of its newbuilding and second-hand acquisitions at attractive terms. The first six of PSL's 34,000 dwt handysize newbuildings have already been secured for a period of 84 months +/- 1 month at an EBITDA of US$26-27m per ship, which substantially covers the newbuilding cost of US$30m each. Meanwhile, the first 54,000 dwt supramax newbuilding has also been fixed for a 60-to-64-month contract, with an EBITDA of US$39-43m which more than covers the newbuilding cost of US$38m. The first second-hand acquisition, the 29,870 dwt Rojarek Naree, commenced a time charter contract of 12-28 months from its delivery on 15 December 2009, with an EBITDA of US$3.28-7m against its purchase price of US$22.25m. The second second-hand acquisition, the 31,700 dwt Nalinee Naree, also commenced a time charter until September 2014 from its delivery in March 2010, with an EBITDA of US$19.25m which covers more than 80% of its US$23.75m purchase price.

Coverage of 46% gives PSL ample opportunity to benefit from the buoyant market. Based on latest disclosures as at 31 December 2009, PSL has covered 5,808 days at an average rate of US$11,831/day. Based on our forecast capacity of 12,593 days, this works out to be a 46% coverage. This gives PSL ample opportunity to benefit from strong spot and time charter rates. PSL has forecast an average rate of US$12,500/day based on a 350-day year in FY10 or US$11,986/day on a 365-day year. Our assumption is 5% more bullish at US$12,582 based on a 365-day year.

One-year handysize time charter rates have averaged US$15,023/day since the start of the year and closed last week at US$16,500/day. Handysize spot TCE in turn has averaged US$16,918/day and closed last week at US$19,558/day. For perspective, one-year time charter rates peaked at US$42,000/day in May 2008 while spot TCE peaked at US$49,000/day. Hence, present rates are 60% below the peak but substantially more profitable than PSL's ship operating cost of around US$4,700-

4,800/day.

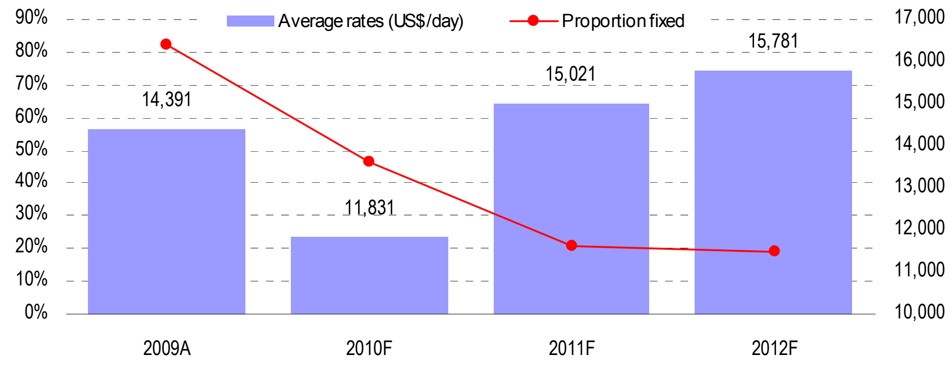
Figure 7: PSL's forward contract cover

	Available days	Days fixed	Proportion fixed %	Avg cumulative rates US$/day
2009A	11,968	9,857	82.4%	14,391
2010F	12,593	5,808	46.1%	11,831
2011F	17,885	3,727	20.8%	15,021
2012F	20,805	3,929	18.9%	15,781

Source: Company, CIMB-GK Research

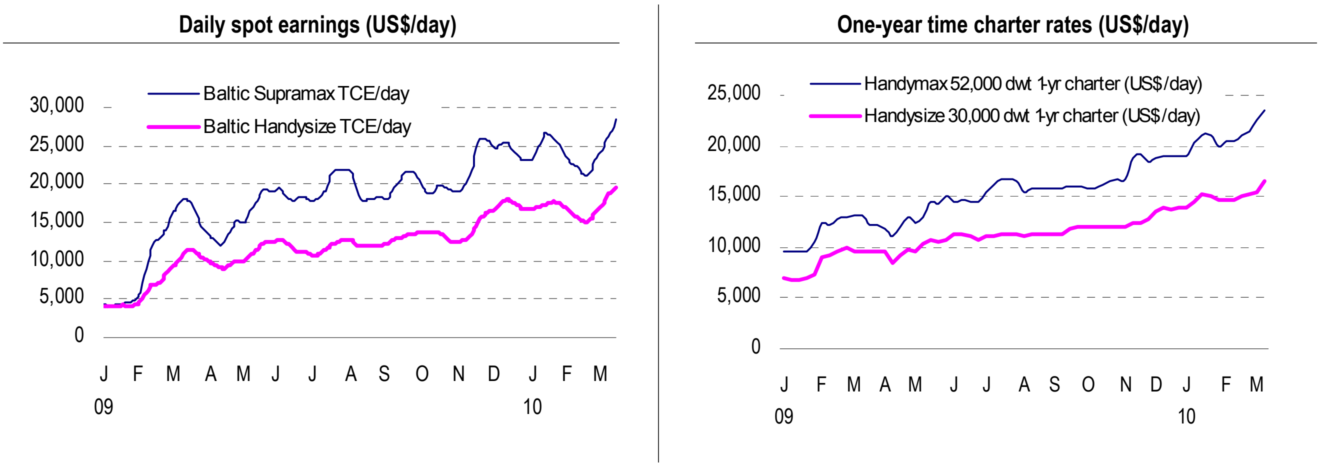
Note: 'Available days' for FY10-12F is CIMB's estimate and includes our forecast of additional second-hand acquisitions but 'days fixed' is the actual number of days fixed by PSL. 'Average cumulative rates' refers to the locked-in rate for the days actually fixed.

Figure 8: PSL's forward contract cover



Source: Company, CIMB-GK Research

Figure 9: Handysize and handymax spot freight rates and one-year time charter rates



Source: Bloomberg, Baltic Exchange, CIMB-GK Research

Outlook for TTA

TTA continues to be circumspect in its fleet renewal, preferring to focus resources on business diversification. Vessels reaching 25 years old are disposed of to avoid expensive dry docking but are not replaced as TTA is still aiming to buy at lower prices. So far, TTA has sold eight vessels in FY09 and five in FY10. We expect TTA to sell a total of 10 vessels in FY10 and five each in the next two years. TTA's newbuilding pipeline is very thin with just four more vessels for delivery between FY11-12 after taking delivery of one newbuilding in January 2010. TTA has not committed to any target for second-hand acquisitions but we have made the assumption that ten ships will ultimately be purchased, comprising five in FY11 and another five in FY12. As a result of the shallow newbuilding orderbook and the current reluctance to buy second-hand ships, we forecast TTA's dry bulk fleet size to shrink from 35 ships at end-FY09 to only 26-27 ships in FY10-11 and finally 30 ships in FY13. In contrast to PSL, which we forecast to increase its fleet size by 67% or 40 vessels from 2010-13, TTA may see a 15% contraction in fleet size or five ships during the same period, unless the company takes a more bullish view on vessel prices or vessel prices come down to TTA's entry level (which we believe is unlikely on the balance of probabilities).

Figure 10: TTA's fleet movement schedule (no. of ships) – based on financial year ended September

	2009	2010F	2011F	2012F	2013
No of ships at beg of year	43	35	26	27	30
+ Second-hand purchases	0	0	5	5	0
+ Newbuilding deliveries	0	1	1	3	0
- Disposals	-8	-10	-5	-5	0
No of ships at end of year	**35**	**26**	**27**	**30**	**30**

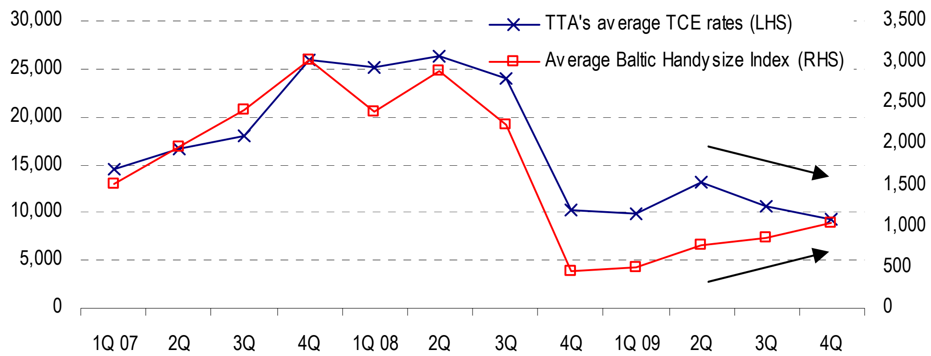
Source: Company, CIMB-GK Research

The unfortunate effect of vessel disposals without replacements is an increase average cost/day, as overheads are not reduced at the same pace. Average ship operating cost/day rose from US$5,510 in 2008 to US$5,721 in 2009. In 4QCY09, TTA saw operating cost rise to US$6,013/day. Meanwhile, average administrative cost rose substantially to US$1,792/day during the December quarter against an average of US$1,433/day in the immediately preceding three quarters. We understand from TTA that its current administrative infrastructure is able to support a fleet of some 50 vessels against its current fleet of 31 ships. TTA does not have the intention to scale back this infrastructure as it waits for second-hand acquisition opportunities. The result is that average daily costs may rise even further as more and more ships are disposed without replacement. This will put TTA at a cost disadvantage against PSL, whose average costs are expected to fall as overheads are spread across a greater number of vessels.

