

Key Indices

SET Index	714.10	-1.8%
SET 100 Index	1077.72	-2.0%
SET 50 Index	493.36	-2.1%
Bt/US\$ Exchange Rate	38.52	0.4%

Daily Volume (m shrs)	2,511
Daily Turnover (US\$m)	426
Daily Turnover (Btm)	16,414

Market Key Data

(%)	EPS Gth	Div Yield
2005A	2.7	4.4
2006F	(0.4)	4.6
2007F	(1.4)	4.9
(x)	PE	EV/EBITDA
2005A	9.8	7.3
2006F	9.4	6.4
2007F	9.4	6.0

Stock Picks – Large Cap

Company	Price (Bt) 24-May	Target Price	Target Return
(Mkt Cap > Bt20bn)			
PTT	242.00	298.00	23%
Siam Cement	218.00	326.00	50%
Thai Oil PCL	63.00	80.50	28%
Charoen Pokphand Foods	5.65	6.30	12%
Hana Microelectronics	26.75	30.60	14%

Stock Picks – Small Cap

Company	Price (Bt) 24-May	Target Price	Target Return
(Mkt Cap < Bt20bn)			
Bangkok Expressway	22.20	27.00	22%
Sino-Thai Engineering & Con.	7.15	8.80	23%
CS Loxinfo	3.78	4.70	24%
Modernform Group	38.00	48.00	26%
Supali	2.68	3.90	46%

Highlights

Banking Sector: Buying opportunities

(Overweight - Upgrade from Neutral)

The Thai banking sector, one of the widely held sectors, experienced heavy sell-offs in the last 2 weeks. The sector index fell 8.5%, more than the SET index's 7.4% fall since May 9, 2006. We believe this is a good opportunity to accumulate key stocks on price weaknesses.

Undemanding valuation. We upgraded another two major banks, Siam Commercial Bank and Krung Thai Bank, to BUY on valuation.

Overweight. Following our recommendation upgrade on the two banks, we raised our sector weighting to Overweight. Our top picks are Siam Commercial Bank (SCB, TP Bt71.50) and KASIKORNBANK (KBANK, TP Bt85.50).

TPI Polene: Sell-down unjustified

(Buy; Bt14.80; TPIPL TB)

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.

TT&T: 1Q06 boosted by forex gain

(Buy; Bt2.80; TTNT TB)

TT&T's 1Q06 normalized loss worsened 195% y-o-y, but improved 18% q-o-q to -Bt283m. But inclusive of Bt601m forex gain, TT&T turned in a profit of Bt318m.

We revised our forex assumption to Bt37.4/US\$ at end-2006 and Bt37.0/US\$ at end-2007. TT&T is a major beneficiary in the sector, from a strong Baht due to its unhedged US\$272m debts.

We raised our earnings forecasts by 105% for FY06, but reduced it by 25% for FY07. Our DCF-based target price is raised to Bt 5.4 from Bt5.2. Maintain speculative BUY.

Comments

Precious Shipping : Poor outlook remains

(Sell; Bt30.00; PSL TB)

At the Analysts Meeting held at the SET yesterday, PSL's management said they expected the company's average earnings to range from US\$9,000 to US\$11,000/day/ship in 2006, a sharp drop from US\$14,449 in 2005. On the other hand, they expected operating expenses (opex) to surge to c. US\$3,500/day/ship this year, from Bt3,055 in 2005. This would be led by higher lubricating oil, steel and labor costs. PSL also expects the global fleet to continue to expand, but at a softer rate of 6-7% in the next three years vs 18% in the last few years, and to repay its US\$44m debts to KTB by 3Q06.

Comment: PSL's estimated earnings yield and opex are in line with our current forecasts, which assume average earnings yield of US\$10,908/day/ship and opex of US\$3,500/day/ship in 2006. Hence, we expect PSL's earnings to drop 47% this year. The stock is currently trading at 15% premium over our target price of Bt26 (based on 2006 PE of 4x). We maintain our SELL rating for PSL.

Thailand Daily Focus: 25 May 2006

ANALYST CERTIFICATION

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