



We initiate coverage of PSL with a BUY rating, based on a target price of Bt7.10, which is derived from 1.0xPBV'21E, its 10-year average.

#### The Story:

- Solid position in bloodied industry
- Expected TC rate recovery in 2021
- Effective cost management is its core competency

#### Risks:

- Charter rate fluctuation
- Exchange rate fluctuation
- Outcome of arbitration with Chinese shipyard

Valuation table					
Year end Dec	18A	19A	20E	21E	22E
PE (x)	16.9	nm	nm	88.7	16.0
Recurring net profit growth (%)	nm	nm	nm	nm	453.4
Recurring EPS (Bt)	0.30	(0.14)	(0.35)	0.06	0.31
Recurring EPS growth (%)	nm	nm	nm	nm	453.4
PBV (x)	0.61	0.67	0.71	0.70	0.67
BVPS (Bt)	8.1	7.4	7.1	7.1	7.4
ROE (%)	3.6	(1.9)	(4.8)	0.8	4.3
DPS (Bt)	-	-	-	-	-
Dividend yield (%)	na	na	na	na	na
Enterprise value (Bt m)	20,492	19,277	17,986	16,686	15,432
EV-to-EBITDA (x)	8.4	11.8	14.6	9.2	7.2

### Precious Shipping PCL

**Recommendation:** BUY

**Current price:** Bt5.0

**Target price 2021:** Bt7.10

Up/(downside): 42%

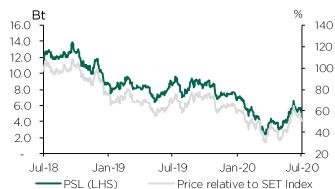
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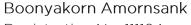
**CAC: Declared** 

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C code	PSL.BK
dex	.SETI
T Index (10 July 2020)	135050

Market cap (Bt m) 7,796 Shares outstanding (million) 1,559

Par (Bt) 1.00





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Voravuth Thanathaveepol Assistant Analyst

## PSL: Solid position in bloodied industry



## Story

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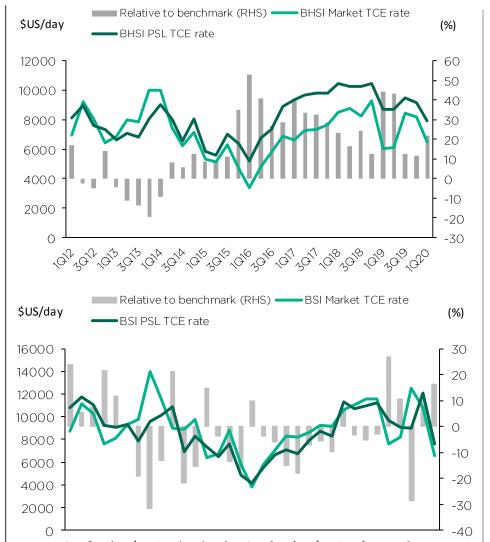
Value

Risks

#### **Superior TC rate relative to industry**

PSL is one of the world's largest pure dry cargo shipping companies, with 36 geared vessels weighted between 40.000-69.999 DWT that operate on routes across all five regions globally. PSL mainly operates in ports have limited cargo handling infrastructure whereas the company's vessels are equipped with cranes for loading and unloading goods. This differentiated position from normal dry bulk carriers provides PSL a comparative advantage and enables its vessels to charge premium rates relative to other players in the industry.

Furthermore, the company's charter rates have generally outperformed the main indices (BSI and BHSI) due to 1) greater route optimization from its wide network coverage across all regions, and, 2) a younger fleet age compared with the industry, resulting in higher speed and efficiency. We believe the premium rates PSL can charge will carry forward given the company's routes and customers, which will be maintained. Meanwhile, its fleet age will remain lower than the industry average for at least the next three years regardless of whether it acquires any new ships.





**Background:** Precious Shipping PCL was established in 1989 and listed on the Stock Exchange of Thailand in 1993. The company owns and operates 36 dry bulk ships including 4 cement carriers. amounting to 1,585,805 DWT in aggregate. The fleet comprises 20 ships that are registered under the Thai flag and 16 ships that are registered under the Singapore flag. It has 8 vessels categorized in the Ultramax sector, 9 in while Supramax sector remaining 19 (including 4 cement carriers) are in the Handvsize sector of the dry bulk market.

Sales

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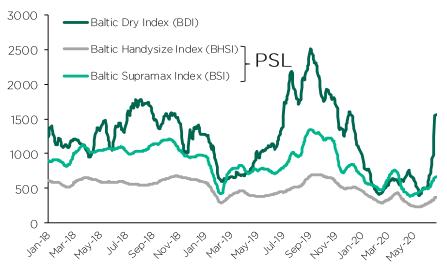
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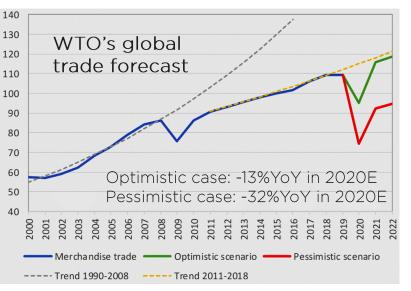
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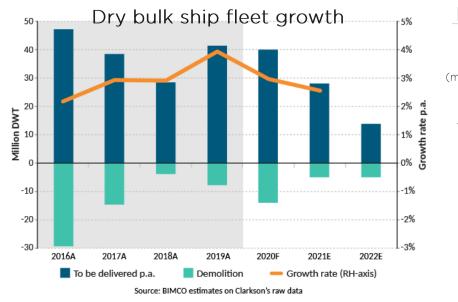
Risks

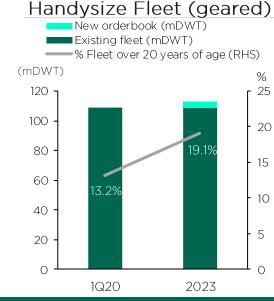


### Charter rate trend points to recovery in 2021

We expect PSL's average charter rate in 2020 to remain subdued (-13%YoY from \$US9622 per day in 2019) due to pressure from the impact of the COVID-19 pandemic but to a lesser extent compared to the WTO's forecast for global trade (-32%YoY from 2019 in its most pessimistic scenario) as most dry commodities are essential goods. However, we expect the rate to recover in 2021-22 supported by the easing of a fleet supply glut given: 1) a gradual reduction in the number of new ships to be delivered to the global fleet during the period (+4.4% in 2020, +3.3% in 2021 and +0.7% in 2022), and, 2) a steep rise in the percentage of 20-year old handysize vessels relative to the global handysize fleet, which will be heading to scrapping yards in the near term (19% of the global fleet will be more than 20 years old by 2023). This will benefit the company's fleet earnings as almost half of its revenue is derived from the handysize segment.







