



We downgrade PSL to HOLD rating while trim target price to Bt16.0 (Previous TP:Bt21.20) derived from 1.5xPBV'22E, Asia-ex-Japan transportation sector. We believe peak point of the market upcycle had already passed while expect bulk freight rate to normalize and remain at a comfortable level in 2022-23 backed by improving market demand-supply equilibrium.

- We anticipate a slowdown in demand for dry bulk commodities trading to continue at least until 1H22, which was mainly pressured by tension between Russia-Ukraine and China city lockdown.
- Supply side in short-term will still benefit from trend of containerized cargoes and issue over port congestion, but these factors are likely to fade in 2H22
- We expect PSL to report 1Q22 net profit at Bt1,389m (-22%QoQ, +68%YoY), a substantial drop from all-time high level in 4Q21.

Valuation table

Year end Dec	20A	21A	22E	23E	24E
PE (x)	nm	5.6	6.2	15.7	19.3
Recurring net profit growth (%)	nm	nm	(10.1)	(60.7)	(18.7)
Recurring EPS (Bt)	(0.3)	2.8	2.5	1.0	0.8
Recurring EPS growth (%)	nm	nm	(10.1)	(60.7)	(18.7)
PBV (x)	2.4	1.7	1.4	1.4	1.3
BVPS (Bt)	6.5	9.2	10.7	11.3	11.8
ROE (%)	(11.9)	36.5	25.2	9.0	6.9
DPS (Bt)	-	1.8	1.0	0.4	0.3
Dividend yield (%)	na	11.3	6.5	2.5	2.1
Enterprise value (Bt m)	33,114.9	29,938.5	26,696.6	24,913.8	23,258.4
EV-to-EBITDA (x)	23.9	5.0	4.9	8.4	9.0

Precious Shipping PCL

Recommendation: HOLD

Current price: 15.50

Target price: 16.0

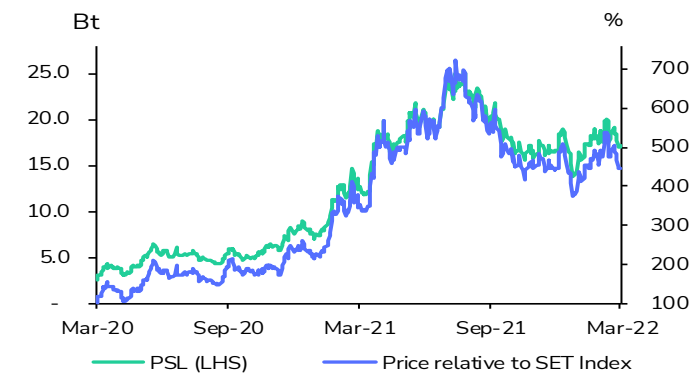
Up/(downside): 3%

IOD: 5 / 5

CAC: Certified

Stock data

RIC code	PSL.BK
Index	.SETI
SET Index (31 March 2022)	1,695.24
Market cap (Bt m)	26,664
Shares outstanding (million)	1,559
Par (Bt)	1.00

