



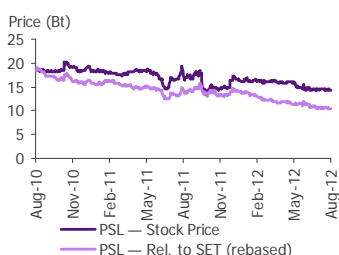
NEUTRAL

Stock Data

Last close (Aug 6) (Bt)	14.20
12-m target price (Bt)	17.50
Upside (Downside) to TP (%)	23.24
Mkt cap (Btbn)	14.76
Mkt cap (US\$m)	469

Bloomberg code	PSL TB
Reuters code	PSL.BK
Risk rating	H
Mkt cap (%) SET	0.15
Sector % SET	2.69
Shares issued (mn)	1,040
Par value (Bt)	1
12-m high / low (Bt)	19.7 / 13
Avg. daily 6m (US\$m)	0.22
Foreign limit / actual (%)	49 / 45
Free float (%)	39.2
Dividend policy (%)	≥ 25

Price Performance



Source: SET, SCBS Investment Research

Share performance

	1M	3M	12M
Absolute	-2.1	-11.3	-18.9
Relative to SET	-2.7	-9.6	-27.6

Source: SET, SCBS Investment Research

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Still no end to the prolonged down cycle

- Bulk shipping to continue to cycle down through 2012 and into 2013
- 2H12F and 2013F look slightly better on extra gains from the sale of shipbuilding contracts of Bt300mn in 3Q12 and delivery of new ships
- Maintain NEUTRAL with a new PT of Bt16.5, based on 1.1x PBV

Maintain NEUTRAL. Following yesterday's analyst meeting, we maintain NEUTRAL on the counter with a new PT of Bt16.5 (from Bt17.5), based on 1.1x PBV (-0.75 SD from its historical average PBV at 1.4x in 2006-11). We cut its earnings by 20% to Bt352mn in 2012 and Bt389mn in 2013 to reflect the current low freight rate (only 28% and 13% of its fleet capacity carry LT fixed-rate contracts in 2012-13). PSL's strategy to fix its fleet capacity into LT contracts was good in the early stages of oversupply. However, the prolonged down cycle for the industry makes continuation of this difficult - once its old LT contracts expire it is unlikely to be able to secure new LT contracts at favorable rates.

Bulk shipping down cycle in 2012-13. Management expects bulk shipping freight rate to continue low through 2012-13, dragged down by a flood of new ship deliveries. Despite including the record-high ship scrapping at 40mn DWT/year and ship slippage at 30% of committed ship delivery, PSL still expects ship supply growth of 9.4% in 2012 and 3.7% in 2013 - slowing from +12.3% in 2011 but still high against +6-7% in 2000-09 - against demand growth of 6.0% in the period. Longer term, PSL expects strong improvement in freight rate upon continued high ship scrapping and fewer new ship deliveries because of financial difficulties at companies that placed the orders.

Plans massive fleet expansion in LT. To get in on the LT recovery in freight rate, PSL aims to double its fleet from 30 now over the next few years. Apart from 13 new ships now on order, PSL plans to buy 12-20 second-hand or new-build ships up for sale. Funding will be no problem, as it had cash on hand of ~US\$69mn at June 2012 and US\$250mn in un-drawn credit facilities, enough to acquire 20 second-hand ships based on the US\$16mn PSL paid recently for a 4-year-old. We have factored in the new ships based on the delivery schedule but have not included any second-hand ships, as the timing of the purchases remains unknown.

2H12 and 2013 earnings to be better. Its 1H12A earnings were weak, with a net loss of Bt26mn. Though outlook is challenging, we expect it to deliver better 2H12 and 2013 earnings from: 1) extra gains from the sale of two shipbuilding contracts at Bt300mn in 3Q12; 2) the scheduled delivery of seven new ships in 2H12 and six new ships in 2013. Note that we have not yet included the potential extra gains of US\$4-5mn/contract from the sale of five shipbuilding contracts because of delays in delivery from ABG shipyard. The proceeds from these transactions can be used to buy more second-hand ships or for dividends.

2Q12 DPS of Bt0.1. After a 1Q12 DPS of Bt0.1, PSL announced a 2Q12 DPS of Bt0.1, XD Aug 17.