The end of the liner business should help near-term recovery. In mitigation, the termination of the liner business from 7 March 2010 may help lift average rates as ships are redeployed to more lucrative tramp trades. Daily operating costs should also fall. The liner business, which ships cargo between the Far East and the Middle East, suffered in recent quarters from bad debt writeoffs and poor rates. As a result, TTA's average bulk shipping rates declined sequentially in the September and December quarters despite increases in spot handysize rates.

During 1QFY10 (quarter ended December 2009), TTA made a THB27.7m provision for the closure of the liner business and a THB25m bad debt writeoff attributable mainly to liner accounts. This drove the bulk division to a quarterly operating loss of THB115m. TTA expects the closure of the liner operation to help the bulk division breakeven in 2Q before turning a profit in 2HFY10. Our FY10 forecast is a marginal operating loss of THB8m for the bulk segment before rebounding to an operating profit of THB830m in FY11.

Figure 11: TTA's average rates against spot – based on financial year ended September



Source: Company, Bloomberg, CIMB-GK Research

Bulk earnings may remain depressed. Against its own historical profitability, our forecast of TTA's FY11 bulk operating profit remains very depressed. At THB830m, it is expected to be below FY09's THB960m and 91% below FY08's record THB9.1bn. In contrast, PSL is expected to earn an operating profit of THB4.3bn in FY11, more than double the FY09 EBIT of THB2.1bn and close to the record EBIT of THB4.9bn in FY08. We note that our forecasts for TTA are based on TTA's current strategy of delaying bulk vessel acquisitions until lower asset prices can be secured, which we believe has a low probability of materialising. A more aggressive fleet rebuild and renewal programme may have a material impact on our capacity, average rate and average cost assumptions that will flow through to our profit expectations.

Figure 12: TTA segmental breakdown – bulk losses in 1QFY10

Qtr/Yr ended	Dec-07 1QFY08	Mar-08 2QFY08	Jun-08 3QFY08	Sep-08 4QFY08	Sep-08 FY08	Dec-08 1QFY09	Mar-09 2QFY09	Jun-09 3QFY09	Sep-09 4QFY09	Sep-09 FY09	Dec-09 1QFY10	Sep-10 FY10F	Sep-11 FY11F
Revenue	**7,733**	**7,825**	**8,919**	**9,917**	**34,393**	**6,591**	**4,153**	**4,903**	**4,314**	**19,960**	**4,490**	**21,529**	**25,383**
- Dry bulk	6,506	6,600	7,322	8,026	28,454	4,845	3,077	3,312	2,608	13,842	2,177	10,207	10,799
- Offshore	1,091	1,070	1,377	1,721	5,259	1,574	941	1,451	1,207	5,174	1,077	5,837	8,310
- Infrastructure	0	0	0	0	0	0	0	0	366	366	1,117	4,994	5,758
- Others	136	155	220	170	681	172	135	139	133	578	120	491	516
EBIT	**2,485**	**2,017**	**2,105**	**2,382**	**8,989**	**476**	**-16**	**721**	**314**	**1,494**	**-81**	**751**	**2,316**
- Dry bulk	2,596	2,194	2,143	2,158	9,090	243	114	450	153	960	-115	-8	830
- Offshore	-28	-195	100	526	403	316	-47	387	294	950	133	1,052	1,652
- Infra & others	-83	18	-137	-303	-504	-83	-83	-117	-133	-416	-99	-292	-166

Source: Bloomberg, CIMB-GK Research

Figure 13: Comparison between PSL and TTA in terms of daily rates and costs – PSL much more efficient than TTA in terms of costs and rates have been at a premium against TTA since the start of the economic downturn in 4Q08 (calendar year basis)

	1Q08	2Q08	3Q08	4Q08	2008	1Q09	2Q09	3Q09	4Q09	2009	2010F	2011F	2012F
Avg TCE/day (US$)													
- PSL	14,856	15,832	16,887	15,668	15,811	13,890	12,773	12,571	11,777	12,906	12,582	14,646	15,488
- TTA	25,083	26,230	24,020	10,326	21,406	9,826	13,235	10,726	9,207	10,784	10,489	13,319	14,876
Avg total costs/day (US$)													
- PSL	4,639	4,736	4,909	4,930	4,804	5,284	4,990	5,008	4,717	5,040	4,788	4,788	4,788
- TTA	6,954	7,287	6,918	6,441	6,900	7,218	7,194	6,805	7,805	7,240	7,528	7,905	8,300
Comprising:													
Avg ship op costs/day (US$)													
- PSL	*3,539*	*3,957*	*4,076*	*3,850*	*3,854*	*4,617*	*4,226*	*4,088*	*3,047*	*4,098*	*3,913*	*4,122*	*4,158*
- TTA	*5,490*	*5,653*	*5,532*	*5,368*	*5,510*	*5,645*	*5,619*	*5,654*	*6,013*	*5,721*	*6,121*	*6,427*	*6,749*
Avg admin costs/day (US$)													
- PSL	*1,100*	*779*	*833*	*1,080*	*949*	*667*	*764*	*920*	*1,670*	*942*	*875*	*666*	*630*
- TTA	*1,464*	*1,634*	*1,386*	*1,073*	*1,390*	*1,573*	*1,575*	*1,151*	*1,792*	*1,519*	*1,407*	*1,478*	*1,552*

Source: Bloomberg, CIMB-GK Research

*Note: PSL average TCE./day rates have been adjusted to reflect a 365-day year in order for it to be comparable to TTA. For instance, PSL's average 4QFY09 rate was US$12,282/day on a 350-day year, otherwise US$11,777/day on a 365-day year (12,282*350/365).*

Mermaid Maritime on the roll but delays in new vessel deliveries affect FY10. With S$156m in the bag from last year's rights issue and with S$100m left unspent, we expect more acquisition newsflow for Mermaid. However, several vessels have had their deliveries delayed, resulting in a downward adjustment in our FY10 forecast. Rig KM-1, which is on five-year charter to Petronas, will only commence the charter from June 2010 instead of early 2010. The DP2 dive support vessel, Mermaid Endurer, will also be delivered in mid-2010 instead of early 2010. Finally, our assumption that rig MTR-1 will be deployed from early 2010 is no longer possible and we have revised it to August 2010. Further delays are possible, as there is a surplus of older rigs in the market at the moment, competing with MTR-1 for future contracts. As a result of these delays, we have revised down our FY10 operating profit estimate for Mermaid from THB1.4bn to THB1.1bn. We have left our FY11-12 EBIT forecasts for Mermaid of THB1.6bn each year largely unchanged.

Baconco and UMS to contribute from FY10 onwards. These new acquisitions have been classified under the infrastructure segment and contributed THB1.1bn to turnover in 1QFY10 group numbers. Individually, Baconco recorded THB706m in quarterly revenue and earned THB80m in quarterly net profit while UMS recorded THB417m in quarterly revenue and earned THB2m in quarterly net profit. However, the net contribution to group earnings should be less after deducting the interest cost incurred by TTA to finance their acquisitions.

TTA is positioning Baconco as a logistics provider in Vietnam. The sale of fertilisers will be the main source of earnings for Baconco over the next few months until the warehousing business begins significant commercial operations. UMS suffered a significant fall in net profit during 2009 because of 1) a fall in sales to its main industrial customers in the cement and pulp and paper industries, 2) a fall in average selling prices against the high purchase price of coal, 3) high-cost COA freight rates until February 2010, 4) high interest expense from the requirement to fund working capital, and 5) provision for write-down of coal dust inventory. We believe that UMS should recover in line with the economic upturn, as sales volume and selling prices should pick up, but we are uncertain if UMS can return to peak profitability as the business has low barriers to entry and new competitors may enter the Thai market. For the infrastructure segment as a whole, we have forecast THB5bn in revenue for FY10 and THB5.8bn for FY11 with an EBIT margin of around 8%.