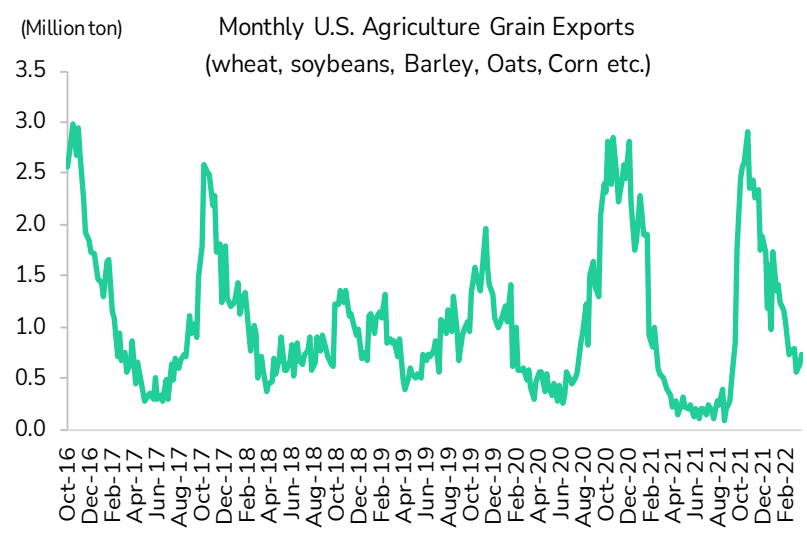
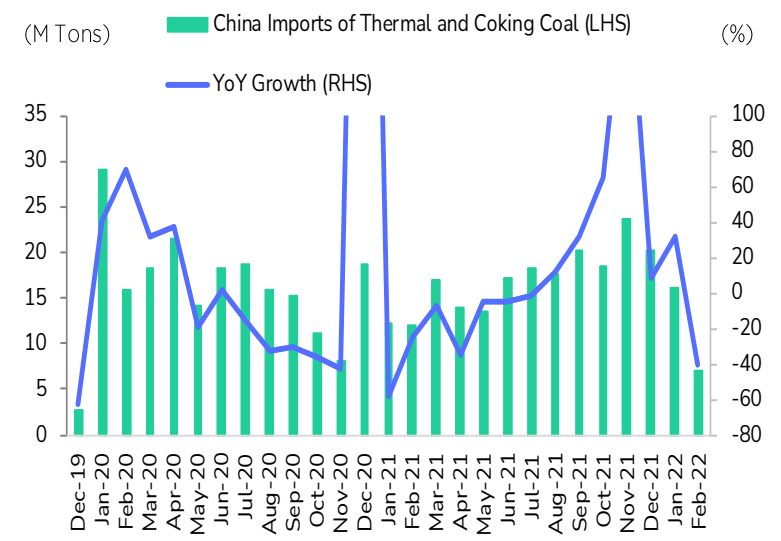
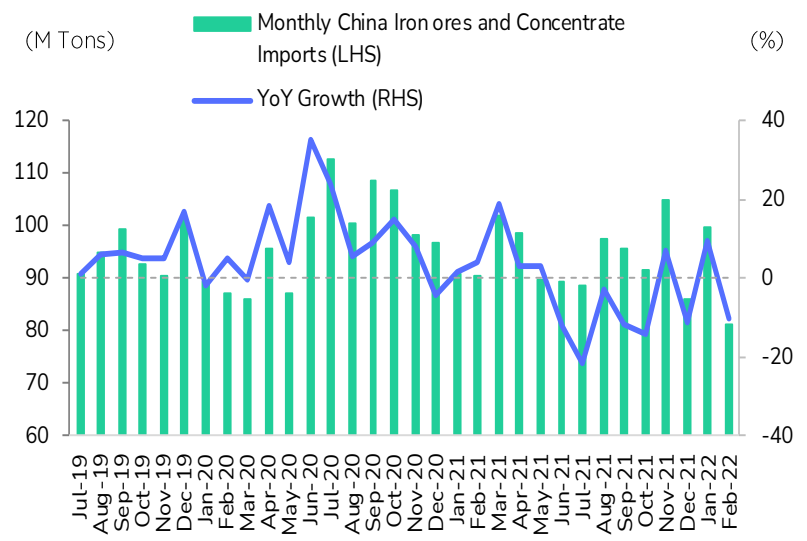


Update

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PSL: Concern over geopolitical issue suppressed demand-side

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Expect demand in dry bulk trading to remain dull until 1H22

We anticipate a slowdown in demand for dry bulk commodities trading to continue at least until 1H22, which was mainly pressured by tension between Russia-Ukraine and China city lockdown. Seaborne transporting volume for certain bulk commodities such as iron ore, coal, and grains still continue to contract in the first quarter of 2022 while we anticipate the figures to remain dull at least until end of 1H22 (Iron ore and Agri. products account for roughly 40% and 60% of PSL and global dry bulk trading volume respectively)

TCE rate for dry bulk carriers is expected to gradually come down until end of 2H22, but still remain at a level where all vessels owners enjoy a healthy profit and margin. We still maintain positive outlook for the industry in 2022-23 while expect freight rate to remain at profitable level at above US\$ 12,000/day in 2022-23, aligned with Clarkson's view that expecting significant demand-supply side improvement in 2022-23, which minor bulk fleet supply will grow by 4.7%, v.s. demand-side growth in terms of tone-mile at 6.1%.

