



Siam City Securities

# Stock Note

Research Department

## Power Line Engineering : PLE

### Capital increase for foreign partners

Year-end 31 Dec	2004	2005	2006F	2007F	2008F
Sales (Bt m)	4,215	5,249	7,933	11,152	13,185
Gross Profit (Bt m)	529	708	1,015	1,428	1,691
EBITDA (Bt m)	387	497	574	773	924
EBITDA (%chg)	133.81	28.34	15.53	34.72	19.54
Normalized Profit (Bt m)	276	236	350	481	575
Net Profit (Bt m)	276	242	350	481	575
EPS (Bt)	1.01	0.56	0.65	0.66	0.79
EPS (%chg)	109.61	(43.94)	15.10	2.12	19.52
DPS (Bt)	0.55	0.30	0.24	0.33	0.40
Dividend Yield (%)	7.64	4.17	3.35	4.60	5.50
BVPS (Bt)	4.64	6.25	6.58	7.00	7.46
P/E (x)	7.16	12.77	14.92	10.86	9.09
P/BV (x)	1.55	1.15	1.09	1.03	0.96

Source: Company reports, SCIBS Research

### Event

- PLE announced a capital increase of 180m share via a private placement (PP) which we believe will strengthen its potential to bid for future projects and open up opportunities in the Middle Eastern market. The share will be offered at a not lower than the average market price in the 7-15 days prior to the issue.

### Comment

- **Overseas projects:** The proceeds of Bt1.2-1.5bn from the PP will be used as working capital for the construction of "Palm Laguna" project in the United Arab Emirates project worth Bt10bn. If PLE wins this project, backlog will increase significantly, and revenues will be secured for at least two years.
- **"Palm Laguna" project to boost net profits growth:** We expect PLE will be the main contractor of the Palm Laguna project which will recognize revenues of Bt2.5bn in 2Q07, whilst net profits are forecasted to increase 30% in the upcoming three years.
- **No impact from dilution effect in FY07:** Although the capital increase in will have a dilution affect of 3% in FY06, with EPS expected at Bt0.65 (down from previously Bt0.67 expected), earnings in FY07 will not be impacted. We expect profits to increase to Bt481m (EPS Bt0.66) in FY07, up from Bt402m in FY06. dilute 3% of the newly-issued shares in FY06.
- **Strong potential to bid for high value projects to support earnings growth:** After the capital increase, registered capital will increased from Bt546m to Bt726m, which will increase the potential to bid for high value projects. PLE currently bids for projects worth Bt1.5-2.0bn. We expect earnings to grow by at least 20% p.a. from FY07 forth.

### Rating

- The capital increase will strengthen PLE's potential to bid for high value projects and hence earnings from FY07 forth are expected to grow by at least 20% p.a. Given strong earnings growth we reiterate a BUY rating on the stock at a FY07 fair value of Bt9.20/share.

7 November 2006

Fair value (FY2007) **Bt 9.20**

Market price(6/11/06) **Bt 7.20**

Industry/Sector  
**Property & Construction /  
Property Development**

Sector Rating  
**Neutral**

Stock Rating

**Speculative Stock**

Previous **BUY**  
Current **BUY**

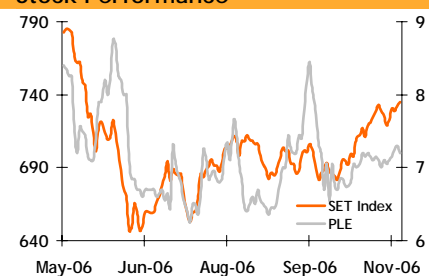
### Market data

Par Value (Bt)	1.00
Paid-up (m shares)	546.15
Market Cap (Bt m)	3,932
% Weight in the Index	0.07
Turnover Ratio (%)	365.98
52W High/Low (Bt)	10.00/6.20
P/E Sector (x)	12.58
Foreign Limit (%)	49.00
Foreign Available (%)	36.80
Free Float (%)	66.47
Thai NVDR (%)	4.29
Dividend Payout (%)	62.40
Last XD Date	07/04/2006

### Major shareholders (%) (as of 12/04/06)

Mr. Swake Srisuchart	8.04
Mr. Amnuay Karnjahnopas	6.99
HSBC (SINGAPORE) NOMINEES PTE	5.83

### Stock Performance



	3M	6M	12M
Absolute (%)	1.41	-12.73	1.41
Rel. to SET (%)	-2.66	-8.77	-3.30

Analyst :

**Nat Panassutrakorn**

Analyst Registration No. 17840

Tel: (662) 624-8914

Email : natp@scis.co.th

Report No. : PLE 06/004

The information and opinions in this report are those of Siam City Securities Co., Ltd. internal research activity. Siam City Securities Co., Ltd. does not make any representation or warranty, express or implied, as to the fairness, accuracy, completeness or correctness of the information and opinions contained in this report. Siam City Securities Co., Ltd. accepts no liability whatever for any loss arising from use of this report or its contents. This report is being solely for informational purposes and may not be reproduced or published (in whole or in part) for any purpose without permission

