

PRECIOUS SHIPPING

(PSL TB/ PSL.BK)

The farther the better

The Ukraine crisis would disrupt the food supply chain and dry bulk operators that carry grains might have to change routes and travel longer distances, which would increase travel time. This would reduce effective dry bulk capacity and support the BDI. Maintain BUY rating with a higher TP of Bt23.50/sh.

Ukraine crisis to disrupt food supply chain

Ukraine accounts for 12% of global wheat trade. Meanwhile, corn for Ukraine accounts for 17% of international corn trade. That will have a huge impact as traders rush to find alternative supply and markets. Dry bulk operators might change grain transportation routes and need to sail longer distances, which would take longer travel time.

Grains account for 13% of total dry bulk trade

Based on data from Clarksons, dry bulk trade involving grains (includes soybean) is expected to grow 3% to 3,889 billion ton-miles in 2022, or 13% of total dry bulk trade. Meanwhile, wheat and corn account for 65% of global grain export volume and Ukraine grains export volume is represented for 15% of global export. Hence, we estimate Ukraine crisis will impact to dry bulk trade about 1.3%.

Expect effective capacity to drop due to longer travel distances

Top wheat importers in Asia like Egypt, Indonesia and Bangladesh might now source wheat from EU, Australia, and Canada instead of Ukraine. Top corn importers like Egypt, Netherlands, and Spain might try to source corn from Argentina and Brazil instead. The longer transportation distances would impact effective shipping capacity to drop by 2-3%.

Maintain BUY rating, raised TP to Bt23.50/sh (from Bt20.50)

This is premised on (i) demand growth outpacing supply growth, and (ii) limited shipping capacity because of the Ukraine-Russia war. We upgraded FY21F and FY22F earnings by 31% and 28% to Bt2.86b and Bt3.32b, respectively, after raising TC rate assumptions. Our revised TP is based on 2.3x FY22F PBV, equivalent to 13.0x PER.

Financial Summary

Year to 31 Dec	Unit	2020	2021	2022F	2023F	2024F
Revenue	(Btm)	3,730	8,615	7,079	7,421	7,780
Revenue growth	(%)	(10.16)	130.97	(17.83)	4.83	4.84
EBITDA	(Btm)	1,390	5,948	4,283	4,654	4,968
EBITDA growth	(%)	(15.60)	327.81	(28.01)	8.68	6.75
Profit, core	(Btm)	(413)	4,339	2,860	3,319	3,769
Profit growth, core	(%)	n.a.	n.a.	(34.10)	16.05	13.57
Profit, reported	(Btm)	(1,295)	4,475	2,860	3,319	3,769
Profit growth, reported	(%)	n.a.	n.a.	(36.10)	16.05	13.57
EPS, core	(Bt)	(0.27)	2.78	1.83	2.13	2.42
EPS growth, core	(%)	n.a.	n.a.	(34.10)	16.05	13.57
DPS	(Bt)	0.00	1.75	0.92	1.06	1.21
P/E, core	(x)	(28.67)	6.47	9.60	8.27	7.28
P/BV, core	(x)	1.17	1.95	1.74	1.57	1.42
ROE	(%)	(11.94)	36.53	18.96	19.96	20.49
Dividend yield	(%)	0.00	9.72	5.21	6.05	6.87
FCF yield	(%)	21.60	11.80	16.39	15.16	18.30

BUY

Target price Bt23.50 (+33.5%) Price Bt17.60

Total return upside 38.7% Div. yield 5.2%



Adisak PROMBUN

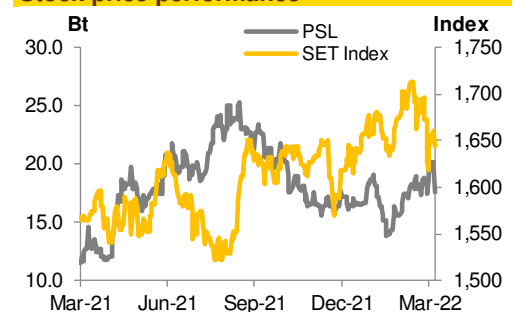
Fundamental investment analyst on securities