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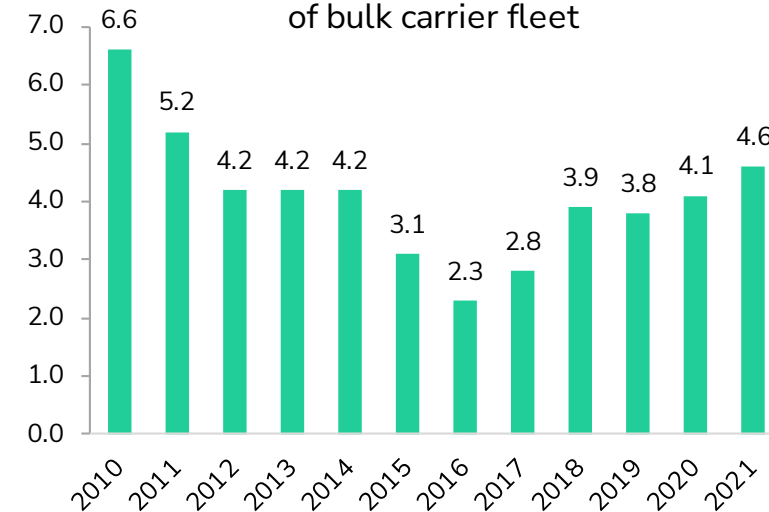
Risks

Low fleet supply growth support freight rate to remain healthy

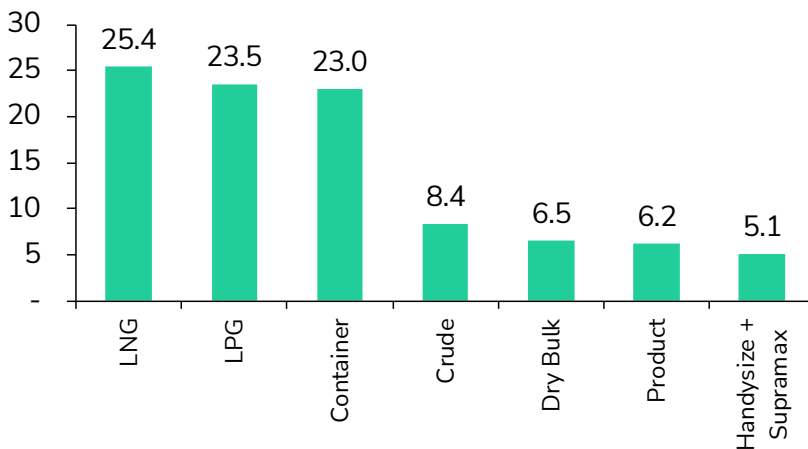
For short-term, the dry bulk market will still benefit from temporary trend of containerized cargoes and containers being moved on bulkers, which the market expected to last at least till the middle of 2022. Meanwhile, issue over port congestion induced by COVID-19 is no longer the major concern for supply constraint in 2022 as most of major countries had already reduce the measures related to social distancing standard.

We anticipate TCE rate for small-medium ships (Handysize and Supramax) to remain at high profitable level at above US\$ 12,000/day in 2022-23. This will mainly supported by improving industry demand-supply balance given a record low level of orderbook at 6.9% of existing dry bulk fleet while Handysize alone is only 3.4%. (40% of PSL revenue generated from Handysize). Another factor that will limit a fleet supply growth is issue of decarbonization as ship owners continue to assess the upcoming environmental regulations and its commercial impacts, causing a delay in new investment cycle for the vessel operators.

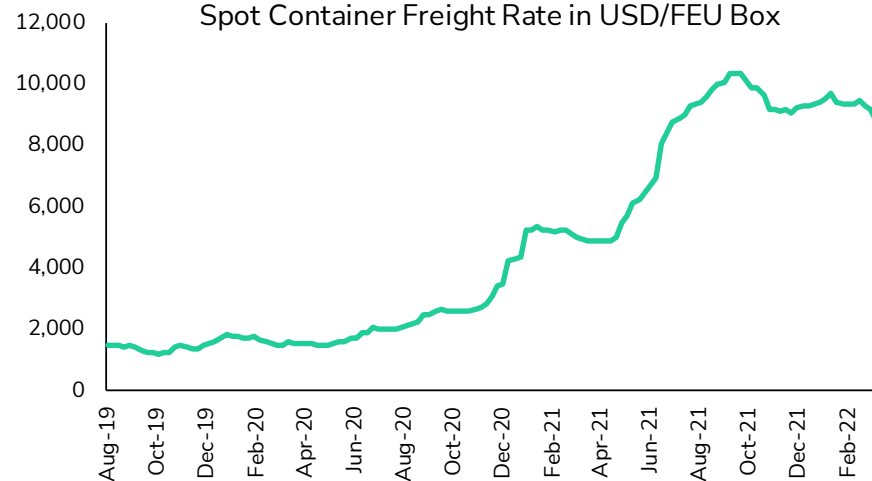
Total bulk carrier port congestion as % of bulk carrier fleet



