

SELL (From Hold)**TP: Bt9.00** (From Bt12.00)**11 NOVEMBER 2011**

Change in Recommendation

Downside : -18.2%



Pruksa Real Estate (PS TB)

Tough times ahead

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PS's fundamentals have changed and we downgrade the stock to SELL from Hold. Aside from the flooding impact, there is growing cash flow risk while peaked presales in 2010 won't be repeated for a few more years. We cut our TP to Bt9.00/share.

Downgrade to SELL

We downgrade PS to SELL from Hold for three reasons. 1) The floods will cause its performance to worsen from 4Q11 and it will take at least six months to recover. 2) It's exposed to higher cash flow risk since it has too many projects on hand with slower presales and transfers will likely miss schedule. 3) The long-term growth outlook has changed. With stretched cash flow along with flood woes, PS is delaying new launches in November-December until next year. New launches this year have been cut to 49 from the plan of 78. As such, both presales and sales will be significantly short of its target. We cut our already conservative presales assumptions a further 10-11% in 2011-13 with earnings slashed by 17-21%. Our TP is cut to Bt9.00/share from Bt12.00.

Weakening outlook from 4Q11

We expect PS to suffer tough times for at least six months starting 4Q11 on: 1) the temporary shutdown of all its five precast factories since 25 October (expected to resume operations three to four weeks after the floods recede). 2) Delays in backlog transfers as well as backlog cancellations since 21% of its Bt37bn backlog is flooded. 3) Weak presales outlook from a slowdown in new launches while 32% of its Bt59bn of project value available for sale is in flooded areas.

Rising cash flow risk

Before the floods, PS had a problem of a mismatch between presales and sales realization due to construction delays. With two new precast plants adding more capacity in 3Q11, it had expected the problem to be solved. With the floods, the problem is getting worse as construction has stopped. Given its current high D/E of 1.2x, it plans to negotiate with bond holders to raise its covenant from 1.5x to 2.0x. At the same time, it has had to tighten its belt by postponing new launches, delaying capex and reducing unnecessary expenses. To stimulate housing transfers, price discounts and other promotional campaigns have to be offered.

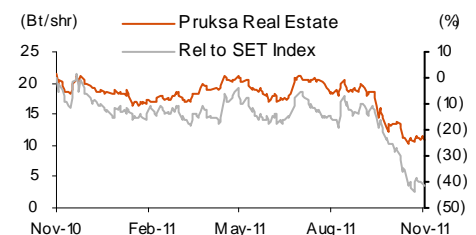
First overseas project turning to a loss

PS has been highly successful with the launch of its first overseas project, a condo project in the Maldives (first phase of nine buildings), as it is fully booked. But with the devaluation of the Maldives' currency, presales in baht fell from Bt600m to Bt413m. The first two buildings valued at Bt97m were transferred in 3Q11 while the remaining buildings should be completed by 1Q12. PS expects the project to generate a loss of Bt90m. The second phase has now been put on the shelf.

COMPANY VALUATION

Y/E Dec (Bt m)	2010	2011F	2012F	2013F
Sales	23,307	21,527	24,589	26,578
Net profit	3,488	2,704	2,948	3,266
Consensus NP	—	3,758	4,375	5,369
Diff from cons (%)	—	(28.0)	(32.6)	(39.2)
Norm profit	3,488	2,704	2,948	3,266
Prev norm profit	—	3,282	3,552	4,128
Chg from prev (%)	—	(17.6)	(17.0)	(20.9)
Norm EPS (Bt)	1.6	1.2	1.3	1.5
Norm EPS gr (%)	(3.7)	(22.5)	9.0	10.8
Norm PE (x)	7.0	9.0	8.3	7.5
EV/EBITDA (x)	7.6	10.7	9.6	8.0
P/BV (x)	1.6	1.5	1.3	1.1
Div. yield (%)	4.5	3.3	3.6	4.0
ROE (%)	24.7	16.8	16.4	16.2
Net D/E (%)	75.2	105.9	84.7	54.0

PRICE PERFORMANCE



COMPANY INFORMATION

Price as of 10 Nov 11 (Bt)	11.00
Market cap (US\$ m)	790
Listed shares (m shares)	2,209
Free float (%)	26
Avg daily turnover (US\$ m)	3.86
12M price H/L (Bt)	22.0/10.3
Sector	Property
Major shareholder	Vijitpongpun 72.9%

