

# KHON KAEN SUGAR INDUSTRY PCL.



## Business Overview: 2015Q1 Performance

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*April 2015*



SUGAR



ETHANOL



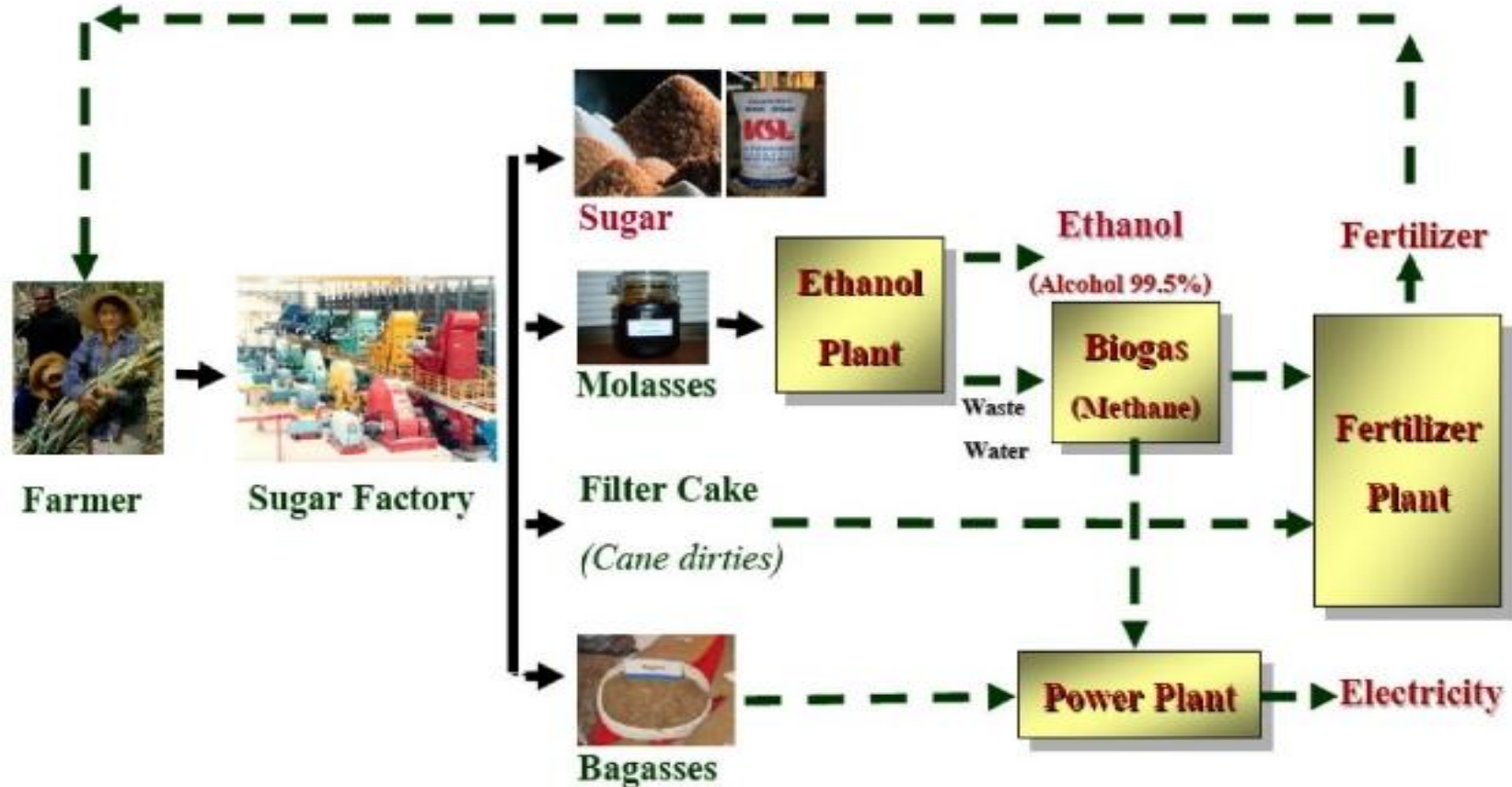
ELECTRICITY



BIO FERTILIZER



# (1) Fully Integrated Sugar & Energy Company



Note : Conversion Ratio

1 ton of  
 Sugar Cane = 105 kg of sugar + 45 kg of Molasses  
 + 50 kg of Filter Cake + 295 kg of Bagasses

1 ton of  
 Molasses = 250 litre of ethanol

# (1) Fully Integrated Sugar & Energy Company

**Overall Facilities**

- 7 Sugar factories
  - 5 in Thailand
  - 2 in Oversea
- 3 Power Plants
- 2 Ethanol factories & Biogas

