

Sequential improvement in 2H11 expected



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Earnings trimmed

We trimmed our 2011E by 3% and our 2012E and 2013E by 2% to take into account the management's guideline on lower revenue due to longer processing time on obtaining permits from the authorities.

Maintain Buy and PO

We maintain our Buy recommendation on PS and PO at Bt25.6/share. We still like PS on its diversified portfolio and strong market position in the low to mid-market segment. Note that we have rolled over our valuation to 2012E from 2011E; however, we lower P/E target to 10.5x from 11.5x to take into account lower presales growth going forward.

Solid growth intact

We expect PS to deliver solid earnings growth of 23% in 2011E and 2012E. We believe 2011 growth should be derived from stronger revenue which is supported by its sizable backlog on hand, which has already secured 100% of our 2011 revenue target. Meanwhile, 2012 growth should be derived by both revenue growth and economies of scale, which is reflected in improving operating margin.

2Q11 in line; look for improving momentum

While 2Q11 results were in line and 1H11 accounted for 40% of our 2011E, we expect to see improving revenue and earnings momentum QoQ in 2H11. This should be supported by the ramp-up of the new capacity at end-2Q11 and more condominium completions in 4Q11. We believe a sequential improvement in revenue in 2H11 would be a share price catalyst for the near term.

Estimates (Dec)

(Bt)	2009A	2010A	2011E	2012E	2013E
Net Income (Adjusted - mn)	3,622	3,488	4,307	5,299	6,926
EPS	1.63	1.56	1.93	2.37	3.10
EPS Change (YoY)	52.2%	-4.0%	23.4%	23.0%	30.7%
Dividend / Share	0.550	0.500	0.617	0.759	0.992
Free Cash Flow / Share	1.79	(5.13)	(2.25)	0.339	1.88

Valuation (Dec)

	2009A	2010A	2011E	2012E	2013E
P/E	11.25x	11.72x	9.50x	7.72x	5.91x
Dividend Yield	3.01%	2.73%	3.37%	4.15%	5.42%
EV / EBITDA*	11.56x	12.15x	9.31x	7.25x	5.62x
Free Cash Flow Yield*	9.80%	-28.22%	-12.40%	1.87%	10.38%

* For full definitions of *iQmethod*SM measures, see page 10.

Stock Data

Price	Bt18.30
Price Objective	Bt25.60
Date Established	23-Jun-2011
Investment Opinion	C-1-7
Volatility Risk	HIGH
52-Week Range	Bt16.00-Bt25.25
Mkt Val / Shares Out (mn)	US\$1,338 / 2,191.4
Market Value (mn)	Bt40,103
Average Daily Volume	5,609,124
BofAML Ticker / Exchange	PKARF / SET
Bloomberg / Reuters	PS TB / PS.BK
ROE (2011E)	25.5%
Net Dbt to Eqty (Dec-2010A)	75.1%
Est. 5-Yr EPS / DPS Growth	15.5% / 15.2%
Free Float	26.0%

Key Changes

(Bt)	Previous	Current
2011E EPS	1.98	1.93
2012E EPS	2.43	2.37
2013E EPS	3.15	3.10
2011E EBITDA (m)	6,534.8	6,199.1
2012E EBITDA (m)	8,043.1	7,968.0
2013E EBITDA (m)	10,365.4	10,272.2

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Refer to important disclosures on page 10 to 11. Analyst Certification on Page 8. Price Objective Basis/Risk on page 8. Link to Definitions on page 8.11079967

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iQprofileSM Pruksa Real Est

Key Income Statement Data (Dec)	2009A	2010A	2011E	2012E	2013E
(Bt Millions)					
Sales	18,966	23,307	30,245	38,987	48,914
Gross Profit	7,217	8,746	11,316	14,200	17,725
Sell General & Admin Expense	(2,438)	(4,243)	(5,469)	(6,629)	(7,862)
Operating Profit	4,779	4,503	5,847	7,572	9,862
Net Interest & Other Income	20	33	(15)	(93)	(88)
Associates	NA	NA	NA	NA	NA
Pretax Income	4,799	4,536	5,833	7,479	9,775
Tax (expense) / Benefit	(1,177)	(1,048)	(1,516)	(2,169)	(2,835)
Net Income (Adjusted)	3,622	3,488	4,307	5,299	6,926
Average Fully Diluted Shares Outstanding	2,226	2,234	2,236	2,236	2,236