Sources: Bloomberg; Company data; Thanachart estimates

3Q11 missed estimate by 23%

Pruksa Real Estate (PS) reported normalized profits of Bt761m in 3Q11, up 112% y-y due to the low base in 3Q10 as all property tax incentives expired in 2Q10, but down 23% q-q. This came in 23% below the consensus estimate. The key reason for the disappointing results was a weaker-than-expected gross margin at 34.6%, down a sharp 350bp y-y and 310bp q-q. We expect gross margin to remain low in 4Q11 as PS needs to give some price discounts and other special campaigns to speed customers' decisions to transfer units amid the severe floods in Bangkok.

Based on our current earnings forecast, 9M11 profits account for 92% of our full-year estimate. We project a sharp contraction in 4Q11 sales to Bt3bn with earnings of Bt224m. At the beginning of the year, PS targeted presales of Bt42bn (8% growth y-y) and revenues of Bt32bn (37% growth y-y). We forecast it to achieve presales of Bt26bn this year (down 33% y-y) and sales of Bt21.5bn (down 8% y-y).

Ex 1: PS's Quarterly Earnings

Income Statement						Income Statement					
Yr-end Dec (Bt m)	(consolidated)					(Bt m)	9M as				
	3Q10	4Q10	1Q11	2Q11	3Q11		q-q%	y-y%	% 2011F	2011F	2012F
Revenue	3,761	6,974	5,422	6,724	6,458	Revenue	(4)	72	86	21,527	24,589
Gross profit	1,431	2,700	2,133	2,535	2,237	Gross profit	(12)	56	87	7,918	8,779
SG&A	973	1,344	1,203	1,245	1,218	SG&A	(2)	25	85	4,305	4,918
Operating profit	459	1,356	930	1,290	1,019	Operating profit	(21)	122	90	3,613	3,861
EBITDA	519	1,430	998	1,365	1,117	EBITDA	(18)	115	88	3,947	4,245
Other income	26	29	28	55	35	Other income	(35)	34	96	122	125
Other expense	0	0	0	0	0	Other expense					
Interest expense	14	29	13	32	35	Interest expense	9	151	62	130	157
Profit before tax	471	1,356	945	1,312	1,019	Profit before tax	(22)	116	91	3,605	3,829
Income tax	112	298	214	325	258	Income tax	(21)	131	88	901	881
Equity & invest. income	0	0	0	0	0	Equity & invest. income					
Minority interests	0	0	0	0	0	Minority interests					
Extraordinary items	0	0	0	0	0	Extraordinary items					
Net profit	359	1,059	731	988	761	Net profit	(23)	112	92	2,704	2,948
Normalized profit	359	1,059	731	988	761	Normalized profit	(23)	112	92	2,704	2,948
EPS (Bt)	0.16	0.48	0.33	0.45	0.34	EPS (Bt)	(23)	112	92	1.22	1.33
Normalized EPS (Bt)	0.16	0.48	0.33	0.45	0.34	Normalized EPS (Bt)	(23)	112	92	1.22	1.33
Balance Sheet						Financial Ratios					
Yr-end Dec (Bt m)	(consolidated)					(%)					
	3Q10	4Q10	1Q11	2Q11	3Q11		3Q10	4Q10	1Q11	2Q11	3Q11
Cash & equivalent	1,357	1,630	1,631	1,942	1,184	Sales growth	(1.7)	(9.8)	(18.5)	13.7	71.7
A/C receivable	96	0	0	0	0	Operating profit growth	(46.2)	(37.5)	(41.9)	18.7	122.1
Inventory	23,158	27,923	32,398	34,812	36,818	EBITDA growth	(42.8)	(35.7)	(39.7)	19	115.0
Other current assets	2,144	1,805	1,445	1,144	877	Norm profit growth	(44.8)	(35.6)	(40.5)	17.5	111.9
Investment	0	0	0	0	0	Norm EPS growth	(45.0)	(35.6)	(40.5)	17.4	111.7
Fixed assets	1,736	2,159	2,592	2,669	2,524	Gross margin	38.1	38.7	39.3	37.7	34.6
Other assets	733	574	636	682	667	Operating margin	12.2	19.4	17.2	19.2	15.8
Total assets	29,224	34,091	38,702	41,250	42,070	EBITDA margin	13.8	20.5	18.4	20.3	17.3
S-T debt	4,282	4,004	8,751	10,421	9,807	Norm net margin	9.5	15.2	13.5	14.7	11.8
A/C payable	3,138	2,997	2,856	3,106	2,989	D/E (x)	0.7	0.9	1.0	1.2	1.2
Other current liabilities	2,318	2,670	3,170	3,516	3,083	Net D/E (x)	0.6	0.8	0.9	1.1	1.1
L-T debt	5,228	9,107	7,868	8,258	9,474	Interest coverage (x)	37.1	49.6	78.8	42.2	31.8
Other liabilities	48	50	53	56	59	Interest rate	0.8	1.0	0.3	0.7	0.7
Minority interest	0	0	0	0	0	Effective tax rate	23.7	21.9	22.6	24.7	25.3
Shareholders' equity	14,210	15,263	16,003	15,894	16,657	ROA	5.4	13.4	8.0	9.9	7.3
Working capital	20,117	24,926	29,542	31,706	33,829	ROE	10.2	28.7	18.7	24.8	18.7
Total debt	9,511	13,111	16,619	18,678	19,281						
Net debt	8,154	11,481	14,988	16,736	18,097						