## Financials at a glance

Profit & Loss (Bt m)						Financial Ratios					
FY Ended December	2004	2005	2006F	2007F	2008F	FY Ended December	2004	2005	2006F	2007F	2008F
Sales	4,215	5,249	7,933	11,152	13,185	<b>Profitability Ratio (%)</b>					
Costs of Sales	(3,686)	(4,540)	(6,917)	(9,724)	(11,494)	Gross Margin	12.56	13.50	12.80	12.81	12.83
Gross profit	529	708	1,015	1,428	1,691	EBITDA Margin	9.18	9.46	7.23	6.93	7.01
SG&A	(164)	(243)	(483)	(714)	(844)	EBIT Margin	8.66	8.88	6.71	6.41	6.43
EBIT	365	466	533	714	847	ROE	26.42	11.02	7.31	9.44	10.59
Depreciation	21	30	41	59	77	ROA	12.60	6.34	5.91	5.91	6.03
EBITDA	387	497	574	773	924	ROCE	31.00	12.60	16.43	14.10	15.87
Interest expense	(5)	(35)	(37)	(35)	(35)	<b>Asset Utilization (X)</b>					
Other income	11	-71	10	14	16	Collection Days	39.6	97.3	91.4	90.9	91.6
Pre-tax profit (loss)	372	360	505	693	828	Inventory Days	12.1	17.2	15.4	17.1	18.3
Corporate Tax	(95)	(122)	(152)	(208)	(248)	Payment Days	57.6	53.1	43.9	44.8	52.4
After-tax profit	276	238	354	485	579	Net Cash Cycle Days	-5.8	61.4	62.9	63.1	57.5
Forex Gain (Loss)	0	6	0	0	0	<b>Liquidity Ratios (X)</b>					
Gain (Loss) fr. Affiliates	0.10	-1.59	-2.38	-2.62	-2.88	Current Ratio	1.57	2.14	2.53	1.74	1.81
Minority interest	0.00	-0.71	-1.07	-1.17	-1.29	Quick Ratio	1.19	1.70	2.06	1.35	1.26
Net profit	276	242	350	481	575	<b>Leverage Ratios (X)</b>					
Normalized profit	276	236	350	481	575	Liability / Equity	1.25	0.72	0.55	0.93	0.88
<b>Balance Sheet (Bt m)</b>						Interest-bearing Debt/Equity	0.18	0.18	0.11	0.10	0.09
FY Ended December	2004	2005	2006F	2007F	2008F	Interest Coverage	79.63	13.47	14.49	20.21	23.97
Cash & ST Investments	254	563	2002	421	484	Debt Service Coverage	1.71	0.84	1.03	1.44	1.72
Current Assets	2,445	4,856	6,640	8,218	8,649	<b>Percentage Growth (%)</b>					
Fixed Assets	165	259	350	492	627	Sales Growth	174.21	24.53	51.13	40.58	18.23
Total Assets	2,803	5,427	7,423	9,821	10,217	EBITDA Growth	133.81	28.34	15.53	34.72	19.54
Short-term Loans & O/D	221	551	520	500	500	Normalized Profit Growth	123.36	-14.69	48.69	37.39	19.52
Current Portion of Debt	1	3	2	2	1	Net Profit Growth	123.49	-12.39	44.86	37.39	19.52
Current Liabilities	1,555	2,269	2,626	4,720	4,781	EPS Growth	109.61	-43.94	15.10	2.12	19.52
LT Debt	0	1	5	4	3	<b>Per/Share Data (Bt)</b>					
Total Liabilities	1,555	2,270	2,630	4,723	4,784	EPS	1.01	0.56	0.65	0.66	0.79
Paid-up Capital	269	503	726	726	726	DPS	0.55	0.30	0.24	0.33	0.40
Retained Earnings	558	649	871	1,177	1,511	BVPS	4.64	6.25	6.58	7.00	7.46
Minority interests	2	13	13	13	13	EV	7.08	7.18	4.46	7.31	7.23
Total Equity	1,246	3,143	4,779	5,085	5,420	<b>Multiplier (X)</b>					
<b>Cash Flow Statement (Bt m)</b>						P/E	7.16	12.77	14.92	10.86	9.09
FY Ended December	2004	2005	2006F	2007F	2008F	P/BV	1.55	1.15	1.09	1.03	0.96
Net Profit	276	242	350	481	575	EV/EBITDA	5.02	6.20	4.20	6.87	5.68
Depreciation & Amortization	22	31	41	59	77	Dividend Yield (%)	7.64	4.17	3.35	4.60	5.50
Changes in Working Cap	(21)	(2,009)	757	(1,941)	1,546						
Other non-cash items	(685)	437	(64)	1,873	(860)						
<b>Operating Cash Flow</b>	<b>(408)</b>	<b>(1,306)</b>	<b>1,085</b>	<b>473</b>	<b>1,339</b>						
Capex	(83)	(120)	(132)	(202)	(212)						
<b>Free Cash Flow</b>	<b>(491)</b>	<b>(1,426)</b>	<b>954</b>	<b>271</b>	<b>1,127</b>						
New shares issued	203	1,807	1,414	0	0						
Net financing cash flow	308	1,983	1,257	(196)	(242)						
<b>Net cash flow</b>	<b>(189)</b>	<b>(24)</b>	<b>1,467</b>	<b>(1,558)</b>	<b>63</b>						