+662 659 7000 ext 5013

Adisak.Prombun@krungsrisecurities.com

Key data	Unit	
12M high/ low	(Bt)	26.0/ 11.1
Market cap	(Btm/ USDm)	27,444/ 819
3M avg. daily turnover	(Btm/ USDm)	346.1/ 10.5
Free float	(%)	47.0
Issued shares	(m shares)	1,559
Major shareholders:		%
1) Globex Corporation C		28.4
2) Grain Trade Co Ltd		8.3
3) Hashim Khalid Moinud		7.8

Stock price performance



	Unit	ytd	1M	3M	12M
Total return	(%)	9.0	5.8	12.4	58.4
Total return vs SET	(%)	9.1	8.7	10.5	53.5

Krungsri vs Bloomberg consensus

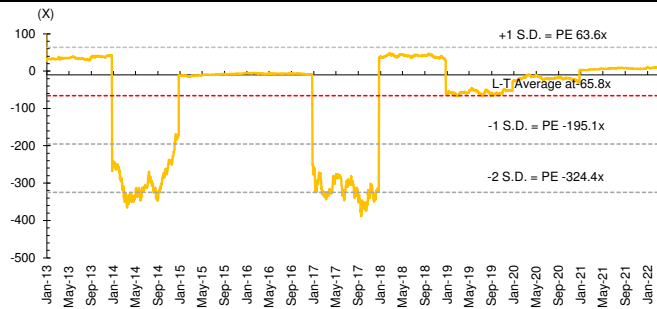
	Unit	(+)	(=)	(-)
Bloomberg consensus	(Cnt.)	6	2	1
	Unit	KSS	BB	%diff
Target price	(Bt)	23.50	20.06	17.2
2022F net profit	(Btm)	2,860	3,526	(18.9)
2023F net profit	(Btm)	3,319	2,793	18.8

Earnings revision

Bloomberg	Unit	2022F	2023F
1M	(%)	17.34	5.04
3M	(%)	10.22	(14.95)
ytd	(%)	10.22	(14.95)
Krungsri			
From last report	(%)	30.77	27.56

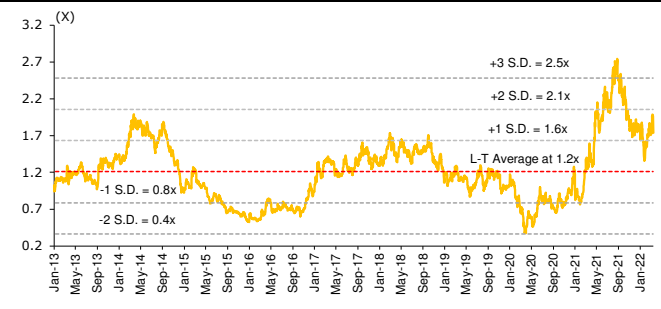
Source: Bloomberg, Krungsri Securities

P/E Band



Source: Bloomberg, Krungsri Securities

P/BV Band



Source: Bloomberg, Krungsri Securities

Figure 1: World wheat export volume (2021/22)

Country	(1,000 Tons)	(%)
World	206,698	100.0%
EU	37,500	18.1%
Russia	35,000	16.9%
Australia	26,000	12.6%
Ukraine	24,200	11.7%
Canada	15,500	7.5%
Others	68,498	33.1%

Source: USDA, Krungsri securities

Figure 2: World corn export volume (2021/22)

Country	(1,000 Tons)	(%)
World	194,024	100.0%
Argentina	37,500	19.3%
Ukraine	33,500	17.3%
Brazil	31,000	16.0%
EU	4,900	2.5%
Russia	4,500	2.3%
Others	82,624	42.6%