Figure 14: TTA's recent diversification investments

			US$ m		
23-Jul-09	Baconco Vietnam	Fertiliser manufacturer and distributor in Vietnam	11	100%	Purchase price of €7.8m; TTA's goal is to develop the logistics and warehouse business at Vung Tau port.
14-Aug-09	Merton Group	Owner of several greenfield coal mines in Cebu, Philippines	5	21.2%	Future output of coal may be sold domestically to power plants or exported.
18-Sep-09	Mermaid Maritime (MMT SP Equity)	Owner-operator of tender drilling rigs and subsea engineering vessels for oil & gas industry	63	57.1%	Participation in 9:20 rights issue for MMT to raise S$156m to buy distressed assets. TTA's portion is S$89m (THB2bn).
21-Dec-09	Unique Mining Services (UMS TB Equity)	Importer of Indonesian coal and reseller to Thai SMEs as industrial substitute for fuel oil	120	89.6%	Priced at THB23 per ordinary share and THB14.66 per warrant. Purchased UMS's management portion of 48.46% on 26 Oct 09. Subsequently, tender offer took stake to 89.55% by 14 Dec 09, including 97.2% of the warrants.

Source: Comapny, CIMB-GK Research

Valuation and recommendation

Maintain OVERWEIGHT on dry bulk sector. We continue to be bullish on the dry bulk sector for 2010. We expect Chinese GDP growth to accelerate to 10% this year while robust demand in property, automobiles and white goods should support 12% growth in Chinese steel production. European steel demand should resume growth in 2010 mainly due to restocking while rising electricity production in China and India should result in more coal imports. We expect expansion of 11% for the iron ore trade and 3.5% for the coal trade in 2010. Meanwhile, despite a rise in newbuilding deliveries this year, longer tonne-miles and port congestion could limit the effective fleet growth to just 7.5%, which is manageable in an environment of rising demand. The key potential re-rating catalyst is stronger bulk freight rates as global GDP growth recovers.

We recommend investors to switch from TTA to PSL. After registering shock shipping losses last quarter, we have become wary of TTA's ability to deliver good earnings performance. More fundamentally, TTA's strategy of deferring vessel renewal will constrain future profit growth compared against PSL which is expanding after an accelerated disposal programme. In our opinion, PSL's strategy is the superior of the two with re-rating catalysts being revenue growth from more capacity and higher spot handysize rates, and a reduction in unit costs as average fleet age falls dramatically. On the other hand, TTA's share price may continue to trade at a huge discount to its sum-of-parts unless it re-energises its bulk shipping division with better earnings. We maintain our OUTPERFORM rating on PSL but downgrade TTA from Outperform to NEUTRAL.

Precious Shipping *(PSL TB, TP: THB23, OUTPERFORM)*

We maintain our OUTPERFORM recommendation on Precious Shipping with a higher target price of THB23 (from THB20.90). Our new target price for PSL is based on a 10% premium on its SOP (previously none), given its significant 101% earnings growth in FY11. PSL offers growth clarity, higher earnings potential from its newer and younger vessels, and lower average daily operating costs from better fleet efficiency, making it our preferred Thai bulk exposure. Our earnings forecast for FY10 has been raised 6% as we adjust slightly our estimate of average capacity while our forecasts for FY11-12 are largely unchanged.

We also believe PSL has the ability to pay per share dividends of THB1.20 for 2010, THB2.60 for 2011 and THB2.80 for 2012. This is based on a dividend payout of about 60%. Over the past two years (2008-09), PSL had paid dividends amounting to some 60% of its attributable net profits. Based on its current share price, our DPS assumptions suggest gross yields of 6% for 2010, rising to around 14% for 2011-12. PSL's formal dividend policy is to pay out a minimum of 25% of earnings so our 60% payout assumption is higher than the minimum required by the policy. Back in 2003-04 when PSL had net gearing levels of more than 1x, the dividend payout fell to the minimum of 25% as PSL sought to prepay their loans at the expense of dividends. However, in the next few years, we believe that management is open to optimising their balance sheet with some gearing, allowing PSL to pay the 60% payout. Nevertheless, should PSL decide to pay only the minimum 25%, our DPS assumption will fall to only THB0.50 for 2010, THB1.10 for 2011 and THB1.20 for 2012, representing yields of only 3-6%. We think there is low likelihood of such minimal dividends.

In our opinion, the two key potential stock catalysts for PSL are strengthening handysize rates and its vessel-rebuild programme that could lift its earnings by 101% in 2011. We forecast PSL to earn core net profit of THB4.4bn in FY11, more than double the FY09 core net profit of THB2.1bn and close to the record core net profit of THB4.9bn in FY08. We believe that investors will appreciate the simple, low-risk, capacity-led earnings growth story that PSL offers. PSL was given “Very Good CG Scoring” by the Thai Institute of Directors Association in 2008.

Thoresen Thai Agencies *(TTA TB, TP: THB29, NEUTRAL)*

We are downgrading our recommendation on Thoresen Thai Agencies from Outperform to NEUTRAL with a lower target price of THB29 (from THB38). We slash our FY10 EPS estimate by 50% as we now forecast the dry bulk segment to suffer an operating loss of THB8.3m against a profit of THB508m estimated earlier. We have also reduced our operating profit assumption for Mermaid Maritime by 25% from THB1.4bn to THB1.1bn, given slower-than-expected vessel deliveries and further delay in securing a new charter for MTR-1. On the other hand, we have included stronger forecasts for the infrastructure segment, comprising the Baconco and UMS acquisitions.

As a result of the above adjustments, we are now forecasting FY10 net profit at THB565m, the lowest among consensus, and a sharp cut from the previous forecast of THB1.1bn. Note that during our results commentary on 15 February 2010, we had already cut our FY10 net profit forecast from THB1.7bn so, cumulatively, we have axed two-thirds of our original estimate. We have also reduced our FY11 earnings by 8% but increased FY12 earnings by 21% as we factor in growth in the infrastructure companies.

Our target price has been lowered to THB29, as we reduce our sum-of-parts value from THB38 to THB36.40, additionally discounting the SOP by 20%. Our previous target price did not factor in an SOP discount but we are including the discount now given the hazy prospects for growth at the bulk shipping division. We believe that TTA’s reticence in vessel acquisitions will hurt its near- and medium-term shipping earnings prospects. Many other dry bulk companies do not appear to share TTA’s reticence and we are afraid that TTA may be missing out on the present opportunities to lock in the relatively low capital values.

The acquisitions of UMS and Baconco, and growth at Mermaid Maritime (MMT SP, Not Rated) should help group earnings but we believe investors still see TTA as a bulk shipping play. Also, investors interested in Mermaid can get direct exposure through its SGX listing. In our view, this means that TTA’s share price direction will depend primarily on the prospects for its dry bulk business despite the fact that we now forecast dry bulk earnings to account for just 35% of group EBIT in FY11.

Because we have significantly reduced our earnings forecasts for the dry bulk division, we now expect the TTA group earnings to be essentially stagnant over a three-year period. In FY09, TTA earned THB1.8bn in net profit and we are currently forecasting also THB1.8bn net profit for FY12. In the interim, we expect net profit to plunge to THB565m in FY10 as mentioned above, before recovering to THB1.4bn in FY11. This compares unfavourably against PSL’s 16% EPS CAGR between FY09-12.

TTA is currently trading at a fairly large discount of more than 30% against its historical book value. In late October 2008, TTA actually traded at a 75% discount but we do not expect the share price to fall to such depths. We think that the current discount has reflected most of the bad news, which is why we not downgrading the recommendation to an Underperform. Finally, TTA was given a "Very Good CG Scoring" by the Thai Institute of Directors Association in 2008.