Orderbook by types of vessel



Spot Container Freight Rate in USD/FEU Box



Story

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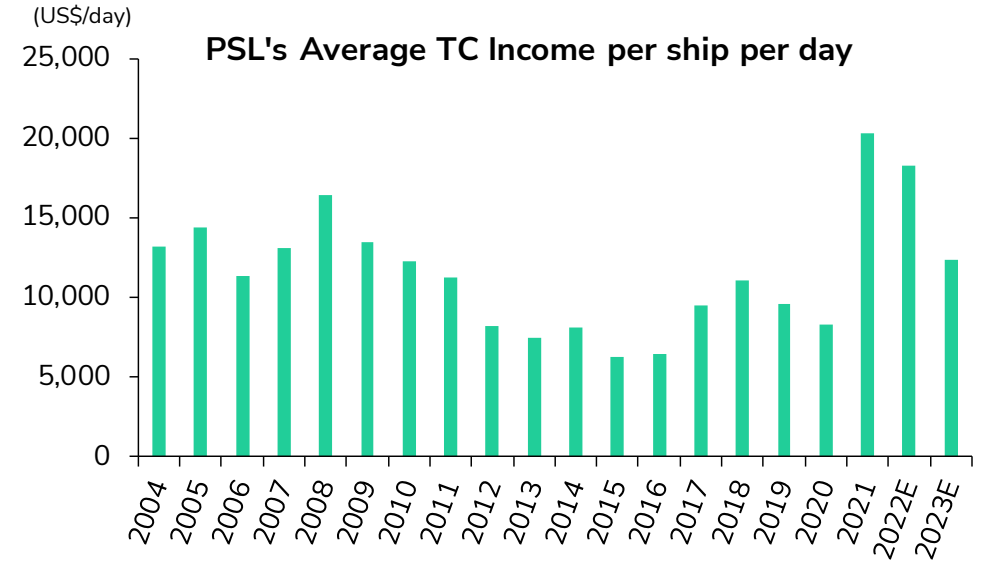
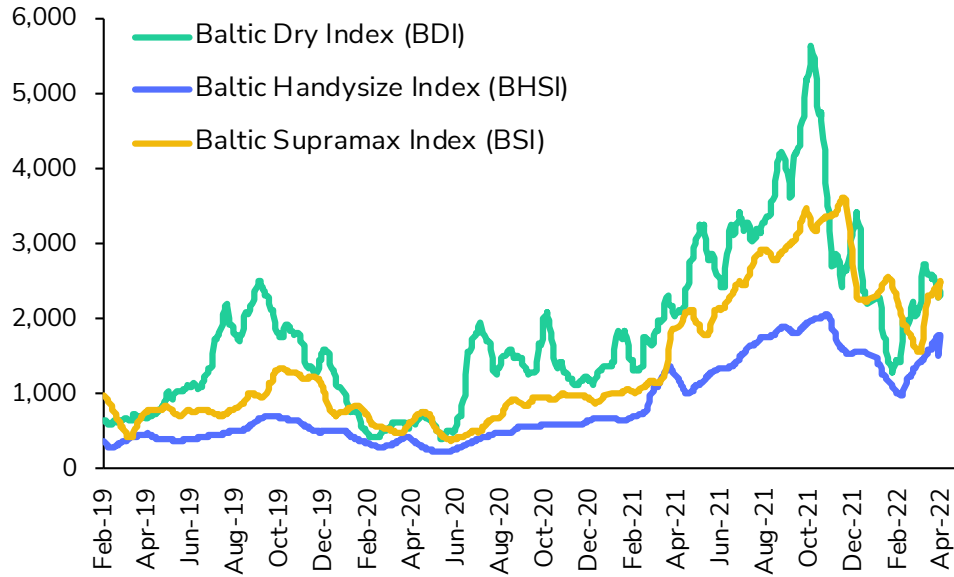
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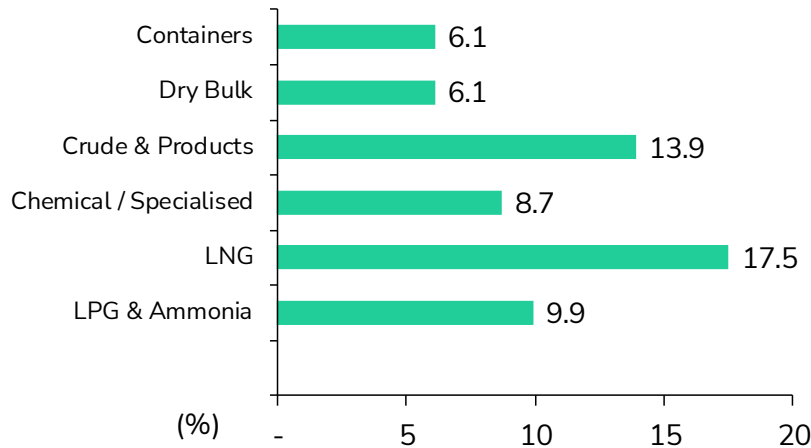
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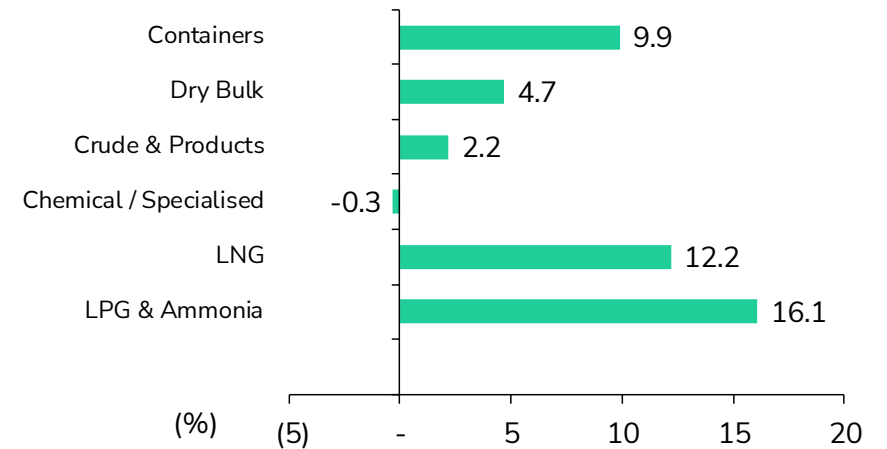
Risks