Source: USDA, Krungsri securities

Figure 3: Impact of changing wheat import sources

Inport country	Export country	Nautical Miles	Days at sea with 10.0 knots speed
Egypt	Ukraine	1,240	5.2
	EU (France)	1,775	7.4
	Australia	8,345	34.8
	Canada	5,063	21.1
Indonesia	Ukraine	6,373	26.6
	EU (France)	7,111	29.6
	Australia	3,434	14.3
	Canada	10,415	43.4
Bangladesh	Ukraine	6,646	27.7
	EU (France)	7,384	30.8
	Australia	4,448	18.5
	Canada	10,687	44.5





















Source: Sea Distance Calculator | ShipTraffic.net, Krungsri securities

Figure 4: Impact of changing corn import sources

Inport country	Export country	Nautical Miles	Days at sea with 10.0 knots speed
China	Ukraine	8,503	35.4
	Argentina	11,926	49.7
	Brazil	11,886	49.5
Egypt	Ukraine	1,240	5.2
	Argentina	8,307	34.6
	Brazil	7,770	32.4
Netherlands	Ukraine	4,044	16.8
	Argentina	7,799	32.5
	Brazil	7,262	30.3
Spain	Ukraine	1,971	8.2
	Argentina	7,014	29.2
	Brazil	6,477	27.0





















Source: Sea Distance Calculator | ShipTraffic.net, Krungsri securities

Figure 5: Ukraine's top export partners - wheat and maize (2016-20)

Top destinations for wheat exports		Total	Top destinations for maize exports		Total
Egypt 		\$2.34B	China 		\$3.32B
Indonesia 		\$2.23B	Egypt 		\$2.30B
Bangladesh 		\$1.47B	Netherlands 		\$2.27B
Philippines 		\$876.39M	Spain 		\$2.26B
Morocco 		\$857.40M	Italy 		\$1.10B
Thailand 		\$789.14M	Iran 		\$1.05B
Tunisia 		\$770.09M	Turkey 		\$938.56M
South Korea 		\$611.57M	Israel 		\$723.43M
Turkey 		\$562.03M	Portugal 		\$610.78M
India 		\$537.26M	Germany 		\$496.76M

Source: Comtrade

Figure 6: Russia's top export partners - wheat and maize (2016-20)

Top destinations for wheat exports		Total	Top destinations for maize exports		Total
Egypt 		\$7.39B	Iran 		\$926.47M
Turkey 		\$4.96B	Turkey 		\$742.23M
Bangladesh 		\$1.90B	South Korea 		\$511.68M
Sudan 		\$1.32B	Vietnam 		\$246.19M
Nigeria 		\$1.29B	Lebanon 		\$161.99M
Azerbaijan 		\$1.05B	Netherlands 		\$112.86M
Yemen 		\$1.05B	Japan 		\$92.46M
Vietnam 		\$825.08M	Latvia 		\$80.34M
United Arab Emirates 		\$670.52M	Georgia 		\$73.21M
Tanzania 		\$596.54M	Greece 		\$59.49M

Source: Comtrade

Figure 7: Historical Growth in Seaborne Dry Bulk Trade (Billion Ton-Miles)

Seaborne Drybulk Trade							
All Units In Billion Tonne-Miles	2016	2017	2018	2019	2020	2021E	2022F
Iron Ore	7,936	8,190	8,188	8,028	8410	8,547	8,657
Coal (includes Lignite)	4,641	4,870	5,175	5,090	4,594	4,959	5,058
Grains (includes Soybeans)	3,085	3,272	3,158	3,380	3,723	3,771	3,889
Minor Bulk	9,403	9,941	10,389	10,527	10,518	11,108	11,408
Total	25,064.70	26,272.56	26,910.66	27,025.91	27,245.48	28,385.13	29,012.46
Total % Change In Trade	-5.83%	4.82%	2.43%	0.43%	0.81%	4.18%	2.21%
Dry Bulk Fleet (MDWT)	790.41	813.53	840.82	873.43	906.99	939.15	963.9*
% Change in Dry Bulk Fleet (MDWT)	2.40%	2.93%	3.35%	3.88%	3.84%	3.55%	2.0%*