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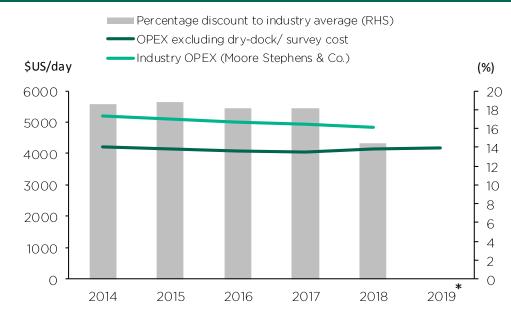
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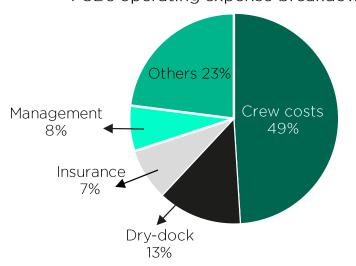
#### Operating costs are under control

PSL's operating costs are well-managed after a decade of tight operations in order to keep the company safe from depressed freight rates during a prolonged industry downturn. We expect the company's operating expenses in 2020-22 to remain at a discount to the industry level at least over the next three years supported by 1.) PSL's average fleet age of eight years, which is lower than the global average at about 11 years, and, 2.) the company's favorable claims record, which has kept insurance expenses under control.

#### Insignificant impact from new maritime regulation

The company incurs bunker fuel expense for its operations in the spot charter segment (8% of total revenue in 2019). We do not expect the new IMO regulations on emission control (cap of 0.5% sulfur content from 3.5% in 2019) to substantially impact PSL's bottom line in 2020-21 given the declining trend for the price of low sulfur fuel oil (LSFO) relative to high sulfur fuel and a decrease in the revenue contribution from the spot freight segment on expectations that industry time charter rates will recover further.

### PSL's operating expense breakdown









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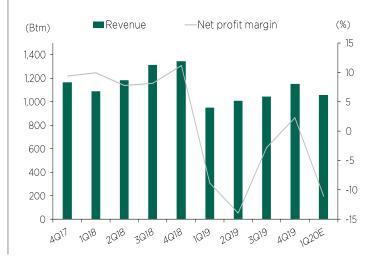
#### 1Q20 net loss was at Bt117m

PSL reported a 1Q20 net loss of Bt117m, its worst result in the past three quarters as its performance came under pressure from a decline in average earnings per vessel per day amid weak demand in the dry bulk freight market due to the COVID-19 outbreak (average earnings were at \$US8398 per day, (21%QoQ and -9%YoY). Gross profit margin (including depreciation) slumped to its lowest level in more than ten quarters to 13.8% as the charter rate fell. SG&A-to-sales ratio, however, also decreased to its lowest level in the past four quarters at 11.4%, supported by seasonal factors.

PSL - Review quarterly income statement							
(Bt m)	1Q19	2Q19	3Q19	4Q19	1 <b>Q2</b> 0	%QoQ	%YoY
Revenue	950	1,007	1,045	1,150	1,055	(8.3)	11.1
Cost of sales	(749)	(833)	(778)	(814)	(909)	11.8	21.5
Gross profit	201	174	267	337	146	(56.7)	(27.6)
SG&A	(102)	(148)	(129)	(167)	(121)	(27.8)	17.7
Other (exp)/inc	0	(0)	0	0	(0)	(100.0)	(100.0)
EBIT	99	26	138	170	25	(85.1)	(74.5)
Finance cost	(188)	(182)	(183)	(150)	(172)	14.4	(8.7)
Other inc/(exp)	6	18	15	11	5	(57.0)	(21.6)
Earnings before taxes	(83)	(138)	(30)	31	(142)	nm	nm
Income tax	-	_	-	(3)	-	(100.0)	na
Earnings after taxes	(83)	(138)	(30)	28	(142)	nm	nm
Equity income	-	-	-	-	-	na	na
Minority interest	-	-	-	(0)	-	(100.0)	na
Earnings from cont. operations	(83)	(138)	(30)	28	(142)	nm	nm
Forex gain/(loss) & unusual items	(1)	(3)	1	(2)	25	nm	nm
Net profit	(84)	(141)	(29)	26	(117)	nm	nm
EBITDA	401	328	437	468	336	(28.1)	(16.0)
Recurring EPS (Bt)	(0.05)	(0.09)	(0.02)	0.02	(0.10)	nm	nm
Reported EPS (Bt)	(0.05)	(0.09)	(0.02)	0.02	(0.08)	nm	nm
Profits (%)	1Q19	2Q19	3Q19	4Q19	1 <b>Q2</b> 0	chg QoQ	chg YoY
Gross margin	21.2	17.3	25.6	29.3	13.8	(15.4)	(7.4)
Operating margin	10.4	2.6	13.2	14.8	2.4	(12.4)	(8.0)
Net margin	(8.9)	(14.0)	(2.8)	2.3	(11.1)	(13.4)	(2.2)
ROE	(2.7)	(4.7)	(1.0)	0.9	(3.9)	(4.8)	(1.3)
ROIC	1.6	0.4	2.3	2.7	0.4	(2.2)	(1.2)

### **Scorecard update**

The company reported a 2019 net loss of Bt228m compared to a Bt456m profit in 2018. The sharp decline in net profit was due to falling average earnings per vessel per day as a consequence of weak demand in the dry bulk freight market in 2H19 (average earnings were \$US9622, -13%YoY). Gross profit margin contracted to its lowest level in the past three years at 23.6% due to a decrease in the charter rate. SG&A to sales surged to an all-time high as a result of increasing drydocking/special survey expenses and a one-time expense to cover provisions for severance pay under the new Labour Protection Act.



## PSL: Revenue breakdown



Quality Growth

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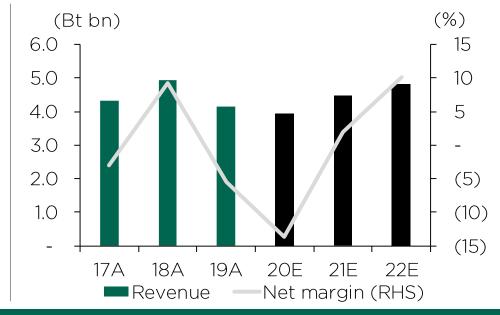
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Currently, the company operates 36 dry bulk carriers with a total 1,585,805 DWT. The fleet comprises 20 ships that are registered under the Thai flag and 16 ships that are registered under the Singapore flag. PSL operates its fleet on a trampshipping basis, covering all regions. Principal cargoes handled by the company are cement 33%, agricultural products 16%, steel 13%, fertilizers 7%, ore 11%, coal 8%, logs 3%, and other items 9%.