**Boploy Facility**

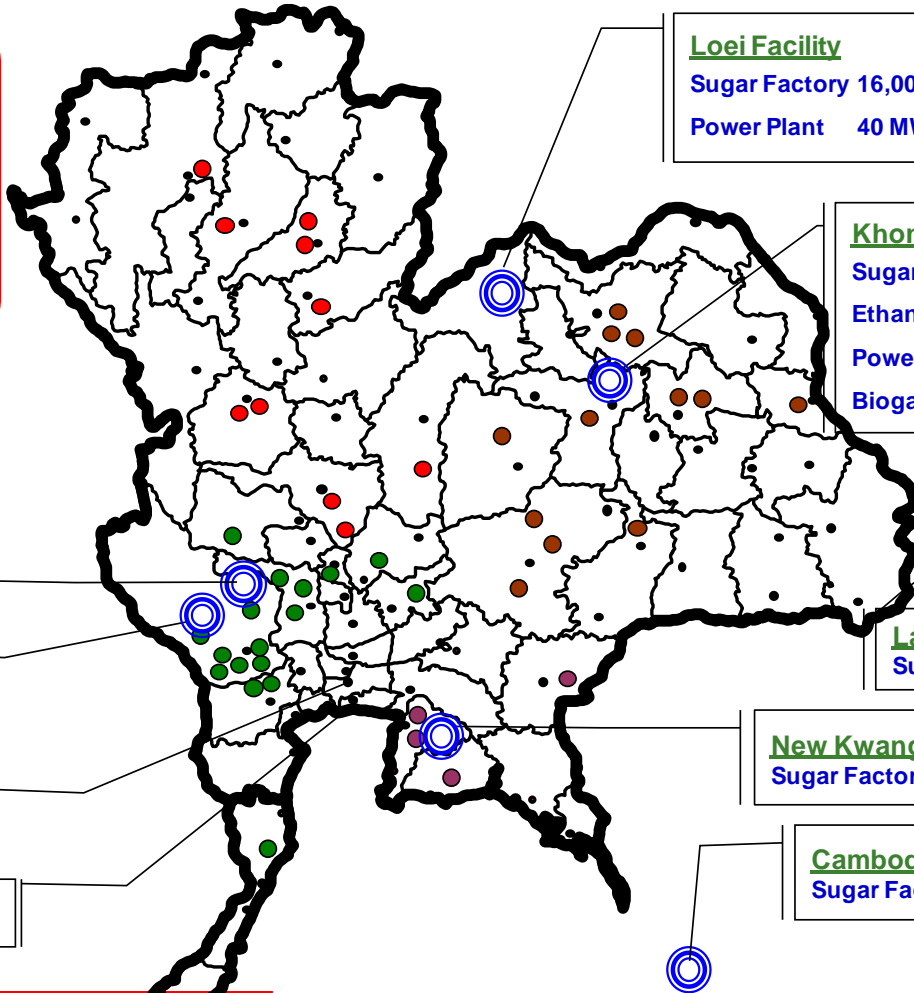
- Sugar Factory 36,000 TCD
- Ethanol Factory 200,000 LPD
- Power Plant 90 MW
- Bio Gas 33,600,000 m<sup>3</sup>/y

**Tamaka Facility**

- Sugar Factory 20,000 TCD

Head Office

Terminal port



**Loei Facility**

- Sugar Factory 16,000 TCD
- Power Plant 40 MW

**Khon Kaen Facility**

- Sugar Factory 35,000 TCD
- Ethanol Factory 150,000 LPD
- Power Plant 65 MW
- Biogas 15,000,000 m<sup>3</sup>/y

**Laos Facility**

- Sugar Factory 3,000 TCD

**New Kwang Soon Lee Facility**

- Sugar Factory 3,000 TCD

**Cambodia Facility**

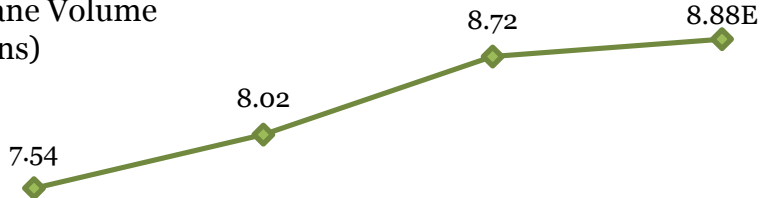
- Sugar Factory 6,000 TCD

# (2) Commodity based Company

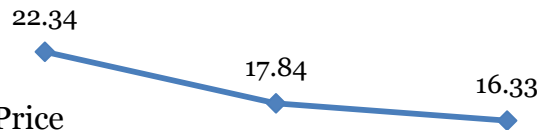
## Mixed with Stable Income from Green Energy Product