Source: Clarksons Research as of January 2022

Figure 8: Commodities Exposure in Different Dry Bulk Sectors

COMMODITIES	Capesize	Panamax	Supramax	Handysize
Iron Ore	74%	9%	7%	2%
Coal	21%	49%	22%	10%
Grains	0%	28%	17%	22%
Minor Bulk	4%	13%	55%	65%
Others	1%	1%	-	1%

Source: Clarksons Research as of January 2022

PSL: Assumptions (New)

Assumption	2021F	2022F	2023F
Number of vessels (Vessels)	36	36	36
Average TC rate (USD / day)	20,287	16,000	16,800
Operating cost (USD / day)	4,611	4,657	4,704
USDTHB (Bt/USD)	32.2	32.5	32.5
Gross Margin (%)	61.6	51.2	53.2
SG&A/Sales (%)	6.7	8.0	7.0
Effective tax rate (%)	0.0	0.1	0.1

Source: Company data, Krungsri Securities

PSL: Assumptions (Previous)

Assumption	2021F	2022F	2023F
Number of vessels (Vessels)	36	36	36
Average TC rate (USD / day)	19,300	14,475	15,199
Operating cost (USD / day)	4,611	4,657	4,704
USDTHB (Bt/USD)	32.2	32.5	32.5
Gross Margin (%)	59.4	46.0	48.1
SG&A/Sales (%)	7.0	7.0	7.0
Effective tax rate (%)	0.1	0.1	0.1

Source: Company data, Krungsri Securities

Financial statement
Profit and Loss Statement

FY December 31	Unit	2017	2018	2019	2020	2021	2022F	2023F	2024F
Total revenue	(Btm)	4,329	4,933	4,152	3,730	8,615	7,079	7,421	7,780
Cost of goods sold	(Btm)	(3,160)	(3,250)	(3,168)	(3,226)	(3,305)	(3,452)	(3,475)	(3,499)
Gross profit	(Btm)	1,169	1,682	984	504	5,311	3,627	3,946	4,282
SG&A	(Btm)	(404)	(458)	(551)	(336)	(581)	(566)	(519)	(545)
Other income	(Btm)	23	37	31	9	3	4	6	6
Interest expense	(Btm)	(848)	(826)	(703)	(597)	(415)	(220)	(129)	10
Pre-tax profit	(Btm)	(61)	436	(239)	(420)	4,318	2,845	3,303	3,753
Corporate tax	(Btm)	(0)	(2)	(3)	(4)	(2)	(3)	(3)	(4)
Equity a/c profits	(Btm)	10	24	20	11	23	18	19	19
Minority interests	(Btm)	0	(0)	(0)	0	(0)	(0)	(0)	(0)
Core profit	(Btm)	(51)	458	(222)	(413)	4,339	2,860	3,319	3,769
Extra-ordinary items	(Btm)	(79)	(2)	(6)	(881)	136	0	0	0
Net profit	(Btm)	(129)	456	(228)	(1,295)	4,475	2,860	3,319	3,769
EBITDA	(Btm)	1,958	2,447	1,647	1,390	5,948	4,283	4,654	4,968
Core EPS	(Bt)	(0.03)	0.29	(0.14)	(0.27)	2.78	1.83	2.13	2.42
Net EPS	(Bt)	(0.08)	0.29	(0.15)	(0.83)	2.87	1.83	2.13	2.42
DPS	(Bt)	0.00	0.00	0.00	0.00	1.75	0.92	1.06	1.21

Balance Sheet

FY December 31	Unit	2017	2018	2019	2020	2021	2022F	2023F	2024F
Total current assets	(Btm)	2,251	2,317	1,681	1,938	2,810	2,459	1,836	3,114
Total long-term assets	(Btm)	26,583	25,520	23,380	19,459	20,721	19,606	18,503	17,399
Total assets	(Btm)	28,833	27,837	25,061	21,397	23,531	22,065	20,339	20,513
Total current liabilities	(Btm)	1,334	2,308	4,712	3,339	1,917	1,021	778	945
Total long-term liabilities	(Btm)	15,164	12,833	8,789	7,923	7,249	5,249	2,108	229
Total liabilities	(Btm)	16,498	15,141	13,502	11,263	9,165	6,270	2,885	1,174
Paid-up capital	(Btm)	3,527	3,527	3,527	3,527	3,527	3,527	3,527	3,527
Total equity	(Btm)	12,335	12,695	11,559	10,134	14,365	15,795	17,454	19,339
Minority interest	(Btm)	0	0	0	0	0	0	0	0
BVPS	(Bt)	7.91	8.14	7.41	6.50	9.21	10.13	11.19	12.40