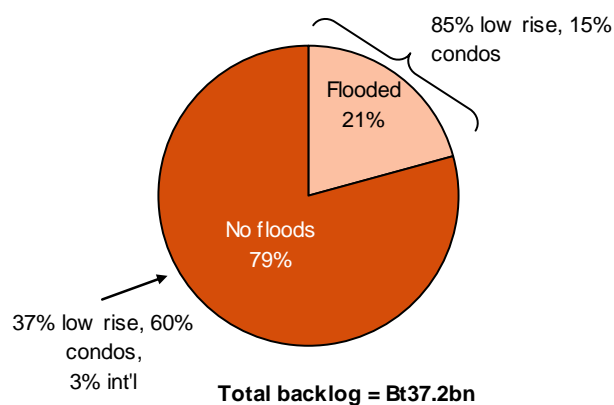
Sources: Company data; Thanachart estimates

Ex 2: Key Assumption Changes

	2011F	2012F	2013F	2014F	2015F	2016F	2017F	2018F	2019F	2020F	2021F	2022F
Presales (Bt m)												
- New	26,074	27,310	29,717	31,573	34,122	36,343	38,332	40,158	41,871	43,511	45,106	46,678
- Old	28,808	30,545	33,443	35,833	37,869	39,675	41,336	42,910	44,434	45,938	47,439	48,952
Change (%)	(9.5)	(10.6)	(11.1)	(11.9)	(9.9)	(8.4)	(7.3)	(6.4)	(5.8)	(5.3)	(4.9)	(4.6)
Sales (Bt m)												
- New	21,527	24,589	26,578	29,044	31,523	34,239	36,494	37,868	39,119	40,897	42,616	44,290
- Old	24,937	27,881	31,597	33,115	34,877	36,835	38,710	40,493	42,193	43,830	45,425	46,997
Change (%)	(13.7)	(11.8)	(15.9)	(12.3)	(9.6)	(7.0)	(5.7)	(6.5)	(7.3)	(6.7)	(6.2)	(5.8)
Gross Margin (%)												
- New	36.8	35.7	35.4	35.3	35.3	35.2	35.2	35.3	35.3	35.4	35.4	35.4
- Old	38.3	36.8	36.5	36.5	36.5	36.6	36.6	36.6	36.6	36.6	36.6	36.6
Change (bp)	(147.7)	(108.8)	(107.5)	(116.2)	(126.0)	(138.7)	(141.0)	(133.8)	(126.4)	(125.9)	(125.4)	(125.1)
Normalized profit (Bt m)												
- New	2,704	2,948	3,266	3,577	3,878	4,205	4,489	4,696	4,897	5,139	5,358	5,568
- Old	3,282	3,552	4,128	4,330	4,556	4,834	5,082	5,318	5,585	5,844	6,053	6,260
Change (%)	(17.6)	(17.0)	(20.9)	(17.4)	(14.9)	(13.0)	(11.7)	(11.7)	(12.3)	(12.1)	(11.5)	(11.1)