Key Cash Flow Statement Data

Net Income	3,622	3,488	4,307	5,299	6,926
Depreciation & Amortization	216	246	352	396	410
Change in Working Capital	100	(13,815)	(8,733)	(4,448)	(2,673)
Deferred Taxation Charge	NA	NA	NA	NA	NA
Other Adjustments, Net	0	0	0	0	0
Cash Flow from Operations	3,937	(10,081)	(4,074)	1,248	4,663
Capital Expenditure	(9)	(1,234)	(900)	(500)	(500)
(Acquisition) / Disposal of Investments	NA	NA	NA	NA	NA
Other Cash Inflow / (Outflow)	(108)	22	(45)	(49)	(54)
Cash Flow from Investing	(117)	(1,212)	(945)	(549)	(554)
Shares Issue / (Repurchase)	15	0	2	0	0
Cost of Dividends Paid	(725)	(1,214)	(1,103)	(1,363)	(1,676)
Cash Flow from Financing	(2,199)	9,806	3,567	(699)	(4,109)
Free Cash Flow	3,928	(11,315)	(4,974)	748	4,163
Net Debt	(1,051)	11,481	17,579	18,242	15,810
Change in Net Debt	(3,111)	12,507	6,120	663	(2,432)

Key Balance Sheet Data

Property, Plant & Equipment	1,299	2,287	2,835	2,939	3,029
Other Non-Current Assets	468	446	490	539	594
Trade Receivables	60	0	0	0	0
Cash & Equivalents	3,151	1,630	200	200	200
Other Current Assets	13,893	29,728	39,172	45,254	49,717
Total Assets	18,871	34,091	42,698	48,933	53,540
Long-Term Debt	1,500	9,107	7,619	7,619	3,119
Other Non-Current Liabilities	41	50	50	50	50
Short-Term Debt	600	4,004	10,160	10,823	12,891
Other Current Liabilities	3,707	5,667	6,378	8,013	9,802
Total Liabilities	5,848	18,828	24,207	26,505	25,862
Total Equity	13,022	15,297	18,524	22,461	27,711
Total Equity & Liabilities	18,870	34,125	42,731	48,966	53,573

iQmethodSM - Bus Performance*

Return On Capital Employed	25.0%	15.9%	13.4%	13.9%	16.5%
Return On Equity	31.3%	24.6%	25.5%	25.9%	27.6%
Operating Margin	25.2%	19.3%	19.3%	19.4%	20.2%
EBITDA Margin	26.3%	20.4%	20.5%	20.4%	21.0%

iQmethodSM - Quality of Earnings*

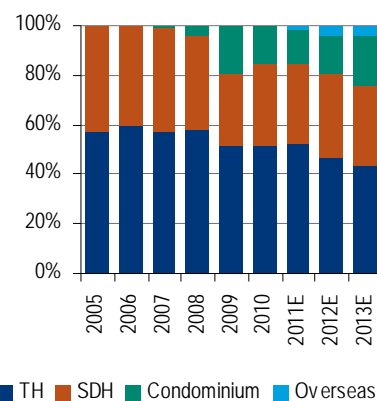
Cash Realization Ratio	1.1x	-2.9x	-0.9x	0.2x	0.7x
Asset Replacement Ratio	0x	5.0x	2.6x	1.3x	1.2x
Tax Rate (Reported)	24.5%	23.1%	26.0%	29.0%	29.0%
Net Debt-to-Equity Ratio	-8.1%	75.1%	94.9%	81.2%	57.1%
Interest Cover	NM	NM	35.2x	36.1x	42.0x

Key Metrics* For full definitions of iQmethodSM measures, see page 10.*iQprofile is a proprietary set of measures definitions of Merrill Lynch, which Phatra is permitted to use in this report pursuant to a Research Co-Operation Agreement with Merrill Lynch.***Company Description**

Pruksa Real Estate (PS) is the market leader in the low-end segment with average housing price of Bt1mn/unit, the lowest among listed property developers. Some 80% of revenue is derived from projects with average housing price below Bt3mn/unit. PS is a mass-market developer, transferring about 5,800 housing units/year, the highest among property developers. This leads PS to be the dominant player in townhouses, commanding about 40% market share.

Investment Thesis

We like PS's strategy and business platform of adding new brands and product segments. This enables PS to have a more diversified product mix to tap a wider range of buyers and this is reflected in stronger presales and revenue momentum over the past few years. We expect PS to show solid revenue growth and better economies of scale in 2012.

Figure 1: PS - Revenue breakdown

Source: Company; Phatra Securities estimates

Stock Data

Price to Book Value

2.2x

Investment conclusion

Earnings trimmed

We trimmed our 2011E by 3% and our 2012E and 2013E by 2% to take into account the management's guideline on lower revenue due to longer processing time on obtaining permits from the authorities. This has occurred on many new projects which were launched closer to the city. However, the impact on net income was offset by lower-than-expected effective tax rate seen in 1H11.