Cash Flow Statement

FY December 31	Unit	2017	2018	2019	2020	2021	2022F	2023F	2024F
Core profit	(Btm)	(51)	458	(222)	(413)	4,339	2,860	3,319	3,769
Depreciation and amortization	(Btm)	1,171	1,185	1,183	1,213	1,215	1,218	1,222	1,225
Operating cash flow	(Btm)	1,260	1,464	1,126	(149)	5,790	4,602	4,281	5,144
Investing cash flow	(Btm)	436	(3)	956	2,708	(2,477)	(103)	(119)	(121)
Financing cash flow	(Btm)	(1,130)	(1,158)	(922)	(1,499)	(4,711)	(4,843)	(4,801)	(3,763)
Net change in cash	(Btm)	318	293	1,046	1,047	(1,268)	(345)	(639)	1,261

Key Financial Ratios

FY December 31	Unit	2017	2018	2019	2020	2021	2022F	2023F	2024F
Gross margin	(%)	27.00	34.11	23.71	13.51	61.64	51.24	53.17	55.03
EBITDA margin	(%)	45.23	49.60	39.68	37.28	69.04	60.50	62.71	63.85
EBIT margin	(%)	18.19	25.57	11.17	4.76	54.94	43.29	46.25	48.11
Net profit margin	(%)	(2.99)	9.25	(5.50)	(34.71)	51.94	40.40	44.72	48.44
ROE	(%)	(1.00)	3.65	(1.88)	(11.94)	36.53	18.96	19.96	20.49
ROA	(%)	(0.42)	1.61	(0.86)	(5.57)	19.92	12.54	15.65	18.45
Net D/E	(x)	1.1	1.0	1.0	0.9	0.4	0.2	0.0	-0.2
Interest coverage	(x)	0.9	1.5	0.7	0.3	11.4	14.0	26.5	-374.3
Payout ratio	(%)	0	0	0	0	61	50	50	50

Main Assumptions

FY December 31	Unit	2017	2018	2019	2020	2021	2022F	2023F	2024F
Number of vessels	Vessels	36	38	36	36	36	36	36	36
Average TC rate	USD / vessel*day	9,846	11,063	9,622	8,332	20,287	16,000	16,800	17,640
Operating cost	USD / vessel*day	4,355	4,621	4,778	4,705	4,611	4,657	4,704	4,751
USDTHB	Bt / USD	32.7	32.4	30.9	31.3	32.2	32.5	32.5	32.5
Gross Margin	(%)	27.0	34.1	23.7	13.5	61.6	51.2	53.2	55.0
SG&A/sales	(%)	9.3	9.3	13.3	9.0	6.7	8.0	7.0	7.0
Effective tax rate	(%)	0.3	0.5	1.1	1.1	0.0	0.1	0.1	0.1