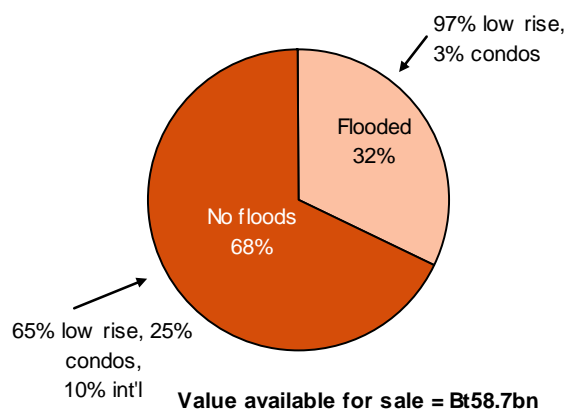
Source: Thanachart estimates

Ex 3: Flood Impact On Backlog



Source: Company data

Ex 4: Flood Impact On Existing Projects



Source: Company data

Valuation Comparison

Ex 5: Valuation Comparison With Regional Peers

Name	BBG Code	Country	EPS growth		— PE —		— P/BV —		EV/EBITDA		Div Yield	
			11F (%)	12F (%)	11F (x)	12F (x)	11F (x)	12F (x)	11F (x)	12F (x)	11F (%)	12F (%)
Poly Real Estate Group	600048 CH	China	39.8	28.2	8.3	6.4	1.3	1.3	10.0	8.6	1.8	2.1
Agile Property Holdings	3383 HK	China	25.2	18.8	5.0	4.2	1.0	0.8	3.4	3.1	5.1	6.1
Country Garden Holdings	2007 HK	China	23.0	25.2	8.8	7.0	1.6	1.3	6.3	5.1	4.0	4.9
China Overseas Land & Invest	688 HK	Hong Kong	26.6	11.9	8.5	7.6	1.7	1.4	6.3	5.8	2.4	2.6
China Resources Land	1109 HK	Hong Kong	29.6	15.7	10.8	9.3	1.2	1.1	10.0	8.3	2.7	3.2
Hang Lung Properties	101 HK	Hong Kong	28.0	49.0	31.3	21.0	1.1	1.0	24.3	14.7	2.7	2.7
Henderson Land Development	12 HK	Hong Kong	(59.2)	2.7	13.6	13.2	0.5	0.5	27.2	22.8	2.6	2.7
Shimao Property Holdings	813 HK	Hong Kong	(5.9)	11.7	5.6	5.0	0.8	0.7	5.4	4.7	5.3	5.9
Sun Hung Kai Properties	16 HK	Hong Kong	21.3	8.8	13.6	12.5	1.0	0.8	15.6	12.9	3.1	3.4
Sino Land	83 HK	Hong Kong	10.0	11.4	14.6	13.1	0.8	0.7	25.7	17.4	3.6	4.0
Bakrieland Development	ELTY IJ	Indonesia	(50.1)	45.5	39.8	27.3	0.6	0.5	22.1	18.1	0.2	0.2
Ciputra Property	CTRP IJ	Indonesia	12.0	(3.6)	16.1	16.7	na	na	9.6	7.7	na	na
Intiland Development	DILD IJ	Indonesia	82.9	38.7	8.3	6.0	0.6	0.6	6.5	4.5	0.0	2.2
CapitaLand	CAPL SP	Singapore	18.0	8.6	17.4	16.0	0.8	0.7	14.4	13.6	2.2	2.2
City Developments	CIT SP	Singapore	8.3	(5.2)	12.9	13.6	1.3	1.2	10.5	10.4	1.2	1.1
Guocoland	GUOL SP	Singapore	(61.7)	na	36.3	0.1	0.8	na	22.3	na	2.8	na
Keppel Land	KPLD SP	Singapore	(2.4)	(15.5)	7.9	9.4	0.8	0.8	20.7	15.1	4.2	3.3
Asian Property Devt *	AP TB	Thailand	(15.1)	6.7	6.9	6.5	1.2	1.0	7.2	7.3	5.8	6.2
Land and Houses *	LH TB	Thailand	(5.9)	13.4	16.7	14.8	2.0	2.0	20.8	19.9	5.1	5.4
LPN Development *	LPN TB	Thailand	20.5	12.6	8.0	7.1	2.1	1.8	5.7	5.5	6.3	7.1
Prukha Real Estate *	PS TB	Thailand	(22.5)	9.0	9.0	8.3	1.5	1.3	10.7	9.6	3.3	3.6
Quality Houses *	QH TB	Thailand	(31.7)	7.0	8.9	8.3	0.8	0.8	16.3	17.0	6.0	6.0
Supalai *	SPALI TB	Thailand	5.8	13.5	7.3	6.5	1.9	1.6	5.3	5.1	5.4	6.2
Average			4.2	14.3	13.7	10.4	1.1	1.1	13.3	10.8	3.4	3.8