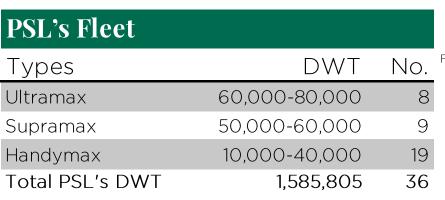
The company offers two types of cargo services:

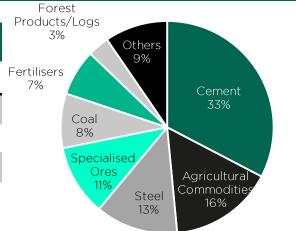
- Voyage charter, 92% revenue contribution: The charterer pays freight to PSL to transport a particular cargo between two or more designated ports. In this case, PSL bears all the voyage costs, including the cost of bunker fuel.
- Time charter, 8% revenue contribution: The charterer will hire PSL to operate the vessel for an agreed period of time. The charterer bears all voyage costs, including the cost of bunker fuel.



#### Revenue by cargoes carried, 2019

Revenue by type of services, 2019







Voyage Charters **92%** 

Time Charters 8%



# PSL: A strong ship sailing against the wind





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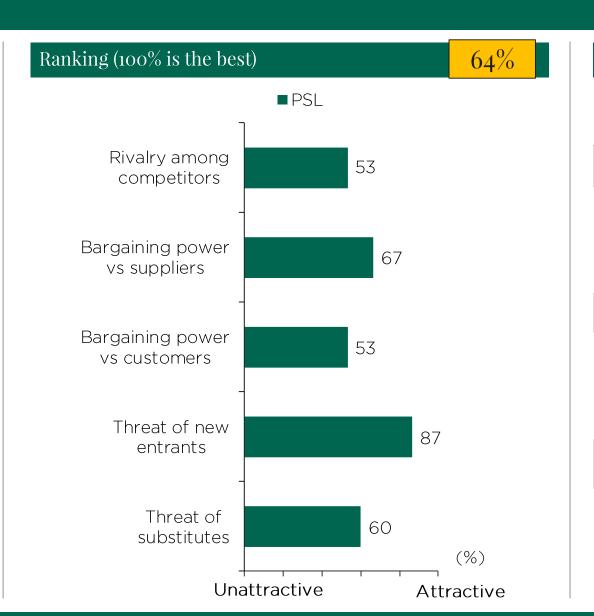
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Yes, there are plenty of international dry bulk cargo

operators with similar fleet sizes. The largest owners are private with an average fleet size of only about 123 ships, or equivalent to a 2% market share.

### Is it a slow growth industry?

Yes, UNCTAD reports that world carrying capacity grew by 2.6% in 2019, compared with the beginning of 2018. The growth rate has declined since 2011 and remains below the trend for the past decade.

#### Is there some technological disruption going on within the industry?

We do not see any significant impact from any technological disruption.



# PSL: Strong bargaining power against suppliers





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Bargaining power vs suppliers	67%
	Score*
Do the suppliers have strong control of inputs that the company needs?	4
No. There are a number of fuel suppliers and shipbuilders in the global market. None of them has strong control over the company's inputs.	
Is it hard for the company to switch from one supplier's products to the other?	4
No. The company could switch and purchase low sulfur fuel oil (LSFO) from other international suppliers. Also, the company has plenty of options for purchasing new vessels from Chinese, Korean or Japanese shipbuilders.	
Would it be difficult for the company to backward integrate and eliminate the supplier?	2
It would be difficult to enter the shipbuilding business, which is capital intensive. However, the company has its own Maritime Training Center to	

Bargaining power vs customers	53%
	Score*
Do the company's customers have many alternatives?	2
Yes, there are many domestic and international players in the dry cargo services field.	
Can the customers put pressure on the company?	3
Prices are mostly set within a range of the industry average and set according to a demand-supply basis.	
Are the company's customers price sensitive?	3
Fairly sensitive as the prices of services are set according to the market average.	

recruitment.

support the development of personnel and crew

# PSL: It is difficult for new players to reach economies of scale





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Threat of new entrants	87%
	Score*
Is it easy for any company to enter the industry?	4
No, large amounts of capital are required to operate in the marine transportation business.	
Can any company get access to raw materials and labor inputs of the process and start the business?	4
Not that easy. New entrants would face difficulties in buying new vessels and hiring skilled workers. In contrast, PSL has been accumulating such assets for more than three decades.	
Could new entrants easily reach economies of scale to match current competitors' costs?	5
No. With 36 vessels in operation, the company is one of the largest players in the market. It would be difficult for a newcomer to reach the same economies of scale as the company's.	

Threat of substitutes	60%
	Score*
Are the switching costs low for the company's customers?	2
No. There are plenty of dry cargo carriers in the market but the company's main expertise is vessels that are equipped with cranes, which is quite a fragmented market. So, the switching cost would be moderately low.	
Is there little perceived difference in products?	2
Services offered by the company are identical to those of other dry cargo carriers in the market. However, the company's vessels are equipped with loading tools that are suitable for transporting goods into small ports.	
Are there new competitors that can "leapfrog" current competitors' business model?	5
No, we currently do not see any major threats.	



# PSL: Leadership and ownership





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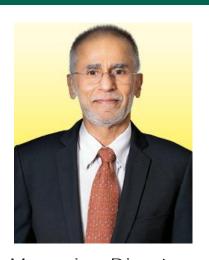
ESG

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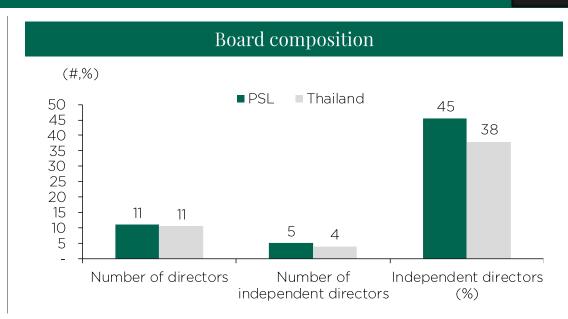
Risks