Forecasts and Valuation

Year to 31 Dec	Unit	2010	2011	2012F	2013F	2014F
Revenue	(Btmn)	2,949	3,089	2,932	3,810	4,736
EBITDA	(Btmn)	1,726	1,460	1,142	1,586	2,382
Core profit	(Btmn)	783	403	53	335	1,103
Reported profit	(Btmn)	1,133	719	359	335	1,103
Core EPS	(Bt)	0.75	0.39	0.05	0.32	1.06
DPS	(Bt)	0.85	0.55	0.28	0.19	0.64
P/E, core	(x)	13.04	20.55	41.18	44.05	13.39
EPS growth, core	(%)	-65.07	-48.57	-86.77	529.01	229.00
P/BV, core	(x)	1.01	0.96	0.96	0.96	0.92
ROE	(%)	7.75	4.68	2.34	2.17	6.90
Dividend yield	(%)	5.99	3.84	1.94	1.36	4.48
EV/EBITDA	(x)	8.96	11.93	15.37	13.24	7.43

Source: SCBS Investment Research

Figure 1: Ship new building delivery schedule – revised as of July 2012

		Delivery date per contract	Delivery date with contractual grace period of 90 days	Revised delivery date (Jul 12)
Indian Shipyard-ABG				
Handysize vessels (34,000 DWT)				
	329 1	15-Mar-10	13-Jun-10	Novated
	330 2	31-Jul-10	29-Oct-10	Novated
	331 3	15-Dec-10	15-Mar-11	Delivered 14-Jun-11
	333 4	30-Apr-11	29-Jul-11	Novated
	334 5	31-Aug-11	29-Nov-11	Delivered 26-Mar-12
	335 6	31-Dec-11	30-Mar-12	Under discussion
	336 7	30-Apr-12	29-Jul-12	Under discussion
	337 8	31-Aug-12	29-Nov-12	31-Oct-12
	338 9	31-Dec-12	31-Mar-13	31-Dec-12
	339 10	30-Apr-13	29-Jul-13	31-Mar-13
	340 11	31-Aug-13	29-Nov-13	30-Jun-13
	342 12	31-Dec-13	31-Mar-14	30-Sep-13
Supramax vessels (54,000 DWT)				
	313 13	31-Dec-10	31-Mar-11	Novated
	315 14	30-Jun-11	28-Sep-11	Novated
	316 15	31-Dec-11	30-Mar-12	Under discussion
	347 16	31-May-12	29-Aug-12	Under discussion
	348 17	31-Oct-12	29-Jan-13	15-Jan-13
	349 18	31-Dec-12	31-Mar-13	31-May-13
JV cement carriers- 3 new ships				
	378 1	30-Jul-11		Under discussion
	379 2	01-Nov-12		01-Nov-12
	380 3	01-Nov-13		01-Nov-13
Chinese shipyard				
Supramax- 4 new ships from China (57000 DWT)				
	GY807	1	15-Mar-12	2H12
	GY808	2	15-May-12	2H12
	GY809	3	15-Jun-12	2H12
	GY810	4	15-Aug-12	2H12

Source: Company data and SCBS Investment Research

CG Rating 2011 Companies with CG Rating under SCBS's Coverage

★★★★★	ADIANC, AOT, BANPU, BAY, BBL, BCP, BANGL, CPP, CSL, EGCO, ERW, HEMRAJ, IRPC, KBANK, KK, KTB, LPN, MCOI, PS, PSL, PTT, PTTIP, QH, RATCH, ROBINS, SAT, SCB, SCC, TISCO, TMB, TOP
★★★★	AMATA, AP, ASP, BEC, BECL, BH, BISC, BIA, BTS, CENTEL, CK, CPALL, DELTA, DRT, DTAC, GPPT, GLOW, HANA, HMPRO, INTUCH, KCE, KEST, LH, IWL, MAJOR, MAKRO, MINT, OISHI, PHATRA, SCCC, SMT, SPALI, SIRI, STANLY, STEC, SVI, TCAP, THAI, THCOM, TRUE, TTA, TTW
★★★	AEONTS, AH, CCET, DCC, ESSO, ITD, KH, KTC, RCL, ROJNA, TICON, TPIPL
N/A	AAV, BGH, BLS, CPNRF, LHBANK, POPF, QHPF, SAMART, SAMTEL, SSI, TFUND, TLOGIS, WHAPF
	PTTGC is the merged entity of PTTCH and PTTAR

Corporate Governance Report disclaimer

The disclosure of the survey result of the Thai Institute of Directors Association ("IOD") regarding corporate governance is made pursuant to the policy of the Office of the Securities and Exchange Commission. The survey of the IOD is based on the information of a company listed on the Stock Exchange of Thailand and the Markets for Alternative Investment disclosed to the public and able to be accessed by a general public investor. The result, therefore, is from the perspective of a third party. It is not an evaluation of operation and is not based on inside information. The survey result is as of the date appearing in the Corporate Governance Report of Thai Listed Companies. As a result, the survey result may be changed after that date. SCB Securities Company Limited does not conform nor certify the accuracy of such survey result.