Source: Bloomberg

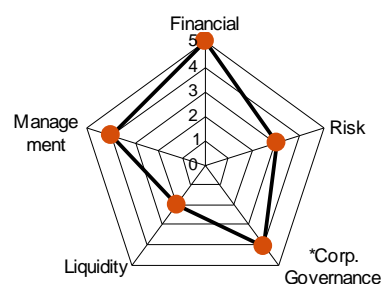
Note: * Thanachart estimates, using normalized EPS

COMPANY DESCRIPTION

Pruksa Real Estate Pcl (PS)'s principal activity is the development and construction management of real estate for residential purposes – townhouses (TH), single-detached houses (SDH) and condominiums mostly in Bangkok and surrounding areas. In 2009 and 2010, it was the No.1 developer in Thailand in terms of sales and presales amount. It also has precast concrete factories. Operations are mainly in Thailand but it has started some pilot projects in the Maldives and India.

Source: Thanachart

COMPANY RATING



Rating Scale

Very Strong	5
Strong	4
Good	3
Fair	2
Weak	1
None	0

Source: Thanachart; *CG Awards

THANACHART'S SWOT ANALYSIS

S — Strength

- Proactive product strategy.
- Efficient as an integrated developer with precast factories.
- Short construction period leads to rapid turnaround time.
- Good economies of scale from high volume.

O — Opportunity

- Developing housing projects in other countries.
- Operating efficiency can be improved further from two new precast factories.

W — Weakness

- Products are developed by each business unit and they can compete with each other.
- Coming from being a low-end housing developer, brand perception has to be built up.
- High risk from larger sales base.

T — Threat

- Rising raw material prices would dampen profitability.
- Natural disasters.

CONSENSUS COMPARISON

	Consensus	Thanachart	Diff
Target price (Bt)	19.78	9.00	-54%
Net profit 11F (Bt m)	3,758	2,704	-28%
Net profit 12F (Bt m)	4,375	2,948	-33%
Consensus REC	BUY: 20	HOLD: 4	SELL: 5

HOW ARE WE DIFFERENT FROM THE STREET?

- Our earnings forecasts in 2011-12 are 28% and 33% below the consensus as we have taken into account the impact from flooding which may last as long as six months.
- Consequently, our TP is 54% lower than the Street's.

RISKS TO OUR INVESTMENT CASE

- Weaker-than-expected economic growth would impact housing demand and PS's strong presales growth target might not be achieved.
- The success of overseas projects as well as their profitability is a concern as PS is new to international markets.

Sources: Bloomberg consensus, Thanachart

Source: Thanachart

INCOME STATEMENT

After years of aggressiveness, PS is getting stretched with earnings forecast to tumble by 23% this year

FY ending Dec (Bt m)	2009A	2010A	2011F	2012F	2013F
Sales	18,966	23,307	21,527	24,589	26,578
Cost of sales	11,749	14,561	13,608	15,810	17,167
Gross profit	7,217	8,746	7,918	8,779	9,411
% gross margin	38.1%	37.5%	36.8%	35.7%	35.4%
Selling & administration expenses	2,438	4,243	4,305	4,918	5,316
Operating profit	4,779	4,503	3,613	3,861	4,096
% operating margin	0.3	0.2	0.2	0.2	0.2
Depreciation & amortization	216	246	334	384	434
EBITDA	4,994	4,750	3,947	4,245	4,530
% EBITDA margin	26.3%	20.4%	18.3%	17.3%	17.0%
Non-operating income	67	100	122	125	122
Non-operating expenses	0	0	0	0	0
Interest expense	(47)	(67)	(130)	(157)	(136)
Pre-tax profit	4,799	4,536	3,605	3,829	4,082
Income tax	1,177	1,048	901	881	816
After-tax profit	3,622	3,488	2,704	2,948	3,266
% net margin	19.1%	15.0%	12.6%	12.0%	12.3%
Shares in affiliates' Earnings	0	0	0	0	0
Minority interests	(0)	0	0	0	0
Extraordinary items	0	0	0	0	0
NET PROFIT	3,622	3,488	2,704	2,948	3,266
Normalized profit	3,622	3,488	2,704	2,948	3,266
EPS (Bt)	1.6	1.6	1.2	1.3	1.5
Normalized EPS (Bt)	1.6	1.6	1.2	1.3	1.5