Figure 15: PSL's sum-of-parts and target price calculation – using a 10% premium to RNAV

Dry bulk fleet second-hand value - end-2010 (US$ m)	342.2
Exchange rate (THB:US$)	34.50
Dry bulk fleet second-hand value - end-2010 (THB m)	11,805.9
Add: Value of shipbuilding advances (end-2010) (THB m)	11,308.0
Add: Further second-hand vessel acquisitions (THB m)	15,525.0
Add: Net cash/(debt) (end-2010) (THB m)	-16,757.3
Add: Other net assets expected by end-2010 (THB m)	-86.5
Total (THB m)	**21,795.1**
No of PSL shares (m)	1,040.0
Per share (THB)	**20.96**
Premium/(Discount) (%)	10.0%
Derived target price (THB)	**23.05**

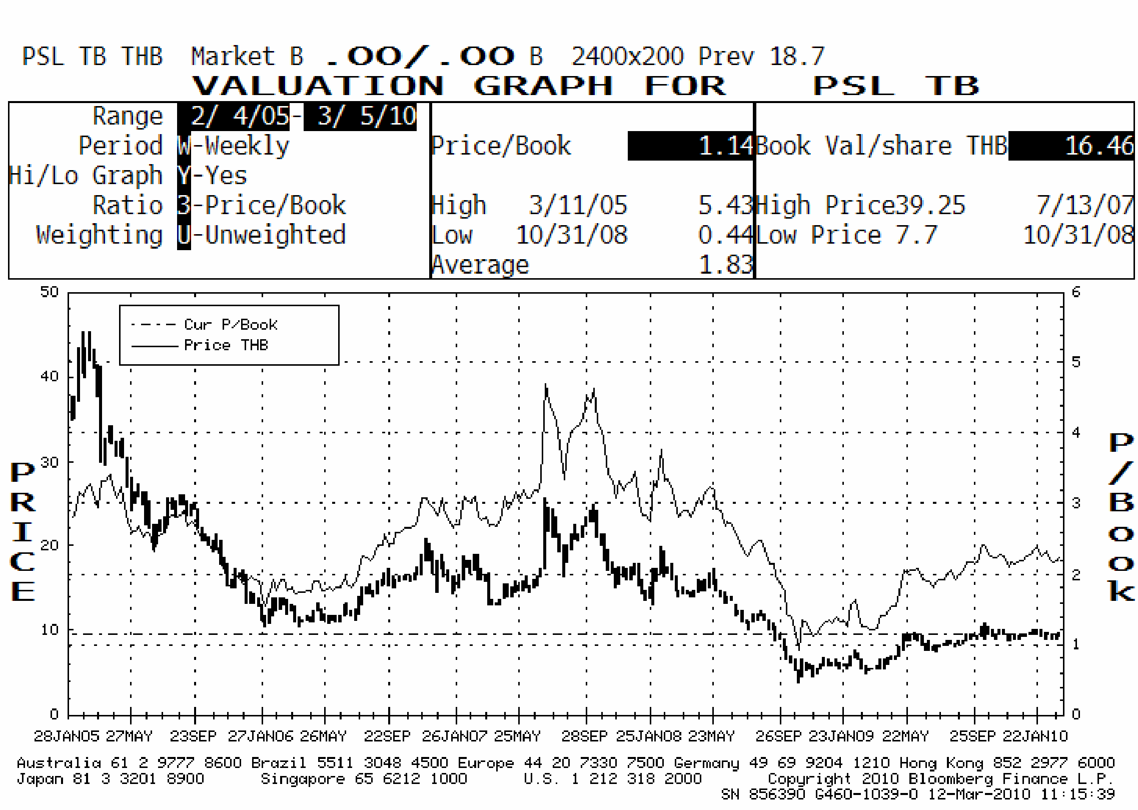
Source: Company, CIMB-GK Research

Figure 16: TTA's sum-of-parts and target price calculation – using a 20% discount to RNAV

Dry bulk fleet second-hand value - current (US$ m)	323.0
Less: Assumed disposals in FY10 (US$ m)	-28.0
Dry bulk fleet second-hand value - end-FY10 (US$ m)	295.1
Baht exchange rate	34.50
Current dry bulk fleet value (THB m)	10,179.5
Add: Progress payments for newbuildings (THB m)	1,390.3
Add: Assumed second-hand vessel acquisitions (THB m)	0.0
Add: Net cash/(debt) Sep 10 - ex-Mermaid (THB m)	6,033.0
Add: Other net assets Sep 10 - ex-Mermaid (THB m)	2,487.8
Add: Value of Mermaid Maritime at 1x P/NTA (THB m)	5,708.5
Total (THB m)	**25,799.0**
No of TTA shares (m)	708.1
Per share RNAV (THB)	**36.43**
Premium/(Discount) (%)	-20%
Derived target price (THB)	**29.15**

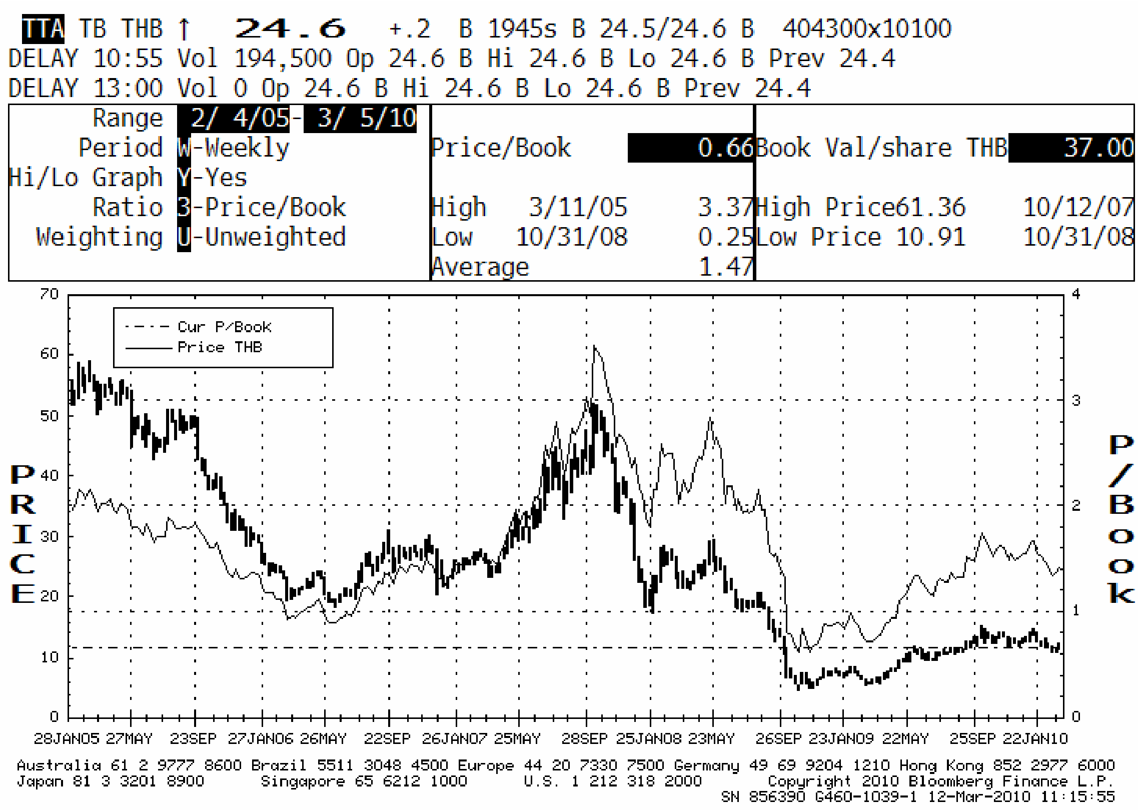
Source: Company, CIMB-GK Research

Figure 17: PSL's P/BV multiples – reached 3x in 2007 and around 2x in 2008, now trading at around 15% premium to book



Source: Bloomberg, CIMB-GK Research

Figure 18: TTA's P/BV multiples – reached 3x in 2007 and around 1.5x in 2008, but now trading at >30% discount to book value



Source: Bloomberg, CIMB-GK Research

COMPANY BRIEFS…

COMPANY UPDATE

16 March 2010

THAILAND

Precious Shipping

Growth and more growth

OUTPERFORM	Maintained
THB18.90	@15/03/10
	Target: THB23.00
	Dry Bulk Shipping

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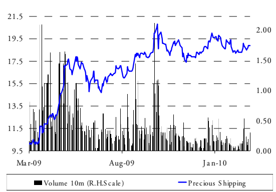
- **Maintain OUTPERFORM with a higher target price of THB23 (from THB20.90).** The key re-rating catalysts for PSL include growth clarity, higher earnings potential from its newer and younger vessels, and lower average daily operating costs from better fleet efficiency. It is therefore our preferred Thai bulk exposure. We forecast PSL to earn core net profit of THB4.4bn in FY11, more than double the FY09 core net profit of THB2.1bn, and close to the record core net profit of THB4.9bn in FY08. We believe that investors will appreciate the simple, low-risk, capacity-led earnings growth story that PSL offers. Our new target price for PSL is based on a 10% premium on its SOP (previously none), given its significant 101% earnings growth in FY11. Our earnings forecast for FY10 has been raised 6%, as we adjust slightly our forecast of average capacity, while our forecasts for FY11-12 are largely unchanged.
- **Clear capacity growth plans.** For 2010, we forecast PSL to acquire 20 second-hand vessels, take delivery of four newbuildings and deliver five vessels, hence its fleet should rise from 24 ships to as many as 43 ships by end-FY10. The fleet will rise to 64-strong by 2013.
- **A younger fleet is expected to reduce PSL's average daily operating costs** by as much as 6% yoy in 2010, as well as improve earnings prospects since charterers favour younger vessels. PSL's original 44-strong fleet had an average age of 22 years but by end-2010, PSL's fleet of 43 ships should be only 10 years on average.