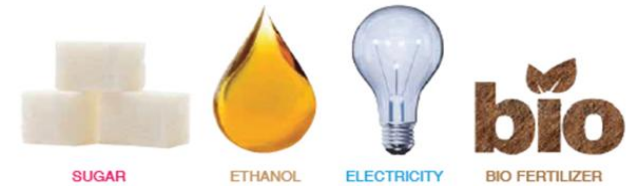
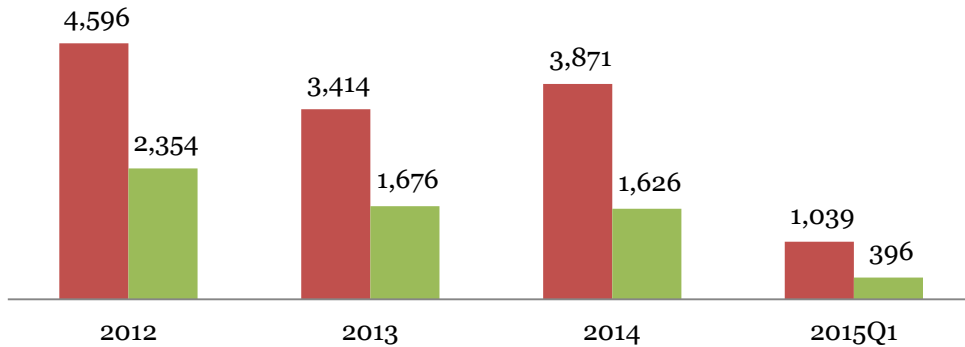
Sugarcane Volume (mil Tons)



Sugar Price (cent/lbs)

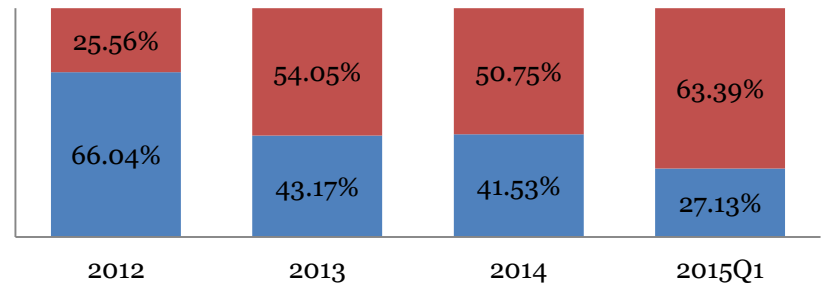


EBITDA Total Profit



Operating Profit Contribution

Food Sector Energy Sector

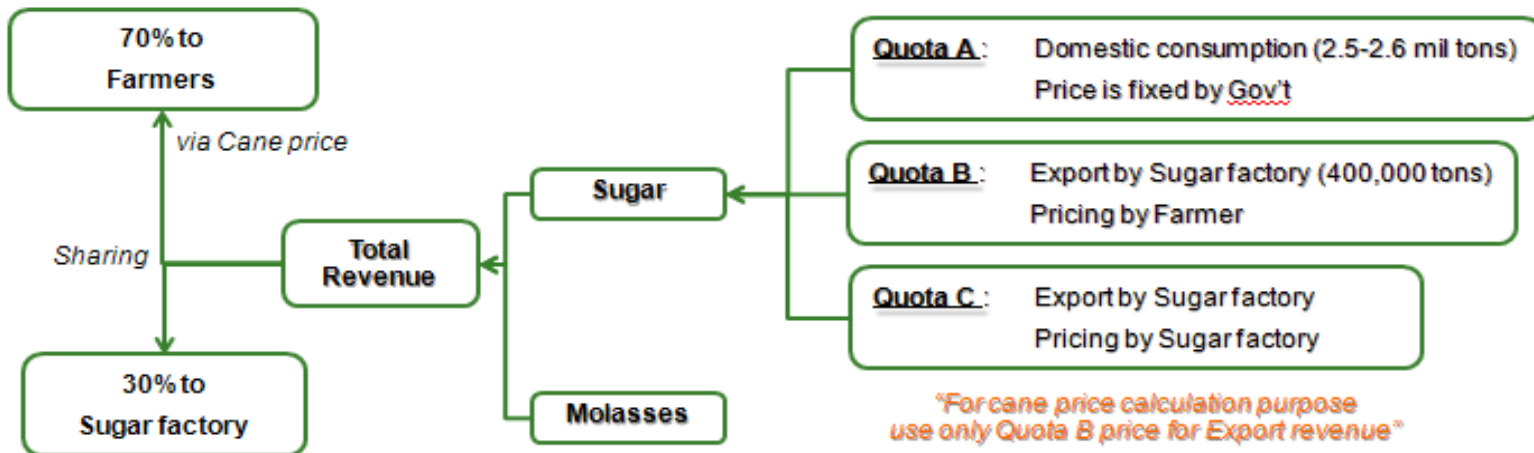


# (3) Sugar Business : Natural Hedge

**Raw Material cost (sugarcane) varied by Sugar Market Price, under 70: 30 Revenue sharing (the way to determine the sugarcane price)**

Sugar industry in Thailand apply a special law, so called **“70/30 Revenue Sharing”**

Revenue from Sugar & Molasses	
Raw Material Cost	⇒ 70%
Margin	⇒ 30%
- Processing Cost	
Gross Margin	⇒ 20-25%