Demand Growth (Billion Tonn-Miles, % Chg 2021-23)



Fleet Growth (% Chg 2021-23)



(Bt m)	1Q21	2Q21	3Q21	4Q21	1Q22E	%QoQ	%YoY
Revenue	1,246	1,918	2,639	2,812	2,453	(12.8)	27.9
Cost of sales	(784)	(883)	(827)	(811)	(840)	3.6	(4.9)
Gross profit	463	1,035	1,812	2,001	1,613	(19.4)	55.8
SG&A	(79)	(154)	(169)	(170)	(170)	(0.2)	10.4
Other (exp)/inc	1	0	0	0	0	(55.9)	87.5
EBIT	384	881	1,643	1,831	1,443	(21.2)	63.7
Finance cost	(117)	(108)	(112)	(78)	(75)	(3.9)	(30.6)
Other inc/(exp)	0	1	0	1	-	(100.0)	(100.0)
Earnings before taxes	267	774	1,532	1,755	1,368	(22.0)	76.7
Income tax	-	-	-	(2)	-	NA	NA
Earnings after taxes	267	774	1,532	1,753	1,368	(22.0)	76.7
Equity income	4	4	7	8	6	(27.0)	47.7
Minority interest	-	(0)	-	(0)	-	NA	NA
Earnings from cont. operations	271	778	1,538	1,761	1,374	(22.0)	76.6
Forex gain/(loss) & unusual items	104	48	(37)	11	15	35.8	(68.9)
Net profit	375	826	1,501	1,772	1,389	(21.6)	68.1
EBITDA	676	1,184	1,966	2,151	1,761	(18.1)	48.7
Recurring EPS (Bt)	0.17	0.50	0.98	1.14	0.88	(22.4)	76.6
Reported EPS (Bt)	0.24	0.53	0.96	1.14	0.89	(22.1)	68.1
Profits (%)	1Q21	2Q21	3Q21	4Q21	1Q22E	chg QoQ	chg YoY
Gross margin	37.1	54.0	68.7	71.2	65.8	(5.4)	28.6
Operating margin	54.2	61.7	74.5	76.5	71.8	(4.7)	17.6
Net margin	30.1	43.1	56.9	63.0	56.6	(6.4)	26.5