Figure 2: PS - Changes in basic assumptions

	2011E	2012E	2013E
Presales (Bt mn)			
Current	40,534	44,797	48,200
Previous	40,508	44,459	47,733
<i>% Change</i>	<i>0.07</i>	<i>0.76</i>	<i>0.98</i>
Revenue (Bt mn)			
Current	30,245	38,987	48,914
Previous	31,705	38,705	48,371
<i>% Change</i>	<i>(4.61)</i>	<i>0.73</i>	<i>1.12</i>
Gross margin (%)			
Current	37.42	36.42	36.24
Previous	37.44	36.90	36.80
Operating expenses as % of sales			
Current	18.08	17.00	16.07
Previous	17.90	17.08	16.18
Effective tax rate (%)			
Current	26.00	29.00	29.00
Previous	28.50	29.00	29.00
Net income (Bt mn)			
Current	4,307	5,299	6,926
Previous	4,429	5,424	7,041
<i>% Change</i>	<i>(2.75)</i>	<i>(2.30)</i>	<i>(1.63)</i>

Source: Phatra Securities estimates

Solid growth remains intact

We expect PS to deliver solid earnings growth of 23% in 2011E and 2012E. We believe 2011 growth should be derived by stronger revenue, which is supported by its sizable backlog on hand, which has already secured 100% of our 2011 revenue target. Meanwhile, 2012 growth should be derived by both revenue growth and economies of scale, which is reflected in improving operating margin.

Maintain PO and Buy

We maintain our Buy recommendation on PS and PO at Bt25.6/share. We still like PS on its diversified portfolio and strong market position in the low to mid-market segment. Note that we have rolled over our valuation to 2012E from 2011E; however, we lower P/E target to 10.5x from 11.5x to take into account lower presales growth going forward.

12-month price objective calculation

Our 12-month price objective of Bt25.6/share is based on average valuation of a) 2012E P/E of 10.50x, which is par to its average trailing P/E since its listing in 2005 and 15% premium to mid-cap property peers due to its larger market capitalization and stronger growth profile over the next few years; and b) 25pct discount to our DCF valuation. This is the valuation methodology we apply for property companies which have backlog on hand to secure future revenue.

Figure 3: PS - 12 month price objective calculation

10.5x PER on 2012E (a)	(Bt)	24.9
25% discount on discounted cash flow (b)		26.3
Average of (a) and (b)		25.6

Source: Phatra Securities estimates

Stronger earnings momentum in 2H11 - key catalyst

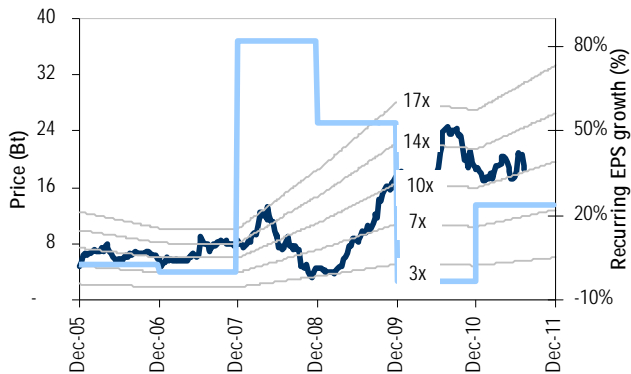
PS's share price has declined by 1% year-to-date and underperformed the SET by 4%. We attribute the share price weakness to PS's shortfall in delivering revenue after solid presales seen last year from capacity constraints. With the new capacity commissioned in 2Q11, we expect to see a sequential improvement in revenue in 2H11. This should be a share price catalyst for the near term.

Figure 4: Property Comp

	Price (Bt)	Market cap (US\$ mn)	Core EPS (Bt)			Recurring EPS growth			Core PER (x)			Div yield (%)		PBV (x)	ROE (%)
			2010A	2011E	2012E	2010A	2011E	2012E	2010A	2011E	2012E	2011E	2011E		
SPALI	13.10	753	1.49	1.78	2.04	-2.4%	19.3%	14.4%	8.77	7.35	6.43	5.71	1.99	29.7%	
LH	6.30	1,787	0.36	0.40	0.50	-6.9%	11.2%	22.5%	17.30	15.56	12.70	6.99	2.09	14.1%	
PS	18.30	1,335	1.56	1.93	2.37	-4.0%	23.4%	23.0%	11.72	9.50	7.72	3.37	1.34	25.5%	
AP	5.75	449	0.75	0.80	0.94	11.8%	5.8%	18.0%	7.62	7.20	6.10	5.63	1.43	21.8%	
LPN	10.40	514	1.07	1.30	1.43	14.2%	21.6%	9.8%	9.70	7.98	7.27	6.34	2.14	29.0%	
QH	1.76	499	0.21	0.18	0.21	8.1%	-14.8%	18.5%	8.38	9.84	8.30	5.08	1.08	11.2%	
Average						-0.5%	12.6%	16.4%	12.32	10.92	9.08	5.55	1.74	21.0%	