# (4) Cycle of Sugar Commodity

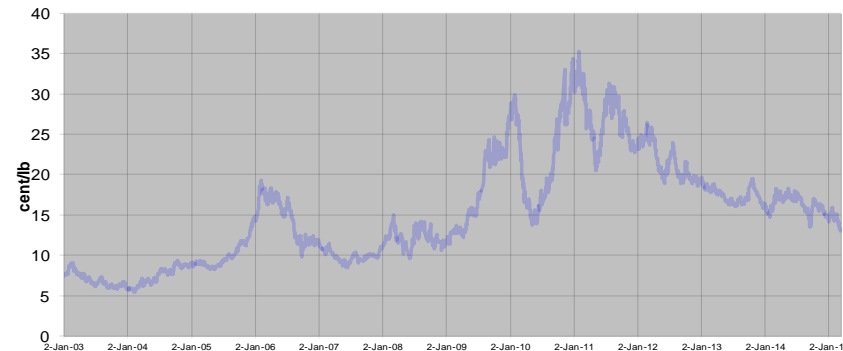
World Sugar Balance										
Oct/Sep (1,000 tonnes, raw value)										
Sugar	2014/15	2013/14	2012/13	2011/12	2010/11	2009/10	2008/09	2007/08	2006/07	2005/06
Opening stocks	76,785.4	72,228.9	64,511.6	58,114.6	56,867.7	60,151.9	71,700.9	70,690.3	62,147.5	59,380.9
Production	179,689.7	181,858.4	184,287.4	174,786.6	165,427.7	159,131.3	151,660.6	166,571.5	166,386.1	151,056.6
Imports	63,089.5	63,428.2	63,413.9	60,561.6	59,859.4	62,557.6	54,874.7	51,813.1	52,099.4	54,820.1
Consumption	179,794.2	176,543.1	173,008.1	168,387.8	162,739.3	162,292.4	161,996.7	161,028.1	153,825.0	147,590.1
Exports	64,075.0	64,187.0	66,975.9	60,563.4	61,300.9	62,680.6	56,087.6	56,345.8	56,117.7	55,520.0
Ending stocks	75,695.5	76,785.4	72,228.9	64,511.6	58,114.6	56,867.7	60,151.9	71,700.9	70,690.3	62,147.5
+/-Production	-2,168.7	-2,429.0	9,500.8	9,358.9	6,296.4	7,470.7	-14,910.9	185.4	15,329.5	10,087.0
+/-%	-1.19	-1.32	5.44	5.66	3.96	4.93	-8.95	0.11	10.15	7.16
+/-Consumption	3,251.1	3,535.0	4,620.3	5,648.5	446.9	295.7	968.6	7,203.1	6,234.9	2,265.9
+/-%	1.84	2.04	2.74	3.47	0.28	0.18	0.60	4.68	4.22	1.56
Stocks in % of consumption	42.10	43.49	41.75	38.31	35.71	35.04	37.13	44.53	45.96	42.11
Global surplus/deficit	-1,089.9	4,556.5	7,717.3	6,397.0	1,246.9	-3,284.2	-11,549.0	1,010.6	8,542.8	2,766.6

Note: May not add due to roundings; consumption excluding unrecorded disappearance

## Fundamental

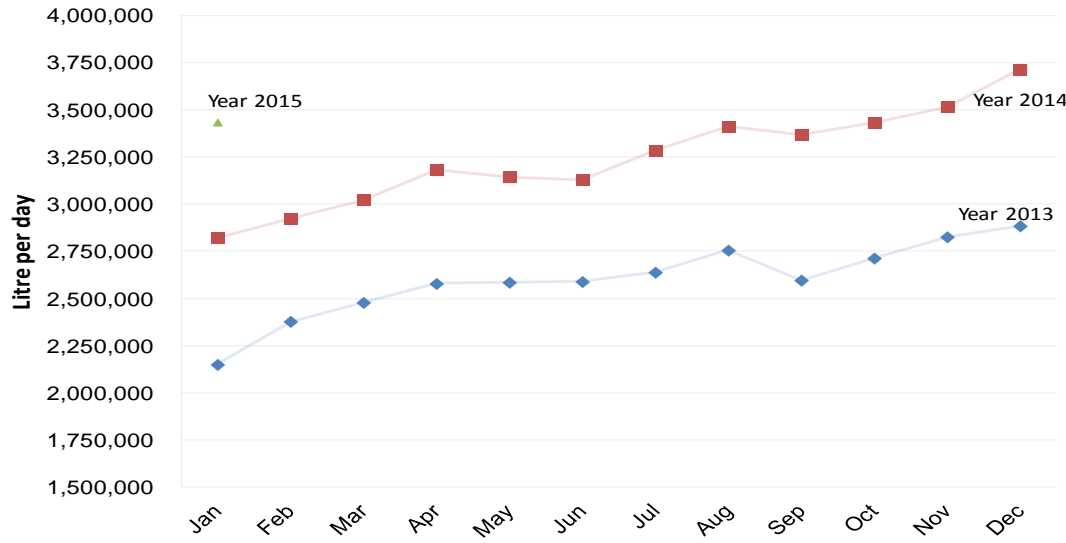
- (1) Sugar start to be in the cycle of deficit
- (2) In short term, the price will be under pressure of High Stock and Exchange Rate
- (3) Impacted by Oil Price

FO LICHT: As of Feb 17, 2015



# (5) Industry Trend on “Green Energy”

Ethanol Thailand Domestic Consumption per day



## Ethanol Industry :

By cancel E10 mixing and promote only E20 & E85, Ministry of Energy expect Ethanol consumption will reach 9 million liters/days in 2022.