**Chairman**Chaipatr Srivisarvacha



Managing Director
Khalid Moinuddin Hashim



### Leadership Ownership

Position\*

Vice President

Board of Directors	Position*	Board of Directors
Chaipatr Srivisarvacha	Chairman, I	Kamtorn Sila-On
Khalid Moinuddin Hashim	Director,E	Pavida Pananond
Gautam Khurana	Director,E	Lyn Yen Kok
Kirit Shah	Director	
Ishaan Shah	Director	Key Management
Khushroo Kali Wadia	Director	Khalid Moinuddin H
Nishita Shah	Director	Gautam Khurana
Pensri Suteerasarn	Director, I	Shrilal Gopinathan

Kamtorn Sila-On	Director, I, EA
Pavida Pananond	Director, I, A
Lyn Yen Kok	Director, I, A
Key Management	Position*
Khalid Moinuddin Hashim	Managing Director
Gautam Khurana	Director (Finance)

Shareholder	% of O/S	Note
Shah Family	44.45	Globex Co. LTD., Graintrade LTD., Unistretch LTD., Nishita Shah
Khalid Moinuddin Hashim	8.43	
Thai NVDR	7.19	Non-Voting Depository Receipts
State Street Europe LTD.,	4.40	
Krungsri Active SET50 Dividend LTF	1.46	
Top 5 shareholders	65.9	
Institutional & Management	% of O/S	Note
Total institutional ownership	63.71	
Total management ownership	8.71	Ten of managements hold the stock
Foreign ownership	30.72	Foreign ownership limit is 49%



### PSL: A. Stotz Profitable Growth



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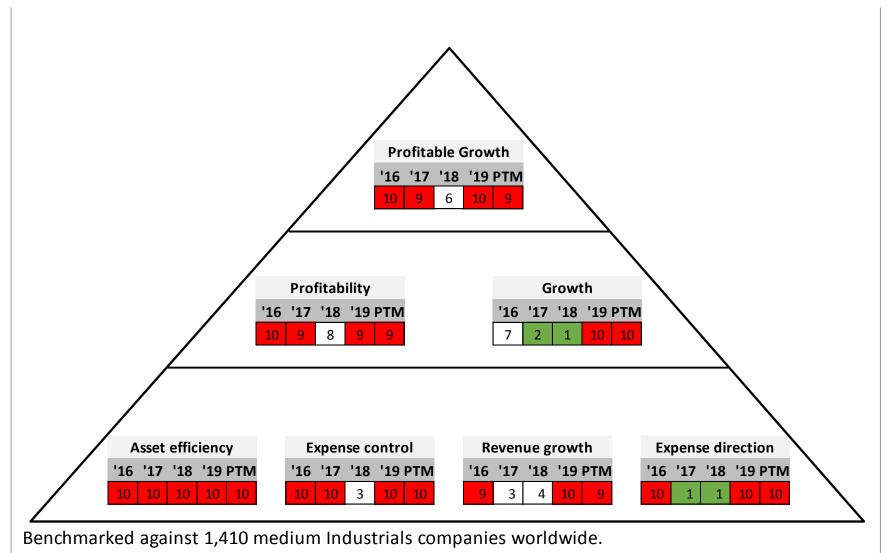
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Risks



In the past 12 months, Profitable Growth rose one step in rank to #9 from #10. But PSL still ranked among the worst of 1,410 medium-sized Industrials companies globally.

The company has been loss-making in all periods, except 2018. As such, its Profitability rank has been poor and stood at #9 in the most recent period. While Growth saw a recovery in 2017-2018, PSL has ranked at the bottom since 2019.

Asset Efficiency has maintained its #10 rank since 2016. Expense control has ranked at #10 for the whole period as well, except in 2018.

Revenue growth inched up to #9 from #10 in the most recent period. Expense direction has remained at #10 since 2019.

## PSL: Global benchmarking



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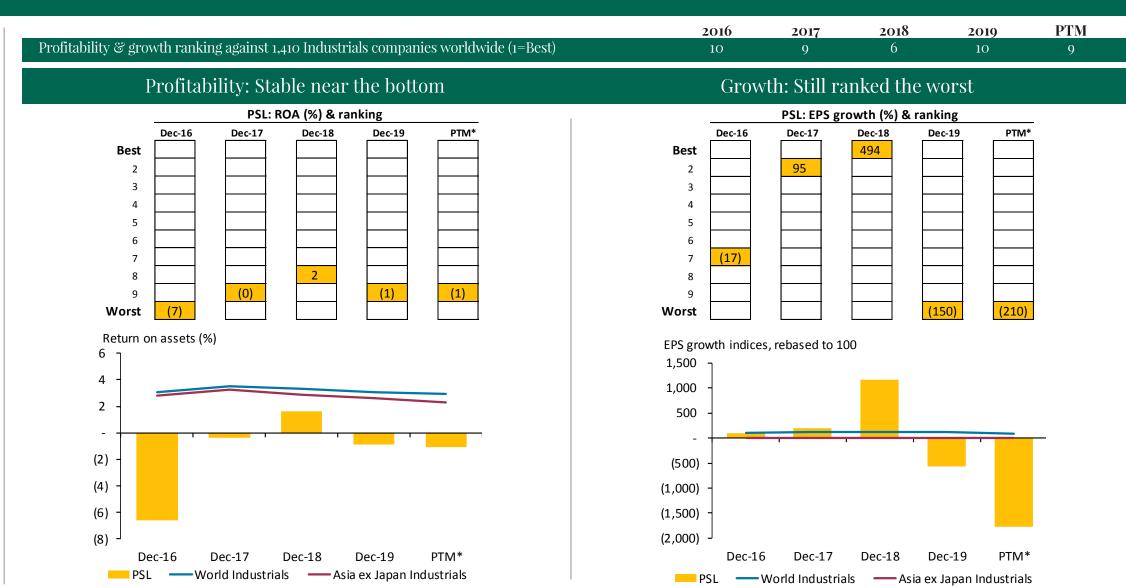
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## PSL: Global benchmarking