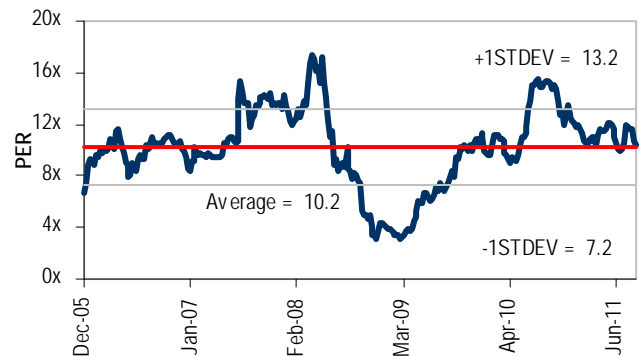
Source: Companies; Phatra Securities estimates

Figure 5: PS - PER Band



Source: SET; Phatra Securities estimates

Figure 6: PS - Trailing P/E



Source: SET; Phatra Securities estimates

Results highlights

Results in line with expectation

PS posted 2Q11 net income of Bt988mn, up 18% YoY and 35% QoQ. 1H11 net income was Bt1.7bn, down 17% YoY and this accounted for 39% of our 2011E.

Stronger revenue was key

The YoY and QoQ improvement stemmed mainly from higher housing revenue of Bt6.7bn, up 14% YoY and 24% QoQ. Revenue from the low-rise segment accounted for 79% of total housing revenue in 2Q11, declining from 95% in 1Q11 as the Ivy Thonglor condo was recognized as revenue in 2Q11.

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Table 1: PS - 2Q11 Results review

	2Q11	2Q10	% YoY	1Q11	% QoQ	1H11	1H10	% YoY
Sales of real estate	6,724	5,916	13.7	5,422	24.0	12,146	12,571	(3.4)
Cost of real estate sales	4,189	3,711	12.9	3,289	27.4	7,478	7,957	(6.0)
Gross Profit	2,535	2,205	15.0	2,133	18.8	4,668	4,614	1.2
Gross margin (%)	37.7	37.3		39.3		38.4	36.7	
Operating expenses	1,245	1,118	11.3	1,203	3.5	2,448	1,926	27.1
OPEX as % of sales	18.5	18.9		22.2		20.2	15.3	
EBIT	1,290	1,087	18.7	930	38.7	2,220	2,689	(17.4)
Operating margin (%)	19.2	18.4		17.2		18.3	21.4	
Other income	55	28	95.9	28	94.3	83	45	85.5
Interest expenses	32	9	261.0	13	155.4	45	24	85.8
EBT	1,312	1,106	18.7	945	38.8	2,258	2,709	(16.6)
Income tax expenses	325	265	22.5	214	51.7	539	639	(15.7)
Net Income	988	840	17.5	731	35.0	1,719	2,070	(17.0)
EPS (Bt)	0.45	0.38	17.4	0.33	35.0	0.78	0.94	(17.0)

Source: Company; Phatra Securities estimates

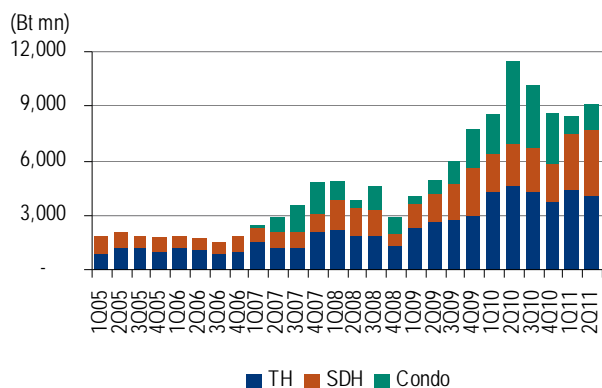
Presales stabilized

PS achieved presales of Bt9.2bn, down 20% YoY but up 8% QoQ, leading 1H11 presales to be Bt17bn, down 12% YoY. Note that this is the net presales after stripping out the Tree Kiakkai of Bt1.5bn in 1Q11. TH and condo presales experienced a YoY decline while SDH presales still picked up by 59% YoY and 14% QoQ. This is consistent with PS's strategy to add more exposure in the single-detached housing segment.

