

BUY Bt14.80 SET: 714.10

Price Target : 1-year Bt27.10

Reason for Report : Company update

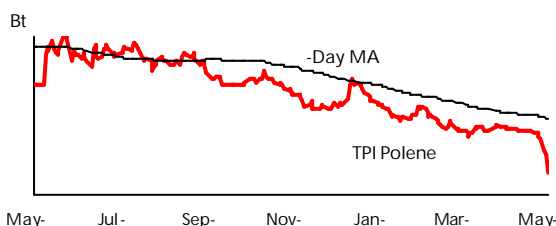
Potential Catalysts: (i) Rising cement price, (ii) potential to win court dispute over DRP, and (iii) may refinance and exit rehabilitation plan by 2007.

ANALYST

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FORECASTS AND VALUATION

FY Dec (Btm)	2004A	2005A	2006F	2007F
Turnover	20,843	21,403	22,888	23,183
EBITDA	5,612	3,512	3,916	5,748
Norm. Net Profit	2,960	1,279	1,453	2,448
Net Profit	4,103	1,522	2,395	3,650
Norm. EPS (Bt)	3.67	1.58	1.80	3.03
EPS (Bt)	5.08	1.88	2.97	4.52
Norm. Eps Growth (%)	(34.0)	(56.8)	13.5	68.5
PE (x)	2.9	7.9	5.0	3.3
Norm. PE (x)	4.0	9.3	8.2	4.9
P/Cashflow	(6.4)	3.2	5.5	6.8
EV/EBITDA (x)	7.6	11.6	8.7	5.4
Dps (Bt)	-	-	-	1.00
Div Yield (%)	-	-	-	6.8
Net Gearing (%)	87.6	80.4	61.1	49.7
ROE (%)	14.3	4.3	6.6	9.8
ROA (%)	5.7	2.1	3.6	5.8
Book Value (Bt)	43.49	44.45	45.20	47.49
P/Book Value (x)	0.3	0.3	0.3	0.3

SHARE PRICE CHART**AT A GLANCE**

Issued Capital (m shrs)		808
Market Capital (Btm/US\$m)	11,951/	311
Major Shareholders (%)		
TPI		49.1
T.P.I Holding		12.3
Free Float (%)		45.0
Avg Daily Volume ('000 shrs)		3,549

Earnings Rev : None

Consensus EPS: FY06: Bt1.64 ; FY07:Bt1.95

Variance vs Cons: FY06: +81.4% ; +131.7%

Sector: Construction Materials

Bloomberg/Reuters Code: TPIPL BT / TPIP.BK

Principal Business : Thailand's third largest cement producer and largest LDPE producer.

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Refer to important disclosures at the end of this report

TPI Polene**Sell-down unjustified**

➤ TPIPL's share price fell 13.5% yesterday and 25.3% from a week ago. We are unaware of any significant changes to fundamentals that caused this sharp drop, but there are rumors that the shares were sold by TPI's creditors.

➤ We believe the major fundamental concern for TPIPL is rising energy costs, which could squeeze margins further. In our view, the recent drop in TPIPL's share price was not fundamentally driven.

➤ Although we believe the sell-down is unjustified, current negative sentiment toward the broad SET market could continue to affect TPIPL negatively. We are maintaining our Buy recommendation and target price of Bt27.10 (DCF, WACC: 12%), and cautiously recommend accumulating on weakness.

Sell-down by TPI's creditors? 249m TPIPL shares or 30.8% of total shares outstanding that were previously owned by TPI, were transferred to creditors of TPI in Oct 05 as repayment of TPI's US\$250m debts. This implied a selling price of Bt41.18/share. TPI's creditors exercised their right to acquire TPIPL shares after the bids arranged by TPI's plan administrators attracted the best offer price of just Bt17/share.

Higher cement selling price should help to improve margin. TPIPL's gross margin dropped to 21% in 4Q05, but improved to 24% in 1Q06 as average selling price edged up. Despite sharp rise in energy costs in 2005, cement producers did not pass on higher costs to buyers. However, most producers indicated that they would gradually raise selling prices in 2006. We expect stable or improved margins in 2Q06, but earnings could be lower on seasonally slower cement demand. We expect the outlook to improve in 2H06.

Downside risks: (i) Persistently high energy costs could erode our current margin assumptions; (ii) Dispute between TPIPL founder and the SET could affect sentiment on TPIPL and a distraction for management; and (iii) TPIPL may not pay dividends until it exits rehabilitation plan.

Upside: If TPIPL wins the court dispute relating to its DRP (Debt Repurchase Program), it could benefit from Bt2.56bn extraordinary gain (not included in our current projections). We expect the dispute to be settled within the next few months.

Maintain Buy. At Bt14.80, TPIPL is trading at 2006 normalized PE of 8.2x, EV/EBITDA of 8.8x, and P/BV of 0.3x. Excluding asset revaluation surplus, P/BV should increase to 1.1x, which is still significantly lower than SCC and SCC's 3.3x and 3.0x, respectively.

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