Financial summary

FYE Dec	2008	2009	2010F	2011F	2012F
Revenue (THB m)	8,538.6	5,355.9	5,381.6	9,042.2	11,122.2
EBITDA (THB m)	6,056.3	3,231.3	3,313.0	6,184.2	7,823.6
EBITDA margins (%)	70.9%	60.3%	61.6%	68.4%	70.3%
Pretax profit (THB m)	4,961.7	3,106.2	2,172.3	4,359.9	4,769.5
Net profit (THB m)	4,938.6	3,047.1	2,169.3	4,356.9	4,766.5
EPS (THB)	4.7	2.9	2.1	4.2	4.6
EPS growth (%)	18.8%	(38.3%)	(28.8%)	100.8%	9.4%
P/E (x)	4.0	6.5	9.1	4.5	4.1
Core EPS (THB)	4.7	2.0	2.1	4.2	4.6
Core EPS growth (%)	50.9%	(57.8%)	5.3%	101.0%	9.4%
Core P/E (x)	4.0	9.5	9.1	4.5	4.1
Gross DPS (THB)	2.8	1.8	1.2	2.6	2.8
Dividend yield (%)	14.8%	9.5%	6.3%	13.8%	14.8%
P/BV (x)	1.2	1.1	1.1	1.0	0.9
ROE (%)	32.7%	18.3%	12.3%	23.1%	23.1%
Net gearing (%)	N/A	N/A	92.8%	117.7%	104.0%
Net cash per share (THB)	2.51	1.52	N/A	N/A	N/A
P/FCFE (x)	4.1	4.5	(6.2)	7.9	3.4
EV/EBITDA (x)	2.7	5.5	10.9	6.9	5.3
% change in EPS estimates			5.9%	0.9%	0.3%
CIMB/Consensus (x)			1.34	1.74	1.43

Source: Company, CIMB-GK Research, Bloomberg

Price chart



Source: Bloomberg

Market capitalisation & share price info

Market cap	THB19,647m/US$604m
12-mth price range	THB20.80/THB10.10
3-mth avg daily volume	1.9m
# of shares (m)	1,040
Est. free float (%)	38.0
Conv. secs (m)	N/A

Share price perf. (%)	**1M**	**3M**	**12M**
Relative	(4.5)	2.5	7.1
Absolute	0.5	6.2	85.3

Major shareholders	**% held**
Nishita Shah & family	42.3
Khalid Hashim & family	17.5
Thai NVDR	6.8

Source: Company, CIMB-GK Research, Bloomberg

Financial tables

PROFIT & LOSS

(THB m, FYE Dec)	2008	2009	2010F	2011F	2012F
Revenue	8,539	5,356	5,382	9,042	11,122
Operating expenses	(2,482)	(2,125)	(2,069)	(2,858)	(3,299)
EBITDA	6,056	3,231	3,313	6,184	7,824
Depreciation & amortisation	(1,085)	(935)	(977)	(1,456)	(2,168)
EBIT	4,971	2,297	2,336	4,728	5,655
Net interest & invt income	(81)	(228)	(195)	(398)	(916)
Associates' contribution	10	22	25	25	25
Exceptional items	61	988	2	0	0
Others	0	27	5	5	5
Pretax profit	**4,962**	**3,106**	**2,172**	**4,360**	**4,769**
Tax	(21)	(46)	0	0	0
Minority interests	(2)	(14)	(3)	(3)	(3)
Net profit	**4,939**	**3,047**	**2,169**	**4,357**	**4,766**
Adj. wt. shares (m)	1,040	1,040	1,040	1,040	1,040
Unadj. year-end shares (m)	1,040	1,040	1,040	1,040	1,040

KEY RATIOS

(FYE Dec)	2008	2009	2010F	2011F	2012F
Revenue growth (%)	17.0	(37.3)	0.5	68.0	23.0
EBITDA growth (%)	20.8	(46.6)	2.5	86.7	26.5
Pretax margins (%)	58.1	58.0	40.4	48.2	42.9
Net profit margins (%)	57.8	56.9	40.3	48.2	42.9
Interest cover (x)	38.1	8.6	8.7	11.1	5.8
Effective tax rates (%)	0.4	1.5	0.0	0.0	0.0
Net dividend payout (%)	53.1	55.3	51.8	55.9	55.0
Debtors turnover (days)	1.7	3.0	2.9	2.3	2.6
Stock turnover (days)	0.3	0.2	0.0	0.0	0.0
Creditors turnover (days)	3.5	4.8	3.0	2.1	2.1

BALANCE SHEET

(THB m, end Dec)	2008	2009	2010F	2011F	2012F
Fixed assets	13,856	15,637	34,878	42,955	44,001
Intangible assets	0	0	0	0	0
Other long-term assets	467	459	484	509	534
Total non-current assets	**14,323**	**16,096**	**35,362**	**43,464**	**44,535**
Cash and equivalents	3,350	5,876	1,465	1,248	4,143
Stocks	7	0	0	0	0
Trade debtors	47	42	42	71	87
Other current assets	234	125	125	125	125
Total current assets	**3,638**	**6,044**	**1,632**	**1,444**	**4,356**
Trade creditors	96	45	44	60	69
Short-term borrowings	0	0	0	0	0
Other current liabilities	681	444	444	444	445
Total current liabilities	**778**	**489**	**488**	**504**	**515**
Long-term borrowings	740	4,292	18,222	24,462	26,578
Other long-term liabilities	266	223	223	223	224
Total long-term liabilities	**1,006**	**4,515**	**18,445**	**24,685**	**26,802**
Shareholders' funds	**16,167**	**17,112**	**18,034**	**19,688**	**21,543**
Minority interests	11	25	28	31	34
NTA/share (THB)	15.54	16.45	17.34	18.93	20.71

KEY DRIVERS

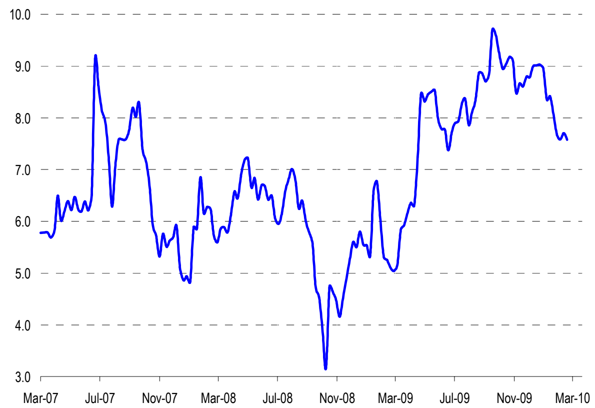
(FYE Dec)	2009	2010F	2011F	2012F
Baltic Dry Index (yoy change %)	-59.0%	34.5%	-14.3%	33.3%
Bulk rates (US$/day)	13,459	12,582	14,646	15,488
Fleet size (number of vessels)	25	44	54	60

CASH FLOW

(THB m, FYE Dec)	2008	2009	2010F	2011F	2012F
Pretax profit	4,962	3,106	2,172	4,360	4,769
Depreciation & non–cash adj.	1,085	935	977	1,456	2,168
Working capital changes	16	(40)	(1)	(12)	(7)
Cash tax paid	(231)	(44)	0	0	0
Others	335	(1,189)	(85)	368	886
Cash flow from operations	**6,167**	**2,769**	**3,063**	**6,172**	**7,817**
Capex	(1,486)	(3,020)	(19,900)	(8,915)	(3,022)
Net investments & sale of FA	59	2,391	844	0	0
Others	(641)	(1,017)	(650)	(350)	(350)
Cash flow from investing	**(2,067)**	**(1,646)**	**(19,707)**	**(9,265)**	**(3,372)**
Debt raised/(repaid)	740	3,552	13,930	6,240	2,116
Equity raised/(repaid)	0	0	1	1	1
Dividends paid	(2,858)	(1,872)	(1,248)	(2,704)	(2,912)
Cash interest & others	(102)	(277)	(451)	(661)	(753)
Cash flow from financing	**(2,220)**	**1,404**	**12,232**	**2,876**	**(1,549)**
Change in cash	**1,880**	**2,526**	**(4,412)**	**(217)**	**2,895**
Change in net cash/(debt)	**1,140**	**(1,026)**	**(18,342)**	**(6,457)**	**780**
Ending net cash/(debt)	**2,611**	**1,585**	**(16,757)**	**(23,214)**	**(22,434)**