Result summary

- We expect PSL to report 1Q22 net profit at Bt1,389m (-22%QoQ, +68%YoY), a substantial drop from all-time high level in 4Q21.
- YoY surge in earnings supported by high profitable level of TCE rate which supported by shortage on supply-side factor along with recovery in seaborne trade demand after the lockdown have eased in the major countries. QoQ drop dragged by impact from correction of TCE rate from a high base in 2H21.
- We expect PSL's average earnings per vessel per day at US\$22,293 per day in 1Q22 (-16%QoQ +83%YoY). On the other hand, average market TC rate for Supramax and Handy-sized are expected to be at US\$23,899 (-18%QoQ +94%YoY) and US\$19,267 (-23%QoQ +61%YoY). A discount to market is due to smaller fleet size relative to the market and different contract duration with clients.
- EBITDA in 1Q22 is expected to be at Bt1,761m (-18%QoQ +49%YoY), the third highest level in a decade.

PSL: Revising down FY2023-24E net profit by 3-5%



Story

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	2022E			Change (%)	2023E			Change (%)	2024E		
	Revised	Previous			Revised	Previous			Revised	Previous	
Financials											
Revenue (Bt mn)	7,920	7,228	9.6	5,597	5,672	(1.3)	5,218	5,218	(0.0)		
Gross profit (Bt mn)	4,846	3,811	27.2	2,375	2,368	0.3	2,014	1,964	2.5		
Net profit (Bt mn)	3,910	2,950	32.5	1,537	1,618	(5.0)	1,250	1,284	(2.6)		
EPS (Bt/share)	2.51	1.89	32.5	0.99	1.04	(5.0)	0.80	0.82	(2.6)		
Key financial ratios											
			Change			Change			Change		
Revenue growth (%)	(8.1)	(14.0)	5.9	(29.3)	(21.5)	(7.8)	(6.8)	(8.0)	1.2		
Gross profit margin (%)	61.2	52.7	8.5	42.4	41.8	0.7	38.6	37.6	1.0		
SG&A to sales (%)	8.4	7.8	0.6	11.8	9.8	2.0	12.8	10.8	2.0		
Net profit growth (%)	(12.6)	(27.7)	15.1	(60.7)	(45.1)	(15.5)	(18.7)	(20.6)	2.0		
Net profit margin (%)	49.4	40.8	8.6	27.5	28.5	(1.1)	24.0	24.6	(0.6)		

Revise earnings up by 33% in 2022E but trim down profit 3-5% in 2023E and 2024E respectively

We revise up PSL's net profit in 2022E by 33% in order to factor in; 1.) upward revenue revision by 10% as we raised TC rate assumptions in 2022E by 15% to US\$15,893/day. However, we revised down net profit forecast in 2023-24E by 3-5% as we assume SG&A to sales ratio to increase to 11.8% and 12.8% in 2023 and 2024 respectively following an increase in remuneration to staffs and management team.