PRICE STRUCTURE OF PETROLEUM IN BANGKOK, March 13, 2015

THB / Litre	EX REFIN	TAXES	OIL FUND(1)	CONSV. FUND	WHOLE SALE+VAT	MARKET MARGIN	VAT	RETAIL PRICE
ULG 95 R	16.46	5.60	7.15	0.25	32.12	2.56	0.18	34.86
GASOHOL 95 E10	17.75	5.04	2.25	0.25	27.60	1.59	0.11	29.30
GASOHOL 95 E20	18.94	4.48	-0.80	0.25	24.95	1.53	0.11	26.58
GASOHOL 91 E10	17.52	5.04	1.25	0.25	26.28	1.59	0.11	27.98
GASOHOL E85	25.78	0.84	-7.23	0.25	21.10	2.22	0.16	23.48

## Biomass Power plant :

Existing capacity of 300 MW. Currently sell to EGAT 50 MW.

Plan to sell additional 40 MW once EGAT transmission line is ready.

Selling price relate to Gas price & THB exchange rate.

## (6) Readiness of AEC (Asian Economy Commodity)



### Sugarcane Plantation

Concession Area :

*Lao* 10,000 ha - 40 years

*Cambodia* 20,000 ha - 90 years

Sugar Mill : Raw Sugar

Production

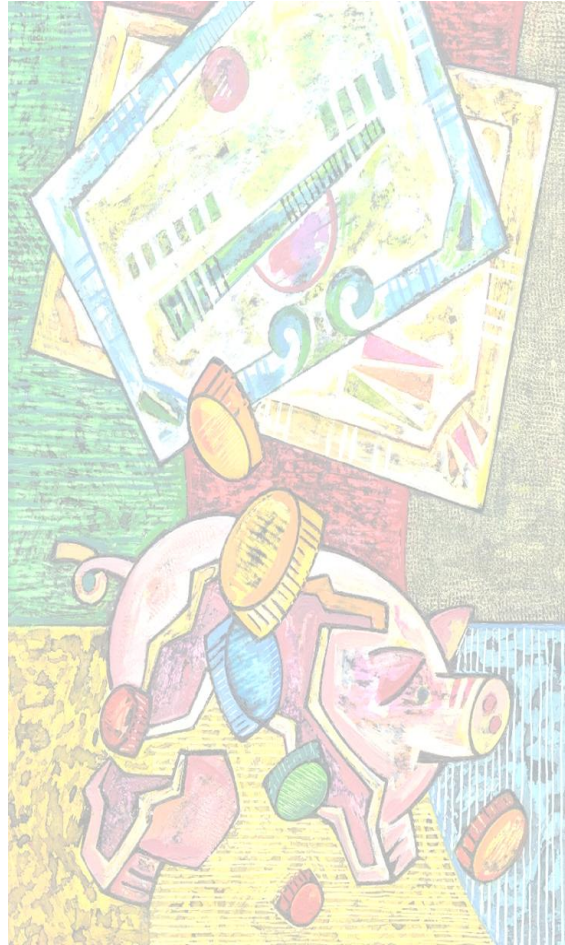
*Lao* 3,000 TCD

*Cambodia* 6,000 TCD





# (7) Investment Plan



## Project in Pipeline

- (1) Bio Refinery Complex in Sra Kaew
- (2) Ethanol Plant Expansion
- (3) Joint Venture Project