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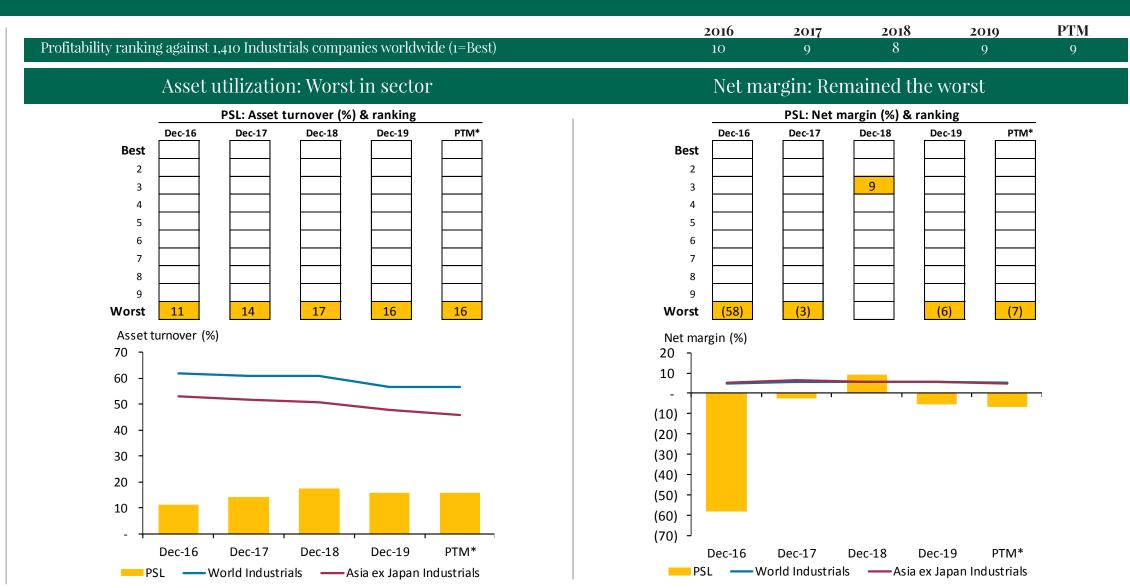
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## PSL: Global benchmarking



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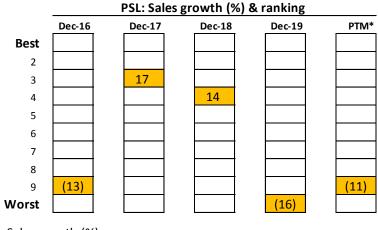
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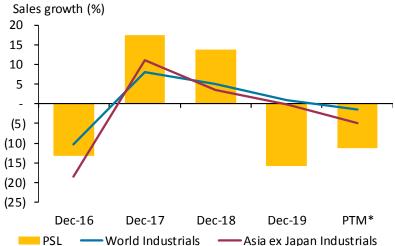
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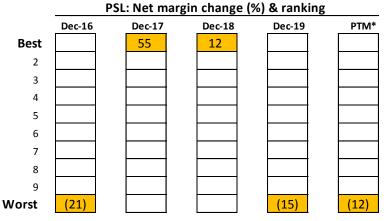


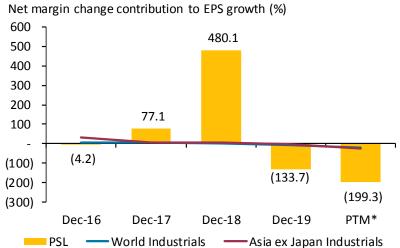
### Sales growth: Slightly improved but near bottom bottom





### Net margin change: Stayed at the bottom





### PSL: Environmental



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**ESG** 

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Risks

Overall ESG Score (100% is best):	93%	Environmental	80%
Social	100%	Governance	100%

## Environmental Yes/No?

### Does the company have a resource reduction policy?

The company has installed retrofitting fuel-saving devices on some of its vessels to improve their performance. Moreover, several older and less fuel-efficient vessels in its fleet were replaced between 2013 to 2017 with 'Eco' vessels in order to reduce fuel consumption.

#### Has the company faced any environmental controversies?

None found.

#### Does the company have an emissions/waste policy?

The company's vessels maintain records of their carbon dioxide emissions. The global average for carbon intensity per transport, measured in grams of CO2 emitted per tonne/nautical mile is 14gms, compared to the company's fleet average of 7 to 10 grams.

#### Is the company engaged in emissions trading or any other way tries to reduce its climate footprint?

The company's vessels abide by the new IMO 2020 standard and use low sulfur fuel oil to power their diesel engines and boilers, This will reduce the amount of sulfur leaking into the ocean and cause less CO2 emission into the atmosphere.

### Does the company have any environmental, eco, "green", or organic products?

None of the company's products or services are considered "green".



No

Yes

Yes

No

### **PSL: Social**



Yes

Yes

Yes

Yes

No

Story

Sales

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Value

Risks

Overall ESG Score (100% is best):	93%	Environmental	80%
Social	100%	Governance	100%

Social Yes/No?

Does the company have any health & safety policy?

The company provides a safe work environment and competitive compensation, with a good welfare and benefits structure for employees.

Does the company have a human rights policy?

The company provides equal opportunities in employment and career advancement without prejudice with regard to race, gender, religion or age.

Does the company have a fair competition policy, e.g. anti-corruption, anti-bribery, business ethics?

The company has a policy prohibiting all forms of bribery or corruption, either directly or indirectly to advance its business interests or those of its associates. The company has a zero-tolerance policy for fraudulent and/or corrupt behavior and takes corruption and bribery allegations seriously. On Aug. 5, 2019, the company was officially certified as a member of the Private Sector Collective Action Coalition Against Corruption (CAC).

Has the company implemented quality management systems?

PSL's fleet is technically managed by Great Circle Shipping Agency Ltd, a wholly-owned subsidiary of the company that was certified with ISO 9001 and ISO 14001 standards. These are compliant with Environment Management System certification.

Does the company derive any revenue from weapons, alcohol, gambling, tobacco or pornography?

None of the company's services are related to the trade in those goods.

### PSL: Governance





Story

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**ESG** 

Value

Risks

Overall ESG Score (100% is best):	93%	Environmental	80%
Social	100%	Governance	100%

Governance	Yes/No?
Is the percentage of independent directors more than Thailand's average of 38%?	Yes

Forty-five percent of directors are independent, which is higher than the average for Thailand.

Is the Chairman also CEO (or equivalent)? No

The chairman Chaipatr Srivisarvacha, is not the CEO of the company.

Does the company have any shareholder rights policy? Yes

Shareholders' rights are reported in the Corporate Governance section on the company's website and in its annual report.

Does the company have any insider dealings or accounting controversies? No

None found.

Does the company have any CSR sustainability or ESG reporting? Yes

The company reports CSR activities in a sustainability report on its website and annual report.

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Revenue breakdown by segments					
Value (Bt m)	18A	19A	20E	21E	22E
Vessel operating income	4,929	4,144	3,944	4,462	4,824
Service income	4	8	4	4	4
Total revenue	4,933	4,152	3,948	4,466	4,828
<b>Key assumptions</b>					
TC rate	11,063	9,622	8,350	9,678	10,541
Operating vessels day	13,140	13,140	13,140	13,140	13,140
Number of vessels	36	36	36	36	36
USD/THB	32.1	30.7	30.4	31.0	31.0
Sales , Gross margin, SG&A					
Growth and Margin (%)	18A	19A	20E	21E	22E
Revenue	13.9	-15.8	-4.9	13.1	8.1
Gross profit margin	34.0	23.6	14.2	26.0	31.2
SG&A to Sale	9.1	13.2	13.5	12.4	11.6

We forecast PSL will post a net loss of Bt538m in 2020 amid a depressed weak dry bulk market following the outbreak of the coronavirus virus. We forecast earnings to be positive from 2021E onwards under assumptions of a TC rate recovery as a consequence of an improving demand-supply balance.