Source: Company, CIMB-GK Research, Bloomberg

12M - FORWARD FD CORE P/E (X)



COMPANY UPDATE

16 March 2010

THAILAND

Thoresen Thai Agencies

Shipping earnings constrained by hesitation to expand

NEUTRAL	Downgraded
THB25.25	@15/03/10
	Target: THB29.00
	Dry Bulk Shipping

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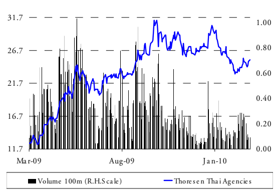
- **Downgrade from Outperform to NEUTRAL with a lower SOP target price of THB29 (from THB38); earnings slashed.** TTA continues to be circumspect in its fleet renewal. Vessels reaching 25 years old are disposed to avoid expensive dry docking but are not replaced as TTA is still aiming to buy at lower prices. As a result of capacity reduction, we now expect the TTA group earnings to be essentially stagnant over a three-year period, comparing unfavourably against PSL's 16% EPS CAGR between FY09-12. Our target price has been lowered to THB29, as forecasts are cut and we apply a 20% discount to the SOP (previously none), given the hazy prospects for growth at the bulk shipping division.
- **We slash our FY10 EPS estimate by 50%**, as we now forecast the dry bulk segment to suffer an operating loss of THB8.3m against THB508m profit previously. We have also reduced our EBIT assumption for Mermaid Maritime by 25%, given slower-than-expected vessel deliveries and further delay in securing a new charter for MTR-1. FY11 EPS has been cut by 8% but we increase FY12 earnings by 21% as we factor in growth in Baconco and UMS under the infrastructure segment.
- **TTA's share price will depend on the prospects for its dry bulk business** since, in our opinion, investors interested in Mermaid can get direct exposure through the SGX. Also, UMS and Baconco are not well understood presently.

Financial summary

FYE Sep	2008	2009	2010F	2011F	2012F
Revenue (THB m)	34,393.4	19,959.9	21,528.7	25,382.9	27,468.6
EBITDA (THB m)	11,039.7	3,273.2	2,671.8	4,301.2	5,040.7
EBITDA margins (%)	32.1%	16.4%	12.4%	16.9%	18.4%
Pretax profit (THB m)	9,436.7	2,387.4	1,103.4	2,298.1	2,837.5
Net profit (THB m)	8,776.4	1,813.7	565.0	1,350.2	1,788.1
EPS (THB)	12.4	2.6	0.8	1.9	2.5
EPS growth (%)	76.6%	(79.3%)	(68.8%)	139.0%	32.4%
P/E (x)	2.0	9.9	31.6	13.2	10.0
Core EPS (THB)	12.1	1.3	0.4	1.9	2.5
Core EPS growth (%)	73.1%	(89.7%)	(66.3%)	348.7%	32.8%
Core P/E (x)	2.1	20.2	59.9	13.3	10.0
FD core EPS (THB)	12.1	1.2	0.5	1.8	2.4
FD core P/E (x)	2.1	20.3	52.1	14.0	10.7
Gross DPS (THB)	2.3	0.5	0.2	0.5	0.6
Dividend yield (%)	8.9%	2.1%	0.8%	1.9%	2.5%
P/BV (x)	0.7	0.7	0.7	0.6	0.6
ROE (%)	43.7%	7.1%	2.1%	4.9%	6.3%
Net cash per share (THB)	4.91	5.28	6.97	1.45	5.40
P/FCFE (x)	4.6	(46.7)	16.9	(4.8)	5.8
EV/EBITDA (x)	1.5	5.2	6.0	4.7	3.6
% change in EPS estimates			(49.7%)	(8.0%)	20.6%
CIMB/Consensus (x)			0.21	0.73	0.78

Source: Company, CIMB-GK Research, Bloomberg

Price chart



Source: Bloomberg

Market capitalisation & share price info

Market cap	THB17,877m/US$549m
12-mth price range	THB31.25/THB12.40
3-mth avg daily volume	14.2m
# of shares (m)	708
Est. free float (%)	80.0
Conv. secs (m)	78.3
Conv. price (THB)	51.41

Share price perf. (%)	1M	3M	12M
Relative	(4.1)	(7.1)	16.8
Absolute	1.0	(3.8)	102.0

Major shareholders	% held
Thai NVDR	23.0
Goldman Sachs International	3.6
State Street Bank	2.7

Source: Company, CIMB-GK Research, Bloomberg

Financial tables

PROFIT & LOSS

(THB m, FYE Sep)	2008	2009	2010F	2011F	2012F
Revenue	34,393	19,960	21,529	25,383	27,469
Operating expenses	(23,354)	(16,687)	(18,857)	(21,082)	(22,428)
EBITDA	11,040	3,273	2,672	4,301	5,041
Depreciation & amortisation	(2,051)	(1,779)	(1,921)	(1,986)	(2,148)
EBIT	8,989	1,494	751	2,316	2,893
Net interest & invt income	(331)	(253)	(224)	(239)	(246)
Associates' contribution	74	30	30	30	30
Exceptional items	197	927	266	10	10
Others	508	189	281	182	150
Pretax profit	**9,437**	**2,387**	**1,103**	**2,298**	**2,837**
Tax	(245)	(211)	(200)	(417)	(514)
Minority interests	(415)	(362)	(338)	(531)	(535)
Net profit	**8,776**	**1,814**	**565**	**1,350**	**1,788**
Adj. wt. shares (m)	708	708	708	708	708
Unadj. year-end shares (m)	644	708	708	708	708

KEY RATIOS

(FYE Sep)	2008	2009	2010F	2011F	2012F
Revenue growth (%)	68.9	(42.0)	7.9	17.9	8.2
EBITDA growth (%)	64.3	(70.4)	(18.4)	61.0	17.2
Pretax margins (%)	27.4	12.0	5.1	9.1	10.3
Net profit margins (%)	25.5	9.1	2.6	5.3	6.5
Interest cover (x)	16.8	4.0	2.2	6.6	8.3
Effective tax rates (%)	2.6	8.9	18.1	18.1	18.1
Net dividend payout (%)	16.3	19.0	22.5	22.5	22.5
Debtors turnover (days)	27.9	44.3	31.4	30.1	31.4
Stock turnover (days)	9.0	18.2	18.3	17.4	17.6
Creditors turnover (days)	17.2	26.4	19.0	18.1	18.3

BALANCE SHEET

(THB m, end Sep)	2008	2009	2010F	2011F	2012F
Fixed assets	20,954	22,969	22,431	27,518	26,386
Intangible assets	983	1,099	1,099	1,099	1,099
Other long-term assets	1,726	1,993	2,023	2,053	2,083
Total non-current assets	**23,663**	**26,062**	**25,554**	**30,671**	**29,569**
Cash and equivalents	11,548	10,719	11,916	8,005	10,800
Stocks	982	1,013	1,145	1,280	1,362
Trade debtors	3,059	1,784	1,924	2,268	2,455
Other current assets	2,892	2,063	2,063	2,063	2,063
Total current assets	**18,480**	**15,579**	**17,048**	**13,616**	**16,680**
Trade creditors	1,835	1,055	1,192	1,332	1,418
Short-term borrowings	479	1,997	1,997	1,997	1,997
Other current liabilities	2,969	2,415	2,415	2,415	2,415
Total current liabilities	**5,284**	**5,466**	**5,603**	**5,743**	**5,829**
Long-term borrowings	7,589	4,983	4,983	4,983	4,983
Other long-term liabilities	55	101	101	101	101
Total long-term liabilities	**7,644**	**5,084**	**5,084**	**5,084**	**5,084**
Shareholders' funds	**25,022**	**26,363**	**26,787**	**27,799**	**29,140**
Minority interests	4,193	4,728	5,067	5,598	6,133
NTA/share (THB)	33.95	35.68	36.28	37.71	39.60