Financial statement

Profit and Loss Statement

FY December 31	Unit	1Q20	2Q20	3Q20	4Q20	1Q21	2Q21	3Q21	4Q21
Total revenue	(Btm)	1,055	680	944	1,050	1,246	1,918	2,639	2,812
Cost of goods sold	(Btm)	(909)	(757)	(762)	(798)	(784)	(883)	(827)	(811)
Gross profit	(Btm)	146	(77)	182	253	463	1,035	1,812	2,001
SG&A	(Btm)	(112)	(82)	(75)	(67)	(79)	(163)	(169)	(170)
Other income	(Btm)	4	3	1	2	1	1	0	2
Interest expense	(Btm)	(172)	(158)	(145)	(122)	(117)	(108)	(112)	(78)
Pre-tax profit	(Btm)	(134)	(314)	(37)	65	267	765	1,532	1,754
Corporate tax	(Btm)	0	0	0	(4)	0	0	0	(2)
Equity a/c profits	(Btm)	1	4	3	4	4	4	7	8
Minority interests	(Btm)	0	0	0	0	0	(0)	0	(0)
Core profit	(Btm)	(133)	(310)	(35)	64	271	769	1,538	1,761
Extra-ordinary items	(Btm)	16	(873)	12	(37)	104	57	(37)	11
Net profit	(Btm)	(117)	(1,183)	(22)	27	375	826	1,501	1,772
EBITDA	(Btm)	345	148	412	494	691	1,160	1,960	2,150
Core EPS	(Bt)	(0.09)	(0.20)	(0.02)	0.04	0.17	0.49	0.99	1.13
Net EPS	(Bt)	(0.08)	(0.76)	(0.01)	0.02	0.24	0.53	0.96	1.14
DPS		0.00	0.00	0.00	0.00	0.00	1.00	2.00	2.00

Balance Sheet

FY December 31	Unit	1Q20	2Q20	3Q20	4Q20	1Q21	2Q21	3Q21	4Q21
Total current assets	(Btm)	2,176	3,023	2,532	1,938	1,531	1,557	2,321	2,321
Total long-term assets	(Btm)	24,087	20,432	20,747	19,459	20,038	20,266	21,118	21,118
Total assets	(Btm)	26,263	23,455	23,278	21,397	21,569	21,823	23,439	23,439
Total current liabilities	(Btm)	7,962	5,770	3,223	3,339	3,037	5,761	2,270	2,270
Total long-term liabilities	(Btm)	6,077	7,303	9,384	7,923	7,559	3,974	7,590	7,590
Total liabilities	(Btm)	14,039	13,073	12,607	11,263	10,596	9,735	9,860	9,860
Paid-up capital	(Btm)	3,700	3,700	3,700	3,527	3,700	3,700	3,700	3,700
Total equity	(Btm)	12,224	10,382	10,672	10,134	10,973	12,088	13,578	13,578
Minority interest	(Btm)	0	0	0	0	0	0	0	0
BVPS	(Bt)	7.84	6.66	6.84	6.50	7.04	7.75	8.71	8.71

Cash Flow Statement

FY December 31	Unit	1Q20	2Q20	3Q20	4Q20	1Q21	2Q21	3Q21	4Q21
Core profit	(Btm)	(133)	(310)	(35)	64	271	769	1,538	1,761
Depreciation and amortization	(Btm)	307	611	(1)	297	287	299	316	316
Operating cash flow	(Btm)	137	259	448	1,020	487	1,221	2,018	487
Investing cash flow	(Btm)	(51)	(33)	1,156	(74)	(39)	(41)	(62)	(39)
Financing cash flow	(Btm)	(97)	(538)	2,048	(4,341)	(455)	(1,079)	(1,296)	(455)
Net change in cash	(Btm)	76	(363)	3,682	(3,476)	40	129	752	40

Key Financial Ratios

FY December 31	Unit	1Q20	2Q20	3Q20	4Q20	1Q21	2Q21	3Q21	4Q21
Gross margin	(%)	13.82	(11.25)	19.30	24.04	37.12	53.96	68.67	71.16
EBITDA margin	(%)	32.69	21.72	43.68	46.99	55.47	60.49	74.27	76.45
EBIT margin	(%)	3.62	(22.91)	11.38	17.86	30.84	45.52	62.28	65.16
Net profit margin	(%)	(11.10)	(173.91)	(2.34)	2.61	30.11	43.07	56.90	63.01
ROE	(%)	(1.05)	(10.99)	(0.21)	0.25	3.56	7.53	12.84	14.11
ROA	(%)	(0.51)	(5.26)	(0.10)	0.12	1.67	3.75	6.81	7.85
Net D/E	(x)	0.99	1.11	0.95	0.88	0.76	0.61	0.52	0.52
Interest coverage	(x)	0.22	(0.99)	0.74	1.53	3.27	8.08	14.72	23.49
Payout ratio	(%)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00