We forecast total revenue will drop by 5% in 2020 due to the impact of the COVID-19 pandemic before expanding at 11%CAGR in 2021-22E under assumptions that the time-charter rate will recover to above \$US9,600/day by 2021, which is PSL's breakeven rate.

We assume PSL's gross profit margin (including depreciation) will drop to a four-year low of 14.2% in 2020 as daily average vessel earnings fall. However, we assume it will rebound to 26.0% and 31.2% in 2021 and 2022 respectively on the back of a TC rate recovery.

## PSL: Valuation and target price



Sales

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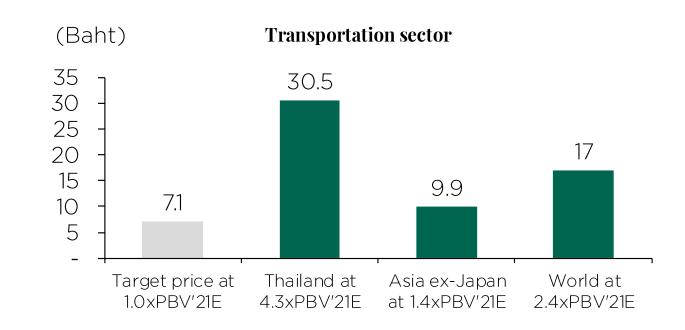
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Value

Risks



PBV ratio (x)	2018A	2019A	2020E	2021E	2022E
PSL	1.12	0.62	0.71	0.70	0.67
Thailand	5.6	4.3	4.6	4.3	4.1
Asia ex-Japan	1.6	1.4	1.5	1.4	1.3
World	2.9	2.5	2.5	2.4	2.3
Return on equity (%)					
PSL	0.31	(0.33)	(0.15)	0.88	0.16
Thailand	0.43	0.28	0.79	0.52	0.32
Asia ex-Japan	0.19	0.20	0.68	0.18	0.15
World	0.19	0.21	0.45	0.19	0.16

PSL is currently trading at a trailing PBV of 0.9x, or at -1S.D. of its 10-year average trading range. Given a TC rate recovery is expected to occur in 2021, we believe PSL's share price deserves to rerate to trade at its average trading range of 1.0x PBV.

We recommend a BUY rating on PSL on the back of 1) its strong market position as evidenced by its long survival in the industry 2) expectations for operating performance to turn around from 2021 onwards.

We derive our value for PSL based on 1.0xPBV'21E, which indicates a target price of Bt7.10. Our target PBV represents a deep discount relative to the sector as most other members are infrastructure-based stocks such as mass transit and airport operators and weighted accordingly.



Sources: CGS Research, company data



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		Actual				Forecast		
(YE Dec, Bt m)	2017A	2018A	2019A	2020E	2021E	2022E	2023E	2024E
Revenue	4,333	4,933	4,152	3,948	4,466	4,828	4,771	4,412
Cost of goods & services	(3,165)	(3,256)	(3,173)	(3,385)	(3,304)	(3,324)	(3,334)	(3,214)
Gross profit	1,168	1,677	979	563	1,163	1,504	1,438	1,198
SG&A	(396)	(449)	(547)	(534)	(555)	(561)	(566)	(572)
Other operating (exp)/inc	0	0	0	-	-	-	-	-
EBIT	772	1,228	433	29	608	944	871	626
Interest expense (net)	(825)	(788)	(673)	(578)	(517)	(457)	(395)	(334)
Other non-operating inc/(exp)	(64)	24	21		-	-	-	-
Earnings before taxes (EBT)	(117)	464	(220)	(549)	91	486	477	292
Income tax	(0)	(2)	(3)	_	(1)	(5)	(5)	(3)
Earnings after taxes (EAT)	(117)	462	(222)	(549)	90	482	472	289
Equity income/Minority interest	(0)	(0)	(0)	11	(2)	5	5	3
Earnings from cont. operations	(117)	462	(222)	(538)	88	486	477	292
Forex/Exceptionals before tax	(12)	(5)	(6)		-	-	-	-
Net profit	(129)	456	(228)	(538)	88	486	477	292



## PSL: Balance sheet - Assets



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		Actual				Forecast		
(YE Dec, Bt m)	2017A	2018A	2019A	2020E	2021E	2022E	2023E	2024E
Cash & short-term investments	1,854	1,843	1,181	1,206	1,367	1,493	1,446	1,324
Accounts receivable	193	254	183	197	223	241	239	221
Inventories	56	96	176	94	92	92	93	89
Other current assets	148	124	140	118	134	145	143	132
Total current assets	2,251	2,317	1,681	1,616	1,816	1,971	1,920	1,766
Long-term investments	94	92	85	85	85	85	85	85
Net fixed assets	25,694	24,613	22,145	20,312	19,277	18,505	17,737	16,975
Intangible assets	0	0	7	-	-	-	_	-
Goodwill	-	-	-	-	-	-	_	-
Other long-term assets	795	815	1,143	1,086	923	932	942	951
Total assets	28,833	27,837	25,061	23,099	22,101	21,494	20,684	19,777





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		Actual				Forecast		
(YE Dec, Bt m)	2017A	2018A	2019A	2020E	2021E	2022E	2023E	2024E
Overdrafts & short-term loans	802	1,877	4,085	1,140	1,538	1,826	1,963	2,020
Accounts payable	70	74	71	85	83	83	83	80
Other current liabilities	461	357	557	395	447	483	477	441
Total current liabilities	1,334	2,308	4,712	1,619	2,068	2,391	2,523	2,542
Long-term debt	14,988	12,661	8,577	10,256	8,718	7,302	5,888	4,671
Other long-term liabilities	176	172	212	214	216	219	221	223
Total liabilities	16,498	15,141	13,502	12,090	11,002	9,912	8,631	7,436
Minority interest	0	0	0	(11)	(9)	(14)	(19)	(22)
Paid-up capital - Common shares	3,699	3,700	3,700	3,700	3,700	3,700	3,700	3,700
Paid-up capital - Preferred shares	-	-	-	-	-	-	-	-
Retained earnings	9,325	9,780	9,537	8,998	9,086	9,573	10,049	10,341
Revaluation/Forex/Others	(689)	(785)	(1,677)	(1,677)	(1,677)	(1,677)	(1,677)	(1,677)
Total equity	12,335	12,695	11,559	11,021	11,109	11,595	12,072	12,363
Total liab & shareholders' equity	28,833	27,837	25,061	23,099	22,101	21,494	20,684	19,777