BALANCE SHEET

With the problem of construction delays and the flood impact this year, debt level will rise quickly to 1.2x D/E at end-2011F

FY ending Dec (Bt m)	2009A	2010A	2011F	2012F	2013F
ASSETS:					
Current assets:	17,104	31,356	40,154	41,037	40,362
Cash & cash equivalent	3,151	1,630	1,890	2,246	2,956
Account receivables	60	120	59	67	73
Inventories	13,202	27,801	36,537	36,819	35,274
Others	691	1,805	1,667	1,905	2,059
Investments & loans	0	0	0	0	0
Net fixed assets	1,299	2,159	2,325	2,441	2,507
Other assets	468	695	642	734	793
Total assets	18,871	34,211	43,121	44,211	43,661
LIABILITIES:					
Current liabilities:	4,307	9,791	16,316	15,970	14,949
Account payables	1,149	2,997	2,796	3,249	3,527
Bank overdraft & ST loans	0	3,501	0	0	0
Current LT debt	600	503	9,880	9,171	7,256
Others current liabilities	2,558	2,790	3,640	3,551	4,166
Total LT debt	1,500	9,100	9,880	9,171	7,256
Others LT liabilities	0	0	0	0	0
Total liabilities	5,848	18,948	26,249	25,202	22,270
Minority interest	0	0	0	0	0
Preferreds shares	0	0	0	0	0
Paid-up capital	2,207	2,207	2,224	2,224	2,224
Share premium	1,362	1,362	1,362	1,362	1,362
Warrants	0	0	0	0	0
Surplus	1	(33)	(33)	(33)	(33)
Retained earnings	9,454	11,728	13,320	15,457	17,839
Shareholders' equity	13,023	15,263	16,872	19,010	21,391

Source: Thanachart estimates

CASH FLOW STATEMENT

FY ending Dec (Bt m)	2009A	2010A	2011F	2012F	2013F
Earnings before tax	4,799	4,536	3,605	3,829	4,082
Tax paid	(896)	(1,405)	(689)	(939)	(704)
Depreciation & amortization	216	246	334	384	434
Chg In working capital	(289)	(12,811)	(8,876)	163	1,818
Chg In other CA & CL / minorities	6	(863)	39	(1,159)	(419)
Cash flow from operations	3,836	(10,297)	(5,587)	2,278	5,211
Capex	(9)	(1,106)	(500)	(500)	(500)
ST loans & investments	0	0	0	0	0
LT loans & investments	0	0	0	0	0
Adj for asset revaluation	0	0	0	0	0
Chg In other assets & liabilities	2	127	786	807	713
Cash flow from investments	(6)	(980)	286	307	213
Debt financing	(1,500)	11,004	6,656	(1,418)	(3,830)
Capital increase	15	0	17	0	0
Dividends paid	(725)	(1,214)	(1,112)	(811)	(885)
Warrants & other surplus	1	(34)	0	0	0
Cash flow from financing	(2,209)	9,756	5,561	(2,229)	(4,715)
Free cash flow	3,827	(11,404)	(6,087)	1,778	4,711