Revenue is catching up

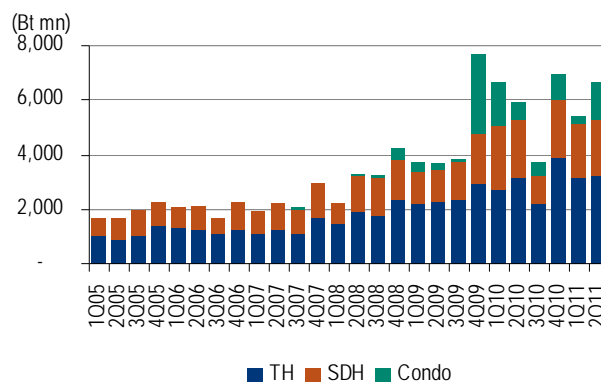
Revenue from low-rise products in 2Q11 slowly caught up with presales by rising 4% QoQ to Bt5.3bn. Note that the new precast concrete factory started commissioning in May 2011 and we should see more revenue from low-rise products in 2H11.

Figure 7: PS - Quarterly presales



Source: Company; Phatra Securities estimates

Figure 8: PS - Quarterly revenue



Source: Company; Phatra Securities estimates

Lower gross margin from higher condo revenue

The blended gross margin softened by 160bp QoQ to 37.7% in 2Q11E due to higher revenue from condominium projects, which yielded lower gross margins.

Net gearing edged up

PS's net gearing continued to rise to 1.05x at end-2Q11 from 0.75x at year-end 2010. The increase stemmed from spending on land acquisition this year. Management believes its net gearing has peaked and should decline in 2H11.

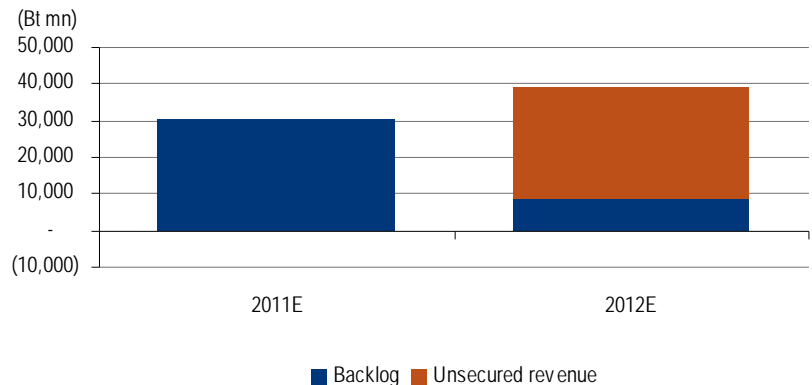
Outlook

Backlog on hand

PS has backlog on hand worth Bt36.2bn at end-2Q11 of which Bt18.4bn would be recognized in 2011. This suggests that PS has secured 100% of this year's revenue target and 22% of our revenue target for 2012E. However, PS experienced delays in recognizing revenue from backlog and management cited two reasons for this.

1. The capacity constraints, which were just resolved at the end of May by having the new precast concrete factory commissioned; and
2. The longer processing time in obtaining permits from the authorities as PS has added more projects closer to the city.

Figure 9: PS - Revenue secured by backlog on hand



Source: Company; Phatra Securities estimates

Look for improving earnings momentum

We expect to see sequential improvements in revenue and earnings momentum QoQ in 3Q11, with 4Q11 being the best quarter this year. This should be supported by condominium completion, which started in 2Q11, together with the ramp-up of the new capacity.

Overseas projects -some delay

Management admitted that there would be some delay on revenue and launches of its overseas projects. Vietnam is likely to launch a project this year but we expect revenue to be recognized next year. Meanwhile, revenue from PS's India project should come in at only Bt129mn this year.

Maldives - revenue to commence in 2011

PS launched the first phase of its condo project in the Maldives in 3Q10 and achieved presales of Bt595mn. The second phase is now under study. Revenue should commence in 3Q11.

India - soft launches started

The company has soft-launched a single detached housing project in Bangalore in 4Q10 and achieved presales of approximately Bt500mn up to now. PS also plans to launch its first project with value of Bt1.5bn in Mumbai in 4Q11.

Vietnam - launches expected this year

For Vietnam, the company is still in the process of purchasing the land. The first phase of condominiums with value of Bt500mn is expected to be launched in 2H11.

Figure 10: Overseas projects summary

City	Country	%Holding	Type	Project value (Bt mn)	Launch Date
Bangalore	India	100	SDH + TH	1,600	4Q10
Mumbai	India	50	SDH + TH	n/a	n/a
Chennai	India	70	SDH + TH	n/a	n/a
Hai Phong	Vietnam	85	TH+ Condo	2,500	1Q11
Mhulhumale'	Maldives	80	Condo	4,500	3Q10

Source:Company

Presales target maintained...

While 1Q11 presales accounted for 41% of this year's target, PS still maintains its presales target at Bt42bn. We believe the target looks achievable as PS plans to launch more projects in 2H11.