### Value







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Value

		Actual		Forecast					
(YE Dec, Bt m)	2017A	2018A	2019A	2020E	2021E	2022E	2023E	2024E	
Net income	(129)	456	(228)	(538)	88	486	477	292	
Depreciation & amortization	1,190	1,203	1,201	1,202	1,200	1,210	1,220	1,230	
(Inc)/dec in net working capital	62	(199)	163	(58)	11	7	(1)	(7)	
Other non-cash items	888	796	756	-	-	-	-	-	
Operating cash flow	2,010	2,256	1,890	605	1,298	1,704	1,695	1,515	
Capital expenditures	(290)	(289)	(443)	638	(165)	(437)	(453)	(468)	
(Inc)/dec in other investments	(1,346)	17	15	57	163	(9)	(9)	(9)	
Investing cash flow	(1,637)	(272)	(427)	695	(2)	(447)	(462)	(477)	
Increase/(dec) in debt	(178)	(1,219)	(1,312)	(1,266)	(1,140)	(1,128)	(1,278)	(1,159)	
Dividend paid	-	-	-	-	-	-	-	-	
Change in equity	-	0	-	-	-	-	-	-	
Others	(771)	(765)	(698)	(9)	4	(3)	(3)	(1)	
Financing cash flow	(949)	(1,984)	(2,009)	(1,275)	(1,136)	(1,131)	(1,280)	(1,160)	
Net inc/(dec) in cash & cash equi	(576)	O	(546)	25	161	126	(47)	(122)	
Beginning cash	2,676	1,854	1,843	1,181	1,206	1,367	1,493	1,446	
Adjustment for historic data	(247)	(11)	(115)	0	(0)	-	(0)	-	
Ending cash	1,854	1,843	1,181	1,206	1,367	1,493	1,446	1,324	





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	Actual			F	orecast		Recent quarters			
(YE Dec)	2017A	2018A	2019A	2020E	2021E	2022E	<b>Sep</b> '19	Dec '19	Mar '20	
Internal liquidity (x)										
Current ratio	1.7	1.0	0.4	1.0	0.9	0.8	0.4	0.4	0.3	
Quick, or acid test ratio	1.6	1.0	0.3	0.9	0.8	0.8	0.4	0.3	0.3	
Working cap. mgmt										
Inventory conversion	5.5	8.4	15.5	14.4	10.1	10.0	11.7	12.8	12.6	
Receivables collection	13.9	16.3	18.9	17.3	17.0	17.3	14.6	12.3	17.6	
Days from raw mat to coll	19.4	24.7	34.4	31.7	27.1	27.3	26.3	25.1	30.2	
Payables deferral period	6.2	8.0	8.2	8.3	9.1	9.0	11.2	9.0	8.7	
Cash conversion cycle	13.2	16.8	26.2	23.4	18.0	18.3	15.1	16.1	21.5	
Profitability ratios (%)										
Gross profit margin	27.0	34.0	23.6	14.2	26.0	31.2	25.6	29.3	13.8	
EBIT margin	17.8	24.9	10.4	0.7	13.6	19.5	13.2	14.8	2.4	
EBIT return on avg assets	2.5	4.3	1.6	0.1	2.7	4.3	2.1	2.7	0.4	
Return on average assets	(0.4)	1.6	(0.9)	(2.2)	0.4	2.2	(0.5)	0.4	(1.8)	
Financial risk (x)										
Liabilities-to-assets (%)	57.2	54.4	53.9	52.3	49.8	46.1	53.9	53.9	53.5	
Debt-to-equity	1.3	1.1	1.1	1.0	0.9	0.8	1.1	1.1	1.1	
Net debt-to-equity	1.1	1.0	1.0	0.9	0.8	0.7	1.0	1.0	1.0	
Times-interest-earned	2.3	2.9	2.3	2.0	3.3	4.4	2.4	3.1	2.0	
Effective interest rate (%)	5.0	5.4	5.2	5.0	5.0	5.0	5.5	4.7	5.3	



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	Actual			F	orecast		Recent quarters			
(YE Dec)	2017A	2018A	2019A	2020E	2021E	2022E	Sep '19	Dec '19	Mar '20	
General growth (YoY, %)										
Revenue	17.4	13.9	(15.8)	(4.9)	13.1	8.1	(20.5)	(14.4)	11.1	
Assets	(10.8)	(3.5)	(10.0)	(7.8)	(4.3)	(2.8)	(8.8)	(10.0)	(2.7)	
Gross profit	796.3	43.6	(41.6)	(42.5)	106.7	29.4	(39.5)	(21.8)	(27.6)	
Operating profit	244.5	59.0	(64.7)	(93.4)	nm	55.3	(56.9)	(48.5)	(74.5)	
Attributable profit	95.1	452.3	(150.1)	(135.5)	116.3	453.4	(127.6)	(82.6)	(39.2)	
EPS	95.1	452.3	(150.1)	(135.5)	116.3	453.4	(127.6)	(82.6)	(39.2)	
Recurring EPS	94.5	493.9	(148.2)	(141.9)	116.3	453.4	(128.1)	(81.6)	(81.9)	
Du Pont analysis (%)										
Net profit margin	(3.0)	9.2	(5.5)	(13.6)	2.0	10.1	(2.8)	2.3	(11.1)	
Revenue per Bt100 of	14.2	17.4	15.7	16.4	19.8	22.1	16.2	18.2	16.4	
Assets/equity (x)	2.4	2.3	2.2	2.1	2.0	1.9	2.2	2.2	2.2	
Return on equity	(1.0)	3.6	(1.9)	(4.8)	0.8	4.3	(1.0)	0.9	(3.9)	
Others (%)										
Effective tax rate	-	0.5	-	-	1.0	1.0	-	9.4	-	
Dividend payout ratio	-	-	_	-	-	-	-	-	-	