VALUATION

FY ending Dec	2009A	2010A	2011F	2012F	2013F
Normalized PE (x)	6.8	7.0	9.0	8.3	7.5
Normalized PE - at target price (x)	5.5	5.7	7.4	6.8	6.1
PE (x)	6.8	7.0	9.0	8.3	7.5
PE - at target price (x)	5.5	5.7	7.4	6.8	6.1
EV/EBITDA (x)	4.7	7.6	10.7	9.6	8.0
EV/EBITDA - at target price (x)	3.8	6.6	9.6	8.5	7.0
P/BV (x)	1.9	1.6	1.5	1.3	1.1
P/BV - at target price (x)	1.5	1.3	1.2	1.1	0.9
P/CFO (x)	6.4	(2.4)	(4.4)	10.7	4.7
Price/sales (x)	1.3	1.0	1.1	1.0	0.9
Dividend yield (%)	5.0	4.5	3.3	3.6	4.0
FCF Yield (%)	15.7	(46.6)	(24.9)	7.3	19.3
(Bt)					
Normalized EPS	1.6	1.6	1.2	1.3	1.5
EPS	1.6	1.6	1.2	1.3	1.5
DPS	0.6	0.5	0.4	0.4	0.4
BV/share	5.9	6.9	7.6	8.5	9.6
CFO/share	1.7	(4.6)	(2.5)	1.0	2.3
FCF/share	1.7	(5.1)	(2.7)	0.8	2.1

Source: Thanachart estimates

The stock is not cheap at 2012F PE of 8.3x.

Dividend yield is also the lowest in the sector

FINANCIAL RATIOS

FY ending Dec	2009A	2010A	2011F	2012F	2013F
Growth Rate					
Net profit (%)	52.6	(3.7)	(22.5)	9.0	10.8
EPS (%)	52.5	(3.7)	(22.5)	9.0	10.8
Normalized profit (%)	52.6	(3.7)	(22.5)	9.0	10.8
Normalized EPS (%)	52.5	(3.7)	(22.5)	9.0	10.8
Dividend payout ratio (%)	33.8	31.9	30.0	30.0	30.0
Operating performance					
Gross margin (%)	38.1	37.5	36.8	35.7	35.4
Operating margin (%)	25.2	19.3	16.8	15.7	15.4
EBITDA margin (%)	26.3	20.4	18.3	17.3	17.0
Net margin (%)	19.1	15.0	12.6	12.0	12.3
D/E (incl. minor) (x)	0.2	0.9	1.2	1.0	0.7
Net D/E (incl. minor) (x)	(0.1)	0.8	1.1	0.8	0.5
Interest coverage - EBIT (x)	101.6	67.1	27.8	24.6	30.2
Interest coverage - EBITDA (x)	106.1	70.8	30.3	27.0	33.4
ROA - using norm profit (%)	20.6	13.1	7.0	6.8	7.4
ROE - using norm profit (%)	31.3	24.7	16.8	16.4	16.2
DuPont					
ROE - using after tax profit (%)	31.3	24.7	16.8	16.4	16.2
- asset turnover (x)	1.1	0.9	0.6	0.6	0.6
- operating margin (%)	25.6	19.8	17.4	16.2	15.9
- leverage (x)	1.5	1.9	2.4	2.4	2.2
- interest burden (%)	99.0	98.5	96.5	96.1	96.8
- tax burden (%)	75.5	76.9	75.0	77.0	80.0
WACC (%)	11.6	11.6	11.6	11.6	11.6
ROIC (%)	29.6	28.9	10.1	8.6	9.3
NOPAT (Bt m)	3,606	3,463	2,710	2,973	3,276

Source: Thanachart estimates

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Recommendation Structure:

Recommendations are based on absolute upside or downside, which is the difference between the target price and the current market price. If the upside is 10% or more, the recommendation is BUY. If the downside is 10% or more, the recommendation is SELL. For stocks where the upside or downside is less than 10%, the recommendation is HOLD. Unless otherwise specified, these recommendations are set with a 12-month horizon. Thus, it is possible that future price volatility may cause a temporary mismatch between upside/downside for a stock based on the market price and the formal recommendation.

For sectors, we look at two areas, ie, the sector outlook and the sector weighting. For the sector outlook, an arrow pointing up, or the word "Positive", is used when we see the industry trend improving. An arrow pointing down, or the word "Negative", is used when we see the industry trend deteriorating. A double-tipped horizontal arrow, or the word "Unchanged", is used when the industry trend does not look as if it will alter. The industry trend view is our top-down perspective on the industry rather than a bottom-up interpretation from the stocks we cover. An "Overweight" sector weighting is used when we have BUYs on majority of the stocks under our coverage by market cap. "Underweight" is used when we have SELLs on majority of the stocks we cover by market cap. "Neutral" is used when there are relatively equal weightings of BUYs and SELLs.

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