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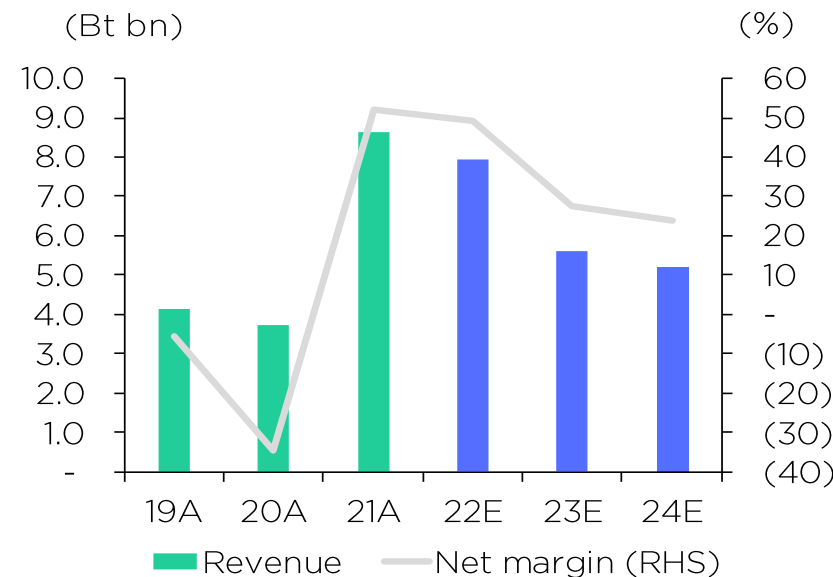
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Currently, the company operates 36 dry bulk carriers with a total 1,585,805 DWT. The fleet comprises 20 ships that are registered under the Thai flag and 16 ships that are registered under the Singapore flag. PSL operates its fleet on a tramp-shipping basis, covering all regions. Principal cargoes handled by the company are cement 32%, agricultural products 17%, steel 9%, fertilizers 10%, ore 10%, coal 7%, and other items 15%.

The company offers two types of cargo services :

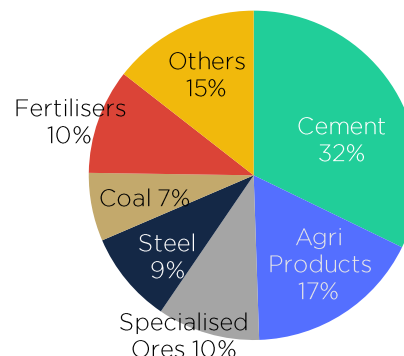
- Voyage charter, 6% revenue contribution: The charterer pays freight to PSL to transport a particular cargo between two or more designated ports. In this case, PSL bears all the voyage costs, including the cost of bunker fuel.
- Time charter, 94% revenue contribution: The charterer will hire PSL to 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 2021

Revenue by type of services, 2021

PSL's Fleet	DWT	No.
Ultramax	60,000-80,000	8
Supramax	50,000-60,000	8
Handymax	10,000-40,000	19
Total PSL's DWT	1,585,805	36



Voyage Charters
6%

Time Charters
94%

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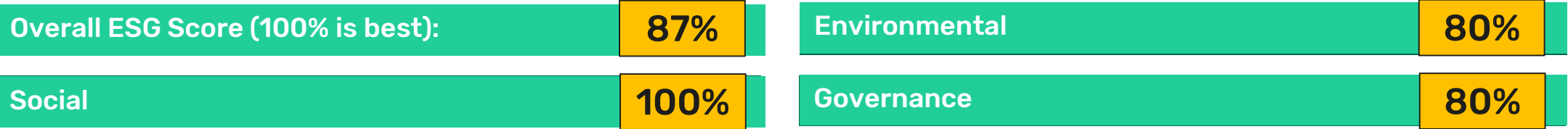
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Environmental

Yes/No?

Does the company have a resource reduction policy?	Yes
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. PSL states that new Eco vessels emit approximately 35% less CO2 per unit transport work as compared to the older vessels in the fleet.	
Has the company faced any environmental controversies?	No
None found.	
Does the company have an emissions/waste policy?	Yes
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 tone/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?	Yes
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?	No
None of the company's products or services are considered "green".	

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Overall ESG Score (100% is best):

87%

Environmental

80%

Social

100%

Governance

80%

Social

Yes/No?

Does the company have any health & safety policy?

Yes

Yes, The company provides a safe work environment and competitive compensation, with a good welfare and benefits structure for employees. The Company's Safety Management System (SMS) is intended to affirm that the Company achieves its purpose in this area and is based on the philosophy that accidents can be prevented by the identification and management of risk.

Does the company have a human rights policy?

Yes

Yes, The company provides equal opportunities in employment and career advancement without prejudice with regard to race, gender, religion or age. The Company also gives importance to anti-discrimination throughout its operations and promotes diversity in its workforce at both the management and staff levels.

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

Yes

Yes, 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?

Yes

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?

No

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

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Governance

Yes/No?

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

Thirty three of directors are independent, which is lower than the average for Thailand.

Is the Chairman also CEO (or equivalent)? No

No, 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.