78 new projects planned this year

After launching 72 new projects last year, PS plans to launch 78 projects this year. This includes 42 townhouse projects, 17 single detached house projects, 15 condominium projects and four projects overseas.

35 land plots secured for the launches

PS has already launched 38 projects in 1H11 and secured another 38 new plots of land to be launched in 2H11.

Some shortfall in revenue anticipated

Management admits that the company may not achieve its revenue target of Bt32bn and is more comfortable with Bt30bn revenue level. The shortfall should be mainly due to the delay of revenue from overseas projects and longer processing time on new low-rise projects, which are located closer to the city.

Price objective basis & risk

Pruksa Real Est (PKARF)

Our 12-month price objective of Bt25.6/share is based on average valuation of a) 2012E P/E of 10.5x, which is par to its average trailing trailing P/E since its listing in 2005 and 15% premium from its mid cap peers due to stronger growth profile and bigger market capitalization and b) 20pct discount to our DCF valuation. Our DCF is based on the discount rate of 10% and terminal growth rate of 3%. This is the valuation methodology we apply to property companies which have backlog on hand to secure future revenue. Risks to achieving our price objective are lower presales from soft demand due to weaker-than-expected economic conditions and political uncertainties, higher-than-expected rejection rates from rising interest rates, higher-than-expected competition, and rising construction cost.

Link to Definitions

Financials

Click [here](#) for definitions of commonly used terms.

Analyst Certification

I, Jiraporn Linmaneechote, CFA, hereby certify that the views expressed in this research report accurately reflect my personal views about the subject securities and issuers. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or view expressed in this research report.

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ASEAN - Property Coverage Cluster

Investment rating	Company	BofA Merrill Lynch ticker	Bloomberg symbol	Analyst
BUY				
	Amata Corp Pub	AMCXF	AMATA TB	Sirichai Chalokepunrat
	ARA Asset Management	XGMAF	ARA SP	Xin Yan Low
	Asian Property	XPPKF	AP TB	Jiraporn Linmaneechote, CFA
	Capitaland	CLLDF	CAPL SP	Melinda Baxter
	CapitaMall Trust	CPAMF	CT SP	Xin Yan Low
	CapitaRetail China Trust	XPCAF	CRCT SP	Xin Yan Low
	CDL Hospitality Trust	CDHSF	CDREIT SP	Xin Yan Low
	Fraser and Neave Ltd	FNEVF	FNN SP	Melinda Baxter
	Fraser's Centrepont Trust	XRRFF	FCT SP	Xin Yan Low
	Land & Houses	LDHXF	LH TB	Jiraporn Linmaneechote, CFA
	Land & Houses -F	LDHOF	LH/F TB	Jiraporn Linmaneechote, CFA
	LPN Devp Pub Co	LDVPF	LPN TB	Jiraporn Linmaneechote, CFA
	Overseas Union Enterprise	OVUNF	QUE SP	Melinda Baxter

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ASEAN - Property Coverage Cluster

Investment rating	Company	BofA Merrill Lynch ticker	Bloomberg symbol	Analyst
	Pruksa Real Est	PKARF	PS TB	Jiraporn Linmaneechote, CFA
	PT Alam Sutera Realty Tbk	XUSTF	ASRI IJ	Melinda Baxter
	PT Intiland Development	PDHMF	DILD IJ	Melinda Baxter
	PT Lippo Karawaci	PTLKZF	LPKR IJ	Melinda Baxter
	PT Summarecon Agung Tbk	PSAHF	SMRA IJ	Melinda Baxter
	Siam City	SAMUF	SCCC TB	Jiraporn Linmaneechote, CFA
	Starhill Global REIT	SGLMF	SGREIT SP	Xin Yan Low
	Supalai	XPAYF	SPALI TB	Jiraporn Linmaneechote, CFA
	UOL Group Ltd	UOLGF	UOL SP	Melinda Baxter
NEUTRAL				
	Central Patt.-L	XDOJF	CPN TB	Paveena Chewananth
	Quality Houses	QHPSF	QH TB	Jiraporn Linmaneechote, CFA
UNDERPERFORM				
	Ascendas Real Estate	ACDSF	AREIT SP	Xin Yan Low
	CapitaCommercial Trust	CMIAF	CCT SP	Xin Yan Low
	CapitaMalls Asia	CLPAF	CMA SP	Melinda Baxter
	City Dev -A	CDEVY	CDEVY US	Melinda Baxter
	City Develops	CDEVF	CIT SP	Melinda Baxter
	Global Logistics Properties	XGLGF	GLP SP	Melinda Baxter
	Keppel Land	KPPLF	KPLD SP	Melinda Baxter
	Suntec REIT	SURVF	SUN SP	Xin Yan Low
	WingTai Asia	WTHEF	WINGT SP	Melinda Baxter
RVW				
	IGB Corporation	IGBBF	IGB MK	Melinda Baxter
	SP Setia Bhd	SPSJJ	SPSB MK	Melinda Baxter