Downstream Business - CBG

Supporting Business

## Status

Submitting license

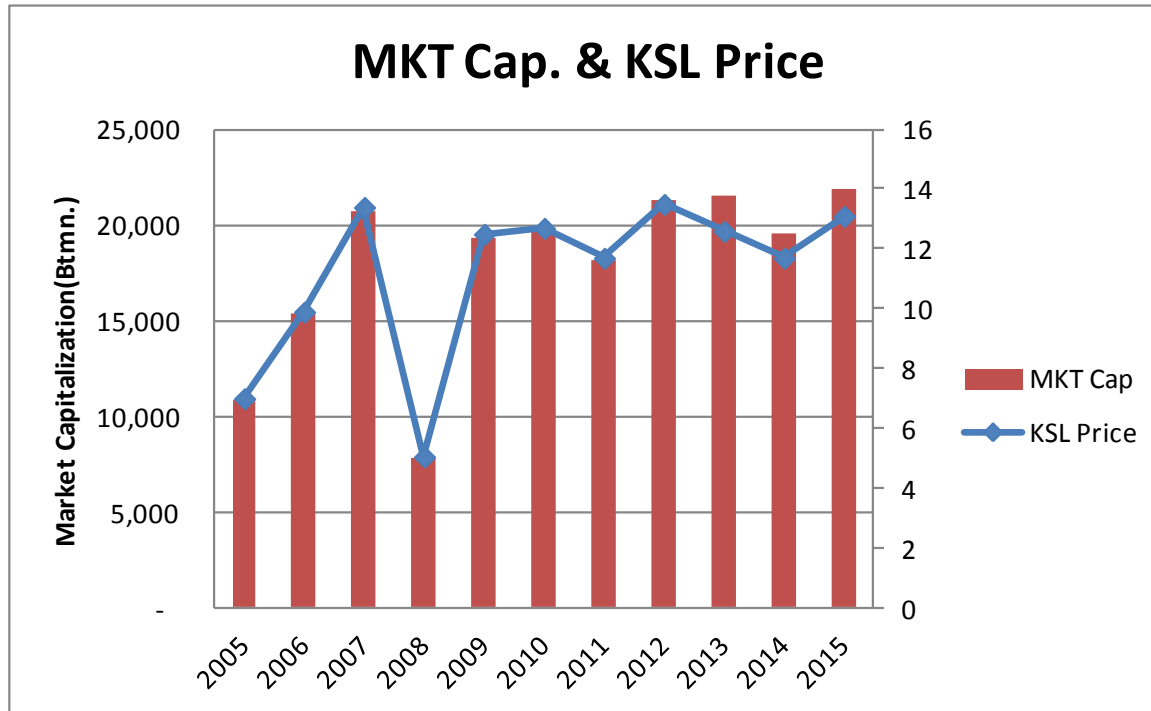
EIA Public Hearing

On Study

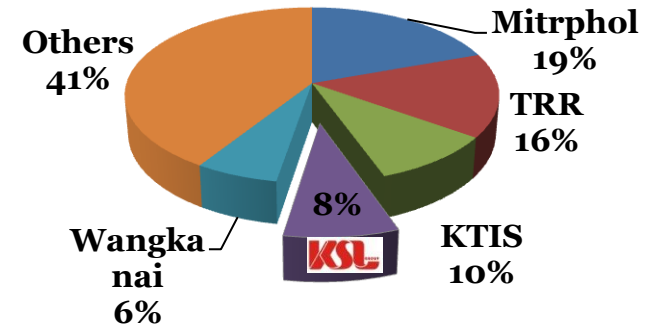


# (8) Successful Historical Track Records

**Sugar Family Business established since 1945**  
**10 Years in Stock Exchange of Thailand**  
**Family holds 70% of company share**



## #4 in Sugarcane Market Share



## #2 Molasse base Ethanol Producer

Group	Capacity	%mkt share
Mitrphol	930,000	35%
<b>KSL</b>	<b>350,000</b>	<b>13%</b>
TAE	350,000	13%
KTIS	230,000	9%
Other	820,000	31%
Total	2,680,000	

(Molasses Base)

As of Mar 2015

## (8) Successful Historical Track Records



### Rating Rationale

TRIS Rating affirms the company and existing senior unsecured debenture ratings of Khon Kaen Sugar Industry PLC (KSL) at “A”.. The “A” ratings reflect the company’s long track record in the sugar and sugarcane industry as one of the leading sugar producers in Thailand and its diversification into sugar-related businesses. The ratings also take into consideration the current low level of sugar prices worldwide, the company’s exposure to the regulatory and operational risks of its sugar operations in the Lao People’s Democratic Republic (Lao PDR) and Cambodia, as well as the volatility of the supply of sugarcane.

### Rating Outlook

The “stable” outlook reflects TRIS Rating’s expectation that KSL will maintain its competitive position in the Thai sugar industry. Revenue sharing system of the sugar industry, strong demand for ethanol, and reliable income from power businesses will be a cushion for the company during the down cycle of the sugar industry.