PSL: Summary financials

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Profit & loss (Bt m)	20A	21A	22E	23E	24E	Dec '20	Mar '21	Jun '21	Sep '21	Dec '21
Revenue	3,730	8,615	7,920	5,597	5,218	1,050	1,246	1,918	2,639	2,812
Cost of goods sold	(3,226)	(3,305)	(3,074)	(3,222)	(3,204)	(798)	(784)	(883)	(827)	(811)
Gross profit	504	5,311	4,846	2,375	2,014	253	463	1,035	1,812	2,001
SG&A	(345)	(572)	(663)	(658)	(668)	(67)	(79)	(154)	(169)	(170)
Other (exp)/inc	0	1	1	1	1	0	1	0	0	0
Operating profit	160	4,740	4,184	1,718	1,347	186	384	881	1,643	1,831
Finance cost	(562)	(387)	(280)	(185)	(97)	(122)	(117)	(108)	(112)	(78)
Other inc/(exp)	(27)	(26)	(16)	(12)	(14)	1	0	1	0	1
Earnings before taxes	(429)	4,327	3,889	1,522	1,236	65	267	774	1,532	1,755
Income tax	(4)	(2)	-	-	-	(4)	-	-	-	(2)
After-tax profit	(433)	4,325	3,889	1,522	1,236	61	267	774	1,532	1,753
Equity income	11	23	21	15	14	4	4	4	7	8
Minorities	0	(0)	-	-	-	0	-	(0)	-	(0)
Earnings from cont. operations	(422)	4,348	3,910	1,537	1,250	64	271	778	1,538	1,761
Forex gain/(loss) & unusual items	(873)	127	-	-	-	(37)	104	48	(37)	11
Net income	(1,295)	4,475	3,910	1,537	1,250	27	375	826	1,501	1,772
EBITDA	1,385	5,978	5,421	2,952	2,581	488	676	1,184	1,966	2,151
Recurring EPS (Bt)	(0.27)	2.79	2.51	0.99	0.80	0.04	0.17	0.50	0.98	1.14
Weighted average shares (m)	1,559	1,559	1,559	1,559	1,559	1,559	1,559	1,559	1,564	1,550
Balance sheet (Bt m)	20A	21A	22E	23E	24E	Dec '20	Mar '21	Jun '21	Sep '21	Dec '21
Assets	21,397	23,531	24,499	22,664	21,276	21,397	21,569	21,823	23,439	23,531
Liabilities	11,263	9,165	7,788	5,030	2,892	11,263	10,596	9,735	9,860	9,165
Equity	10,134	14,365	16,711	17,633	18,383	10,134	10,973	12,088	13,578	14,365
Invested capital	18,990	20,029	19,111	18,236	17,316	18,990	19,174	19,357	20,436	20,029
Growth (YoY, %)	20A	21A	22E	23E	24E	Dec '20	Mar '21	Jun '21	Sep '21	Dec '21
Revenue	(10.2)	131.0	(8.1)	(29.3)	(6.8)	(8.7)	18.1	182.0	179.4	167.7
Recurring EPS	nm	nm	(10.1)	(60.7)	(18.7)	108.1	291.1	350.7	nm	nm
Assets	(14.6)	10.0	4.1	(7.5)	(6.1)	(14.6)	(17.9)	(7.0)	0.7	10.0
Liabilities	(16.6)	(18.6)	(15.0)	(35.4)	(42.5)	(16.6)	(24.5)	(25.5)	(21.8)	(18.6)
Equity	(12.3)	41.7	16.3	5.5	4.3	(12.3)	(10.2)	16.4	27.2	41.7
Profits (%)	20A	21A	22E	23E	24E	Dec '20	Mar '21	Jun '21	Sep '21	Dec '21
Gross margin	13.5	61.6	61.2	42.4	38.6	24.0	37.1	54.0	68.7	71.2
EBITDA margin	37.1	69.4	68.4	52.7	49.5	46.5	54.2	61.7	74.5	76.5
Net margin	(34.7)	51.9	49.4	27.5	24.0	2.6	30.1	43.1	56.9	63.0
ROE	(11.9)	36.5	25.2	9.0	6.9	1.1	14.2	28.7	46.8	50.7
ROIC	0.8	24.3	21.4	9.2	7.6	3.5	8.1	18.3	33.0	36.2

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.

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