iQmethodSM Measures Definitions

Business Performance	Numerator	Denominator
Return On Capital Employed	$\text{NOPAT} = (\text{EBIT} + \text{Interest Income}) * (1 - \text{Tax Rate}) + \text{Goodwill Amortization}$	$\text{Total Assets} - \text{Current Liabilities} + \text{ST Debt} + \text{Accumulated Goodwill Amortization}$
Return On Equity	Net Income	Shareholders' Equity
Operating Margin	Operating Profit	Sales
Earnings Growth	Expected 5-Year CAGR From Latest Actual	N/A
Free Cash Flow	Cash Flow From Operations – Total Capex	N/A
Quality of Earnings		
Cash Realization Ratio	Cash Flow From Operations	Net Income
Asset Replacement Ratio	Capex	Depreciation
Tax Rate	Tax Charge	Pre-Tax Income
Net Debt-To-Equity Ratio	Net Debt = Total Debt, Less Cash & Equivalents	Total Equity
Interest Cover	EBIT	Interest Expense
Valuation Toolkit		
Price / Earnings Ratio	Current Share Price	Diluted Earnings Per Share (Basis As Specified)
Price / Book Value	Current Share Price	Shareholders' Equity / Current Basic Shares
Dividend Yield	Annualised Declared Cash Dividend	Current Share Price
Free Cash Flow Yield	Cash Flow From Operations – Total Capex	Market Cap. = Current Share Price * Current Basic Shares
Enterprise Value / Sales	$\text{EV} = \text{Current Share Price} * \text{Current Shares} + \text{Minority Equity} + \text{Net Debt} + \text{Sales} + \text{Other LT Liabilities}$	
EV / EBITDA	Enterprise Value	Basic EBIT + Depreciation + Amortization

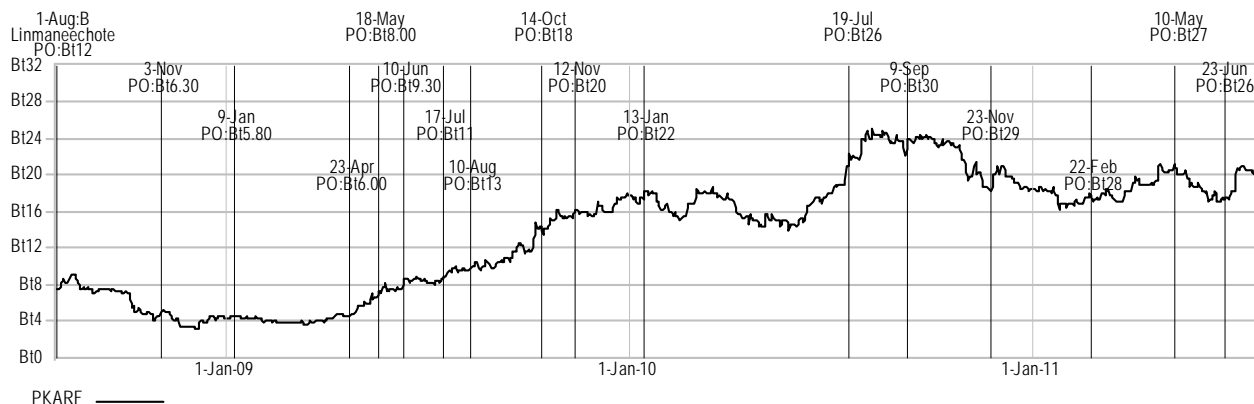
iQmethodSM is the set of BofA Merrill Lynch standard measures that serve to maintain global consistency under three broad headings: Business Performance, Quality of Earnings, and valuations. The key features of iQmethod are: A consistently structured, detailed, and transparent methodology. Guidelines to maximize the effectiveness of the comparative valuation process, and to identify some common pitfalls.

iQdatabase[®] is our real-time global research database that is sourced directly from our equity analysts' earnings models and includes forecasted as well as historical data for income statements, balance sheets, and cash flow statements for companies covered by BofA Merrill Lynch.

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Important Disclosures

PKARF Price Chart



B : Buy, N : Neutral, U : Underperform, PO : Price objective, NA : No longer valid, NR: No Rating

The Investment Opinion System is contained at the end of the report under the heading "Fundamental Equity Opinion Key". Dark grey shading indicates the security is restricted with the opinion suspended. Medium grey shading indicates the security is under review with the opinion withdrawn. Light grey shading indicates the security is not covered. Chart is current as of [July 31, 2011] or such later date as indicated.