#### Khon Kaen Sugar Industry PLC (KSL)

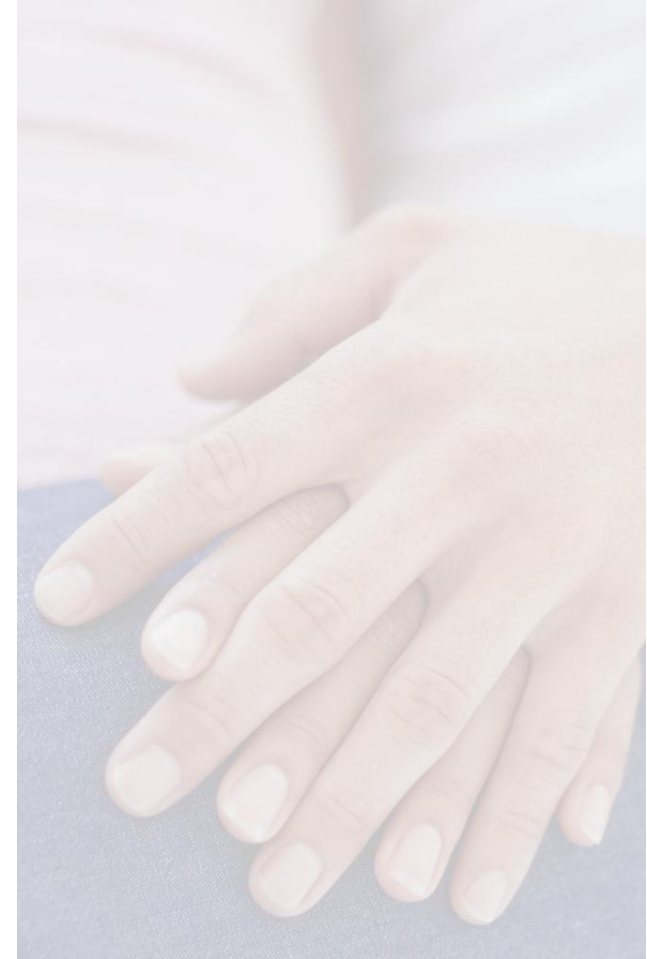
<b>Company Rating:</b>	A
<b>Issue Ratings:</b>	
KSL14DA: Bt1,500 million senior unsecured debentures due 2014	A
KSL15DA: Bt1,000 million senior unsecured debentures due 2015	A
KSL174A: Bt1,000 million senior unsecured debentures due 2017	A
KSL198A: Bt1,000 million senior unsecured debentures due 2019	A
Up to Bt1,000 million senior unsecured debentures due within 2019	A
<b>Rating Outlook:</b>	Stable

## **(9) Relationship with Strategic Stakeholders**

### Building strong relationship between KSL and . . .

- (1) Industrial Customers
- (2) Farmers (over 10,000 accounts) & Local communities
- (3) Banks & Financial institution
- (4) Business partners (Supporting Facilities)
- (5) Investors

To develop a strong business that mutually benefits one another with a sustainable future



# (10) Corporate Governance

# 10 Things of **KSL** GROUP

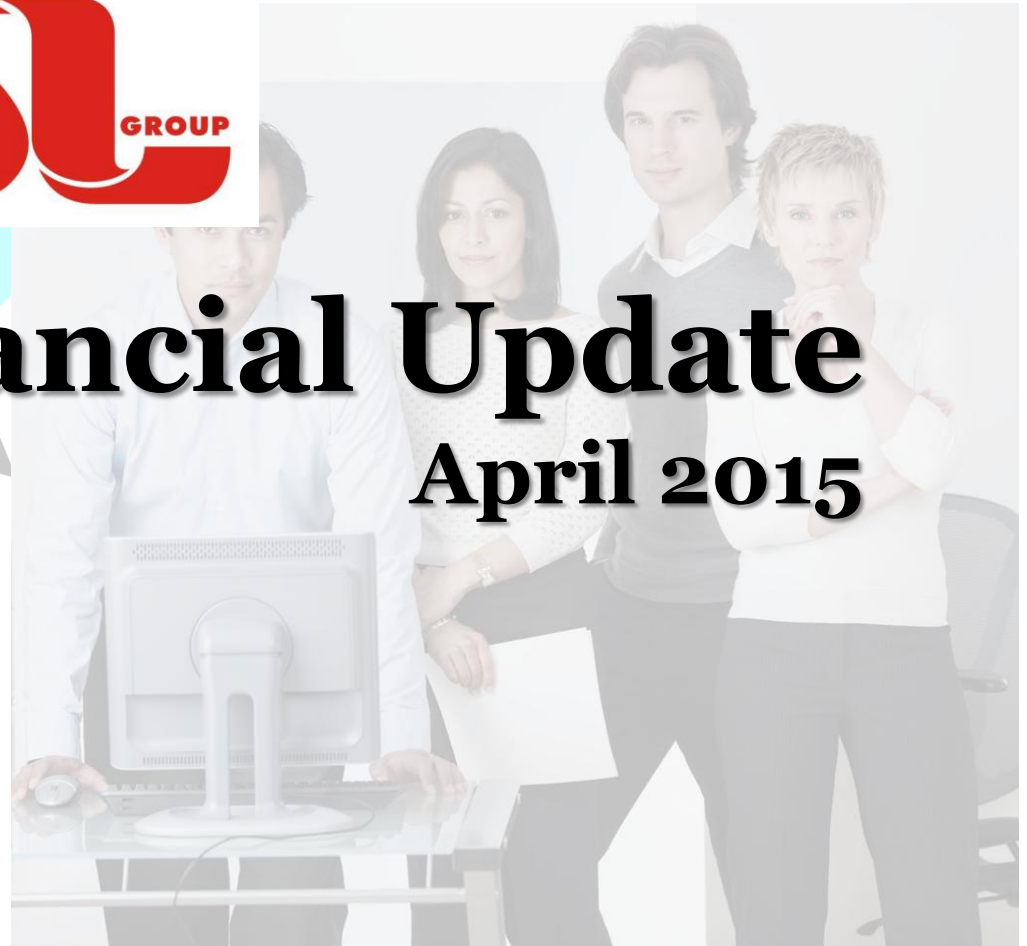
Average Score in SET (526 Companies)	Average Score in SET 100	Average Score in SET 50	<b>KSL</b> GROUP
78%	88%	91%	88%