Source : Company Report, SCIBS Research

## Stock rating

Value Stock - target price is higher than the current market price, suitable for long term investment

Dividend Stock - high yield with regular payments

Growth Stock - high earnings growth amid above average ROI

Defensive Stock - low risk despite external impacts

Speculative Stock - high volatility and risk

## Recommendation

BUY - Target price is at least 10% above the current market price

HOLD - Target price is equivalent to market price or is within a range of 5 – 10% above or below

SELL - Target price is at least 10% below the current market price

Note : Some ratings are based on uncontrollable external factors which affect earnings in the short-term and hence ratings are changed in accordance with the analyst's opinion





# Siam City Securities

BRANCH	CONTACT ADDRESS	PHONE
<b>Head Office</b>	999/9 The Offices at Central World, 9 <sup>th</sup> Floor, Rama I Road, Pathumwan, Bangkok 10330	Tel. 0-2624-8888 Tel. 0-2207-2888 Fax. 0-2624-8899
<b>Sindhorn</b>	130-132 Sindhorn Building Tower I, 4 <sup>th</sup> Floor, Wireless Road, Pathumwan, Bangkok 10330	Tel. 0-2689-6300 Fax. 0-2689-6329
<b>Wongsawang</b>	888/29 Big C Supercenter (Wongsawang), 2 <sup>nd</sup> Floor, Wongsawang Road, Bangsue Bangkok 10800	Tel. 0-2831-7999 Fax. 02831-7900
<b>Charn Isara Tower II</b>	2922/97 Charn Isara Tower II, 2 <sup>nd</sup> Floor, New Petchaburi Road, Bangkok Bangkok10320	Tel. 0-2715-9333 Fax. 0-2715-9300
<b>Samutsakorn</b>	1400/37, 3 <sup>rd</sup> Floor, Ekachai Road, Mahachai, Muang District, Samutsakorn 74000	Tel. 0-3442-5595 Fax. 0-3442-5596
<b>Haad Yai</b>	25, 2 <sup>rd</sup> Floor, Thamnoonvithi Road, Haad Yai, Haad Yai District, Songkhla 90110	Tel.0-7435-4333 Fax.0-7435-4345

## RESEARCH TEAM

NAME	PHONE	E-MAIL	SECTOR COVERAGE
<b>ANALYSTS</b>			
Tarisa Chaisuntornyotin	0-2624-8910	tarisac@scis.co.th	Head of Research / Media & Printing
Mayuree Chowvikran	0-2624-8913	mayureec@scis.co.th	Communication / Electronic
Nat Panassutrakorn	0-2624-8914	natp@scis.co.th	Construction Material / Contractor
Sutthichai Kumworachai	0-2624-8919	sutthichaik@scis.co.th	Energy /Petrochemical
Sukanya Udomvoranun	0-2624-8918	sukanyau@scis.co.th	Bank /Finance & Securities
Siriwan Naphawaranon	0-2624-8912	siriwann@scis.co.th	Transportation / Industrial Estate
Termporn Tantivat	0-2624-8915	termponrt@scis.co.th	Property (Residential) / Tourism
<b>STRATEGIST</b>			
Anchal Pathela	0-2624-8916	anchalp@scis.co.th	
<b>TECHINICAL</b>			
Apisak Limthumrongkul	0-2624-8917	apisakl@scis.co.th	
Kochakorn Poosanachakorn	0-2624-8921	Kochakornp@scis.co.th	
<b>DATABASE</b>			
Suda Tarawan	0-2624-8821	sudat@scis.co.th	
Saowanee Khudsee	0-2624-8822	saowaneek@scis.co.th	
Anuchit Wongpakham	0-2624-8823	anuchitw@scis.co.th	
<b>SUPPORT</b>			
Sukanya Smitinandana	0-2624-8820	sukanya@scis.co.th	
Thamon Sernsuksakul	0-2624-8924	thamons@scis.co.th	