# PSL: Summary financials

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Profit & loss (Bt m)	18A	19A	20E	21E	22E	Mar '19	Jun '19	Sep '19	Dec '19	Mar '20
Revenue	4,933	4,152	3,948	4,466	4,828	950	1,007	1,045	1,150	1,055
Cost of goods sold	(3,256)	(3,173)	(3,385)	(3,304)	(3,324)	(749)	(833)	(778)	(814)	(909)
Gross profit	1,677	979	563	1,163	1,504	201	174	267	337	146
SG&A	(449)	(547)	(534)	(555)	(561)	(102)	(148)	(129)	(167)	(121)
Other (exp)/inc	0	0	-	-	-	0	(0)	0	0	(0)
Operating profit	1,228	433	29	608	944	99	26	138	170	25
Finance cost	(826)	(703)	(601)	(541)	(485)	(188)	(182)	(183)	(150)	(172)
Other inc/(exp)	62	51	24	24	27	6	18	15	11	5
Earnings before taxes	464	(220)	(549)	91	486	(83)	(138)	(30)	31	(142)
Income tax	(2)	(3)	-	(1)	(5)	-	-	=	(3)	-
After-tax profit	462	(222)	(549)	90	482	(83)	(138)	(30)	28	(142)
Equity income	-	-	-	-	-	-	-	-	-	-
Minorities	(0)	(0)	11	(2)	5	-	-	-	(0)	-
Earnings from cont. operations	462	(222)	(538)	88	486	(83)	(138)	(30)	28	(142)
Forex gain/(loss) & unusual items	(5)	(6)	-	-	-	(1)	(3)	1	(2)	25
Net income	456	(228)	(538)	88	486	(84)	(141)	(29)	26	(117)
Recurring EPS (Bt)	0.30	(0.14)	(0.35)	0.06	0.31	(0.05)	(0.09)	(0.02)	0.02	(0.10)
Weighted average shares (m)	1,559	1,559	1,559	1,559	1,559	1,559	1,559	1,559	1,559	1,464
Balance sheet (Bt m)	18A	19A	20E	21E	22E	Mar '19	Jun '19	Sep '19	Dec '19	Mar '20
Assets	27,837	25,061	23,099	22,101	21,494	26,980	26,028	25,412	25,061	26,263
Liabilities	15,141	13,502	12,090	11,002	9,912	14,613	14,225	13,690	13,502	14,039
Equity	12,695	11,559	11,021	11,109	11,595	12,368	11,803	11,722	11,559	12,224
Invested capital	25,299	22,955	21,114	19,904	19,131	24,682	23,796	23,360	22,955	24,207
Growth (YoY, %)	18A	19A	20E	21E	22E	Mar '19	Jun '19	Sep '19	Dec '19	Mar '20
Revenue	13.9	(15.8)	(4.9)	13.1	8.1	(12.8)	(15.0)	(20.5)	(14.4)	11.1
Operating income	59.0	(64.7)	(93.4)	nm	55.3	(66.3)	(90.8)	(56.9)	(48.5)	(74.5)
Recurring EPS	493.9	(148.2)	(141.9)	116.3	453.4	(177.2)	(246.0)	(128.1)	(81.6)	(81.9)
Assets	(3.5)	(10.0)	(7.8)	(4.3)	(2.8)	(2.0)	(10.1)	(8.8)	(10.0)	(2.7)
Liabilities	(8.2)	(10.8)	(10.5)	(9.0)	(9.9)	(6.5)	(12.3)	(10.7)	(10.8)	(3.9)
Equity	2.9	(9.0)	(4.7)	0.8	4.4	3.9	(7.3)	(6.4)	(9.0)	(1.2)
Profits (%)	18A	19A	20E	21E	22E	Mar '19	Jun '19	Sep '19	Dec '19	Mar '20
Gross margin	34.0	23.6	14.2	26.0	31.2	21.2	17.3	25.6	29.3	13.8
Operating margin	24.9	10.4	0.7	13.6	19.5	10.4	2.6	13.2	14.8	2.4
Net margin	9.2	(5.5)	(13.6)	2.0	10.1	(8.9)	(14.0)	(2.8)	2.3	(11.1)
ROE	3.6	(1.9)	(4.8)	0.8	4.3	(2.7)	(4.7)	(1.0)	0.9	(3.9)
ROIC	4.7	1.8	0.1	2.9	4.8	1.6	0.4	2.3	2.7	0.4
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Value

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#### Fluctuation in charter rate

The demand side of the company's business is determined by the quantity of cargo its vessels are required to transport. The generation of this demand is mainly dependent on world trade and economic growth. A severe depression in growth and trade could reduce the demand for ships and result in decreases in the charter and freight rates. The company's revenue is influenced by the Baltic Dry Index.

#### Fluctuation in Exchange rate

The company's revenues and expenses are denominated in USD while almost all its fixed assets are USD-based as they are readily salable in USD in the International market. Furthermore, the company is exposed to the risk of realizing a foreign exchange loss in respect to its liabilities in any currency other than USD. However, the company enters into cross-currency swap contracts whereby the principal and/or interest of the debt are converted into USD, thereby hedging the foreign exchange risk.

### **Arbitration with Chinese shipyard**

As of Dec. 31, 2019, the company was in the process of pursuing multiple arbitration actions against a Chinese shipyard resulting from this shipyard's alleged breach of contract. The outcomes of these legal actions are uncertain and to that extent, the company remains at risk of losing these arbitrations and therefore may lose all the advances paid to the shipyard and may also have to pay additional costs and/or damages to the shipyard. An unfavorable arbitration ruling may have a materially adverse impact on the company's financial condition and operations. The company has mitigated this risk to the maximum possible extent by seeking legal counsel from internationally reputed law firms and experts.



### Disclaimer



#### Investment ratings

**BUY:** Expected return excluding dividends of more than 10% within the next 12 months.

**HOLD:** Expected return excluding dividends between -10% and 10% within the next 12 months.

**SELL:** Expected return excluding dividends of less than -10% within the next 12 months.

NR: Not Rated- Stock is not in our research coverage.

#### Analyst certification

The analyst(s) named in this report certifies that (i) all views expressed in this report accurately reflect the personal views of the analyst(s) with regard to any of all of the subject securities and companies mentioned in this report and (ii) no part of the compensation of the analyst(s) was, is, or will be, directly or indirectly, related to the specific recommendation or views expressed by that analyst herein.

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Anti-corruption Progress Indicator: The assessment on progress level of Thai listed companies with respect to anticorruption called "anti-corruption progress indicator" conducted by Thaipat Institute. This is an initiative under the SEC's Sustainability Development Roadmap for Listed Companies emphasizing on running business operation with good corporate governance, corporate social responsibility and firm commitment against corruption; which will pave the way for them to become role models for others in the Thai business sector. The indicator comprises level 1 to 5 as follows: Level 1: Committed, Level 2: Declared, Level 3:Established, Level 4: Certified, Level 5: Extend.