KEY DRIVERS

(FYE Sep)	2009	2010F	2011F	2012F
Baltic Dry Index (yoy change %)	-77.4%	66.7%	-3.8%	8.0%
Bulk rates (US$/day)	10,980	10,489	13,319	14,876
Fleet size (number of vessels)	35	26	27	30

CASH FLOW

(THB m, FYE Sep)	2008	2009	2010F	2011F	2012F
Pretax profit	9,437	2,387	1,103	2,298	2,837
Depreciation & non–cash adj.	2,051	1,779	1,921	1,986	2,148
Working capital changes	(676)	462	(135)	(339)	(183)
Cash tax paid	(245)	(233)	(200)	(417)	(514)
Others	905	644	(352)	18	56
Cash flow from operations	**11,471**	**5,040**	**2,337**	**3,546**	**4,343**
Capex	(4,839)	(4,726)	(1,992)	(7,492)	(1,435)
Net investments & sale of FA	256	(43)	938	429	429
Others	(1,698)	12	0	0	0
Cash flow from investing	**(6,281)**	**(4,757)**	**(1,054)**	**(7,063)**	**(1,005)**
Debt raised/(repaid)	(1,008)	(413)	0	0	0
Equity raised/(repaid)	5,409	242	0	0	0
Dividends paid	(1,588)	(548)	(141)	(338)	(447)
Cash interest & others	(200)	(392)	56	(58)	(96)
Cash flow from financing	**2,613**	**(1,111)**	**(85)**	**(395)**	**(543)**
Change in cash	**7,802**	**(829)**	**1,198**	**(3,912)**	**2,796**
Change in net cash/(debt)	**8,811**	**(416)**	**1,198**	**(3,912)**	**2,796**
Ending net cash/(debt)	**3,479**	**3,739**	**4,937**	**1,025**	**3,820**

12M - FORWARD FD CORE P/E (X)

Source: Company, CIMB-GK Research, Bloomberg

Appendix 1: PSL's fleet details

Figure 19: PSL has completed the sales of 25 vessels

				Proceeds		Cap Gain
	Date	Vessel	DWT	US$	THB	THB
1	17-Dec-08	Foranun Naree	22,835	3.12	109.27	-9.4
2	21-Jan-09	Sukarawan Naree	25,729	3.30	115.19	-88.1
3	2-Feb-09	Mallika Naree	23,386	3.45	120.49	43.1
4	12-Mar-09	Suthathip Naree	25,404	1.79	64.39	-14.3
5	13-Mar-09	Vanda Naree	23,849	3.30	118.71	41.7
6	18-Mar-09	Ramita Naree	23,360	3.05	109.45	39.9
7	19-Mar-09	Manora Naree	29,159	3.10	110.99	13.0
8	26-Mar-09	Gomain Naree	23,796	3.05	108.29	25.4
9	20-Apr-09	Waralee Naree	25,413	2.80	99.20	65.6
10	21-Apr-09	Sirorat Naree	29,125	3.10	109.83	62.6
11	13-May-09	Patchara Naree	25,403	3.80	131.46	48.3
12	13-May-09	Worada Naree	25,424	3.05	105.51	46.5
13	3-Jun-09	Darin Naree	30,898	4.20	144.39	29.3
14	5-Jun-09	Opal Naree	28,780	3.20	109.22	54.2
15	11-Jun-09	Manisamut Naree	21,341	3.70	126.80	36.6
16	19-Jun-09	Pawitra Naree	21,654	4.15	141.73	85.3
17	1-Sep-09	Thamisa Naree	34,072	3.90	132.67	38.3
18	4-Sep-09	Kanok Naree	33,024	4.95	168.50	45.5
19	10-Sep-09	Sumana Naree	23,423	4.35	146.51	83.8
20	15-Sep-09	Urana Naree	33,005	4.23	142.48	60.1
21	5-Dec-09	Kritika Naree	34,072	4.35	144.32	?
22	15-Jan-10	Natcha Naree	23,593	4.70	154.50	?
23	20-Jan-10	Nayana Naree	23,846	4.15	136.96	?
24	3-Feb-10	Nipha Naree	33,024	6.00	199.16	?
25	10-Feb-10	Neera Naree	25,309	6.29	208.63	?

Source: Company, CIMB-GK Research

Figure 20: PSL has purchased two second-hand vessels, 23 more to go

				Cost		
	Date	Vessel	DWT	US$	THB	Delivered
1	31-Oct-09	Rojarek Naree (ex-Rosella)	29,870	22.25	767.63	2009
2	1-Feb-10	Nalinee Naree (ex-Ocean Twins)	31,700	23.75	787.30	2010

Source: Company, CIMB-GK Research

Figure 21: PSL's current fleet

	Vessel name	Year built	DWT	Category	Age (years)
1	Fujisan Maru	1976	16,922	Handysize	34.0
2	Apisara Naree	1996	18,596	Handysize	14.0
3	Bussara Naree	1997	18,573	Handysize	13.0
4	Suchada Naree	1994	23,732	Handysize	16.0
5	Parinda Naree	1995	23,720	Handysize	15.0
6	Boontrika Naree	1990	27,881	Handysize	20.0
7	Tharinee Naree	1994	23,724	Handysize	16.0
8	Chollada Naree	1997	18,485	Handysize	13.0
9	Dusita Naree	1997	18,486	Handysize	13.0
10	Emwika Naree	1997	18,462	Handysize	13.0
11	Ploypailin Naree	1995	26,472	Handysize	15.0
12	Fonthida Naree	1995	28,484	Handysize	15.0
13	Rattana Naree	2002	28,442	Handysize	8.0
14	Chalothorn Naree	1996	27,078	Handysize	14.0
15	Saranya Naree	1991	28,583	Handysize	19.0
16	Sujitra Naree	1995	28,290	Handysize	15.0
17	Vijitra Naree	1997	28,646	Handysize	13.0
18	Urawee Naree	1997	28,415	Handysize	13.0
19	Mathawee Naree	1996	28,364	Handysize	14.0
20	Rojarek Naree (ex-Rosella)	2005	29,870	Handysize	5.0
21	Nalinee Naree (ex-Ocean Twins)	2005	31,700	Handysize	5.0
	TOTAL		522,925		14.4

Source: Company, CIMB-GK Research

Figure 22: PSL's newbuilding vessel order book: deliveries starting from 2010

Vessel name	Date purchased	Year of delivery	DWT	Cost US$	THB	% owned
1 Handysize #1	20-Jul-07	15-Mar-10	34,000	30	1,033	100%
2 Handysize #2	20-Jul-07	31-Jul-10	34,000	30	1,033	100%
3 Handysize #3	20-Jul-07	15-Dec-10	34,000	30	1,033	100%
4 Supramax #1	11-Oct-07	31-Dec-10	54,000	38	1,300	100%
5 Handysize #4	20-Jul-07	30-Apr-11	34,000	30	1,033	100%
6 Supramax #2	11-Oct-07	30-Jun-11	54,000	38	1,300	100%
7 Cement carrier #1	?	15-Aug-11	20,000	28.5	983	50%
8 Handysize #5	20-Jul-07	31-Aug-11	34,000	30	1,033	100%
9 Handysize #6	20-Jul-07	31-Dec-11	34,000	30	1,033	100%
10 Supramax #3	11-Oct-07	31-Dec-11	54,000	38	1,300	100%
11 Handysize #7	20-Jul-07	30-Apr-12	34,000	30	1,033	100%
12 Supramax #4	11-Feb-08	31-May-12	54,000	38	1,300	100%
13 Handysize #8	20-Jul-07	31-Aug-12	34,000	30	1,033	100%
14 Supramax #5	11-Feb-08	31-Oct-12	54,000	38	1,300	100%
15 Supramax #6	11-Feb-08	31-Dec-12	54,000	38	1,300	100%
16 Handysize #9	20-Jul-07	31-Dec-12	34,000	30	1,033	100%
17 Cement carrier #2	?	31-Jan-13	20,000	28.5	983	50%
18 Handysize #10	20-Jul-07	30-Apr-13	34,000	30	1,033	100%
19 Handysize #11	20-Jul-07	31-Aug-13	34,000	30	1,033	100%
20 Handysize #12	20-Jul-07	31-Dec-13	34,000	30	1,033	100%
21 Cement carrier #3	?	31-Jan-14	20,000	28.5	983	50%
22 Cement carrier #4	?	30-Apr-14	20,000	28.5	983	50%

Source: Company, CIMB-GK Research

Appendix 2: TTA's fleet details

Figure 23: TTA has sold 13 vessels so far, another 15 vessels to be disposed over two years