Investment Rating Distribution: Real Estate/Property Group (as of 01 Jul 2011)

Coverage Universe	Count	Percent	Inv. Banking Relationships*	Count	Percent
Buy	73	54.89%	Buy	17	24.64%
Neutral	33	24.81%	Neutral	5	15.15%
Sell	27	20.30%	Sell	4	15.38%

Investment Rating Distribution: Global Group (as of 01 Jul 2011)

Coverage Universe	Count	Percent	Inv. Banking Relationships*	Count	Percent
Buy	2024	53.94%	Buy	935	50.68%
Neutral	944	25.16%	Neutral	442	51.64%
Sell	784	20.90%	Sell	273	37.24%

* Companies in respect of which MLPF&S or an affiliate has received compensation for investment banking services within the past 12 months (Merrill Lynch Relationship Only). For purposes of this distribution, a stock rated Underperform is included as a Sell.

FUNDAMENTAL EQUITY OPINION KEY: Opinions include a Volatility Risk Rating, an Investment Rating and an Income Rating. **VOLATILITY RISK RATINGS**, indicators of potential price fluctuation, are: A - Low, B - Medium and C - High. **INVESTMENT RATINGS** reflect the analyst's assessment of a stock's: (i) absolute total return potential and (ii) attractiveness for investment relative to other stocks within its *Coverage Cluster* (defined below). There are three investment ratings: 1 - Buy stocks are expected to have a total return of at least 10% and are the most attractive stocks in the coverage cluster; 2 - Neutral stocks are expected to remain flat or increase in value and are less attractive than Buy rated stocks and 3 - Underperform stocks are the least attractive stocks in a coverage cluster. Analysts assign investment ratings considering, among other things, the 0-12 month total return expectation for a stock and the firm's guidelines for ratings dispersions (shown in the table below). The current price objective for a stock should be referenced to better understand the total return expectation at any given time. The price objective reflects the analyst's view of the potential price appreciation (depreciation).

Investment rating	Total return expectation (within 12-month period of date of initial rating)	Ratings dispersion guidelines for coverage cluster*
Buy	≥ 10%	≤ 70%
Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

* Ratings dispersions may vary from time to time where Research Analyst(s) believe(s) it better reflects the investment prospects of stocks in a Coverage Cluster.

INCOME RATINGS, indicators of potential cash dividends, are: 7 - same/higher (dividend considered to be secure), 8 - same/lower (dividend not considered to be secure) and 9 - pays no cash dividend. *Coverage Cluster* is comprised of stocks covered by a single analyst or two or more analysts sharing a common industry, sector, region or other classification(s). A stock's coverage cluster is included in the most recent Phatra research report referencing the stock.

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Corporate Governance Report of Thai Listed Companies 2010

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 Market of 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 data appearing in the Corporate Governance Report of Thai Listed Companies. As a result, the survey result may be changed after that date. Phatra Securities Public Company Limited (“Phatra”) does not confirm nor certify the accuracy of such survey result. In addition, the list only includes companies under Phatra’s coverage except those specified.



Companies with Excellent CG Scoring by alphabetical order under Phatra’s Coverage

Advanced Info Service	Airports of Thailand	Amata Corporation	Bangchak Petroleum	Bank of Ayudhya
Banpu	Central Pattana	Charoen Pokphand Foods	Electricity Generating	Hemaraj Land and Development
IRPC Plc	Kasikornbank	Krung Thai Bank	LPN Property Development	MCOT
PTT	PTT Aromatics and Refining	PTT Chemical Plc	PTT Exploration	Ratchaburi Electricity Generating
Siam Cement	Siam Commercial Bank	Thai Military Bank	Thai Oil	Thanachart Capital
The Erawan Group	Tisco Financial Group			



Companies with Very Good CG Scoring by alphabetical order under Phatra’s Coverage

Asian Property Development	Bangkok Bank	Bangkok Dusit Medical Services	BEC World	BIG C Supercenter
Bumrungrad Hospital	Central Plaza Hotel	CP All	ESSO (Thailand)	Glow Energy
Land & Houses	Major Cineplex Group	Minor International	Preuksa Real Estate	Quality Houses
Rojana Industrial Park	Siam City Cement	Siam Makro	Supalai	Thai Airways International
Thai Stanley Electric	Thai Union Frozen Product	Thai Vegetable Oil	Ticon Industrial Connection	Total Access Communication
True Corporation				



Companies with Good CG Scoring by alphabetical order under Phatra’s Coverage

BTS Group Holdings	Bangkok Chain Hospital			
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N/A

Companies without survey result available by alphabetical order under Phatra’s Coverage

Thai Beverage	CPN Retail Growth Property Fund	Indorama Ventures	
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