				Proceeds		Cap Gain
	Date	Vessel	DWT	US$	THB	THB
1	13-Feb-09	Thor Star	16,248	1.26	44.00	-5.1
2	4-Mar-09	Thor Mercury	17,322	1.80	63.20	-10.8
3	9-Apr-09	Thor Merchant	17,326	2.01	70.75	1.4
4	21-Apr-09	Thor Trader	24,126	2.28	81.00	-10.5
5	25-May-09	Thor Guardian	41,876	2.57	87.89	-21.9
6	24-Jul-09	Thor Alliance	40,940	4.50	152.20	59.4
7	2-Sep-09	Thor Mariner	17,298	1.99	67.60	2.6
8	18-Sep-09	Thor Master	17,298	1.96	65.94	1.1
9	23-Oct-09	Thor Jasmine	36,633	5.18	172.65	49.8
10	24-Dec-09	Thor Commander	26,140	2.43	80.50	1.5
11	8-Feb-10	Thor Spirit	16,248	1.88	61.90	15.0
12	11-Feb-10	Thor Tribute	23,224	3.40	112.70	48.1
13	4-Mar-10	Thor Sea	16,248	2.60	84.58	26.9

Source: Company, CIMB-GK Research

Figure 24: TTA's current fleet – vessels #1-15 will probably be sold within two years due to age

	Vessel name	Year built	DWT	Category	Age (years)
1	Thor Champion	1-Dec-82	25,150	Handysize	28.3
2	Thor Captain	1-May-83	25,085	Handysize	27.9
3	Thor Confidence	24-Jun-83	24,900	Handysize	27.7
4	Thor Lotus	18-Feb-85	35,458	Handysize	26.1
5	Thor Orchid	27-Sep-85	34,800	Handysize	25.5
6	Thor Traveller	30-Nov-85	24,126	Handysize	25.3
7	Thor Sailor	21-Mar-86	16,248	Tweendeckers	25.0
8	Thor Pilot	22-May-86	33,400	Handysize	24.8
9	Thor Sun	4-Jul-86	16,223	Tweendeckers	24.7
10	Thor Transporter	8-Aug-86	23,930	Handysize	24.6
11	Thor Jupiter	18-Aug-86	36,992	Handysize	24.6
12	Thor Skipper	4-Nov-86	16,211	Tweendeckers	24.4
13	Thor Transit	1-Dec-86	23,042	Handysize	24.3
14	Thor Sky	18-Dec-86	16,225	Tweendeckers	24.2
15	Thor Navigator	29-Mar-87	20,358	Tweendeckers	24.0
16	Thor Nereus	1-Jan-88	20,380	Tweendeckers	23.2
17	Thor Nautilus	6-May-88	20,457	Tweendeckers	22.9
18	Thor Nautica	9-Dec-88	20,542	Tweendeckers	22.3
19	Thor Nexus	1-Jan-89	20,377	Tweendeckers	22.2
20	Thor Neptune	1-Mar-89	20,377	Tweendeckers	22.0
21	Thor Nectar	1-Jan-90	20,433	Tweendeckers	21.2
22	Thor Dynamic	30-Apr-91	43,497	Handymax	19.9
23	Thor Energy	16-Nov-94	42,529	Handymax	16.3
24	Thor Endeavour	11-Apr-95	42,529	Handymax	15.9
25	Thor Enterprise	28-Jul-95	42,529	Handymax	15.6
26	Thor Wave	30-Jul-98	39,042	Handysize	12.6
27	Thor Wind	18-Nov-98	39,087	Handysize	12.3
28	Thor Integrity	2-Apr-01	52,375	Handymax	9.9
29	Thor Harmony	21-Mar-02	42,978	Handymax	9.0
30	Thor Horizon	2002	47,111	Handymax	8.0
31	Thor Friendship (Oshima yard)	Jan-10	53,350	Handymax	1.2
	TOTAL		939,741		20.5

Source: Company, CIMB-GK Research

Figure 25: TTA's newbuilding vessel order book – all handymaxes

		Date	Year of		Cost	
	Vessel name	purchased	delivery	DWT	millions	THB
1	Thor Fortune (Oshima yard)	20-Dec-06	1-Sep-11	53,350	JPY4,085	1,241
2	Vinashin vessel #1	21-Sep-07	1-Dec-11	53,000	US$41.3	1,425
3	Vinashin vessel #2	21-Sep-07	1-Apr-12	53,000	US$41.3	1,425
4	Vinashin vessel #3	21-Sep-07	1-Aug-12	53,000	US$41.3	1,425

Source: Company, CIMB-GK Research

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Score Range	Description
90 - 100	Excellent
80 - 89	Very Good
70 - 79	Good
Below 70 or No Survey Result	N/A

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RECOMMENDATION FRAMEWORK #1*

STOCK RECOMMENDATIONS	SECTOR RECOMMENDATIONS
OUTPERFORM: The stock's total return is expected to exceed a relevant benchmark's total return by 5% or more over the next 12 months.	**OVERWEIGHT:** The industry, as defined by the analyst's coverage universe, is expected to outperform the relevant primary market index over the next 12 months.
NEUTRAL: The stock's total return is expected to be within +/-5% of a relevant benchmark's total return.	**NEUTRAL:** The industry, as defined by the analyst's coverage universe, is expected to perform in line with the relevant primary market index over the next 12 months.
UNDERPERFORM: The stock's total return is expected to be below a relevant benchmark's total return by 5% or more over the next 12 months.	**UNDERWEIGHT:** The industry, as defined by the analyst's coverage universe, is expected to underperform the relevant primary market index over the next 12 months.
TRADING BUY: The stock's total return is expected to exceed a relevant benchmark's total return by 5% or more over the next 3 months.	**TRADING BUY:** The industry, as defined by the analyst's coverage universe, is expected to outperform the relevant primary market index over the next 3 months.
TRADING SELL: The stock's total return is expected to be below a relevant benchmark's total return by 5% or more over the next 3 months.	**TRADING SELL:** The industry, as defined by the analyst's coverage universe, is expected to underperform the relevant primary market index over the next 3 months.

** This framework only applies to stocks listed on the Singapore Stock Exchange, Bursa Malaysia, Stock Exchange of Thailand and Jakarta Stock Exchange. Occasionally, it is permitted for the total expected returns to be temporarily outside the prescribed ranges due to extreme market volatility or other justifiable company or industry-specific reasons.*

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RECOMMENDATION FRAMEWORK #2 **

STOCK RECOMMENDATIONS	SECTOR RECOMMENDATIONS
OUTPERFORM: Expected positive total returns of 15% or more over the next 12 months.	**OVERWEIGHT:** 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 better over the next 12 months.
NEUTRAL: Expected total returns of between -15% and +15% over the next 12 months.	**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 12 months.
UNDERPERFORM: Expected negative total returns of 15% or more over the next 12 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 12 months.
TRADING BUY: Expected positive total returns of 15% or more over the next 3 months.	**TRADING BUY:** 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 better over the next 3 months.
TRADING SELL: Expected negative total returns of 15% or more over the next 3 months.	**TRADING SELL:** 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 3 months.

*** This framework only applies to stocks listed on the Hong Kong Stock Exchange and China listings on the Singapore Stock Exchange. Occasionally, it is permitted for the total expected returns to be temporarily outside the prescribed ranges due to extreme market volatility or other justifiable company or industry-specific reasons.*

Corporate Governance Report of Thai Listed Companies (CGR). CG Rating by the Thai Institute of Directors Association (IOD) in 2008.

ADVANC	Very Good	GLOW	Good	ROBINS	Very Good
AMATA	Very Good	HEMRAJ	Very Good	ROJNA	Good
AOT	Very Good	ITD	Good	SAMTEL	not available
AP	Very Good	KBANK	Excellent	SCB	Excellent
BANPU	Excellent	KEST	Very Good	SCC	Very Good
BAY	Very Good	KTB	Excellent	SCCC	Good
BBL	Very Good	LH	Very Good	SCIB	Very Good
BEC	Very Good	LPN	Very Good	SIRI	Very Good
BECL	Very Good	MAJOR	Good	SPALI	Very Good
BH	Very Good	MCOT	Good	STEC	Very Good
BIGC	Very Good	MINT	Very Good	THAI	Very Good
BLS	Excellent	PHATRA	Very Good	TMB	Very Good
CCET	Very Good	PS	Very Good	TOP	Very Good
CK	Very Good	PSL	Very Good	TRUE	Very Good
CPF	Very Good	PTT	Excellent	TTA	Very Good
DELTA	Very Good	PTTEP	Excellent	TUF	Good
DTAC	not available	QH	Very Good	TVO	Good
FUTUREPF	not available				