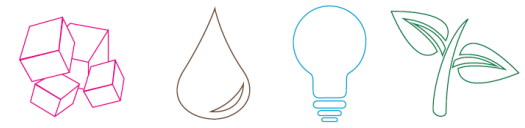


# Financial Update

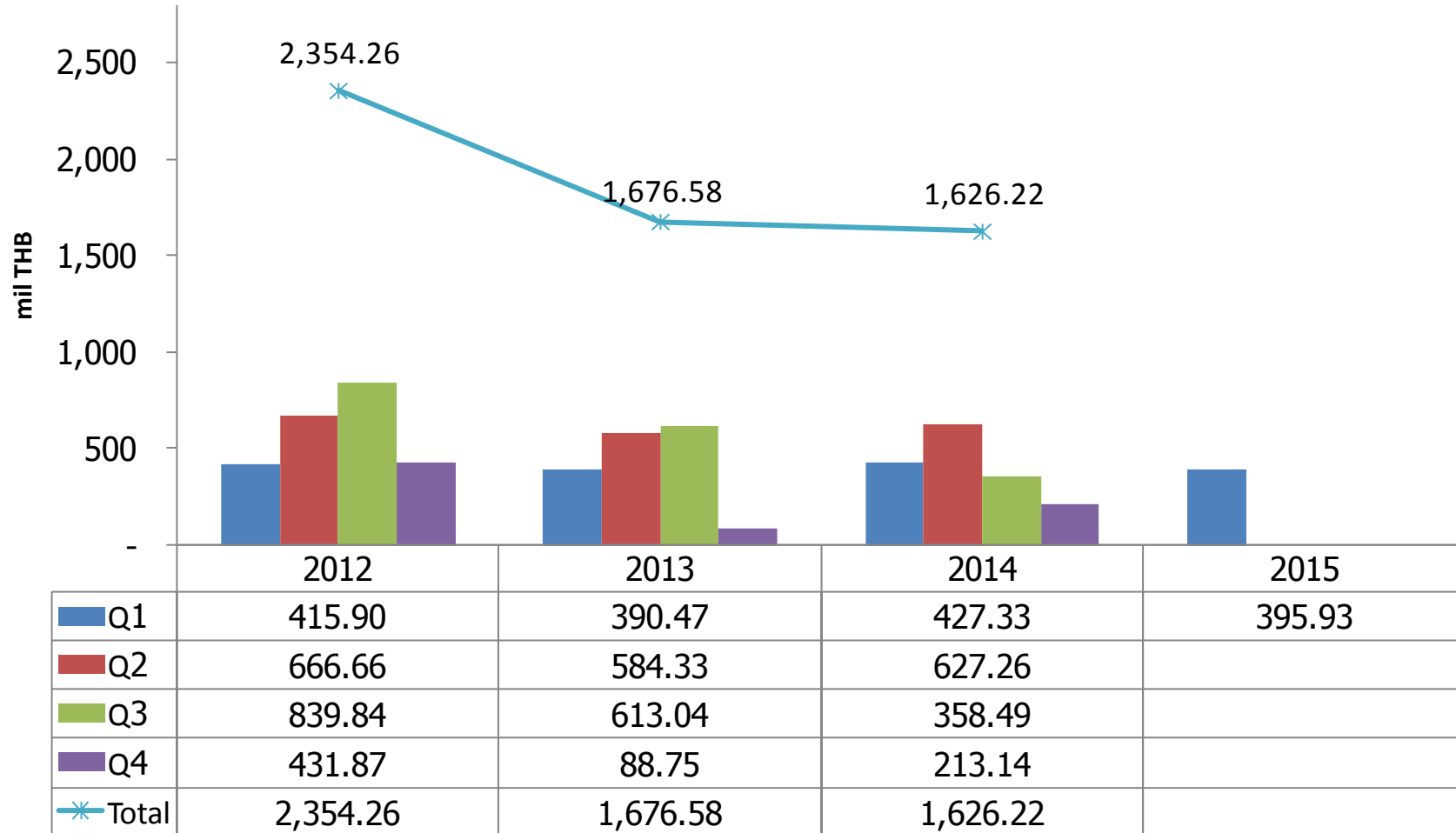
## April 2015



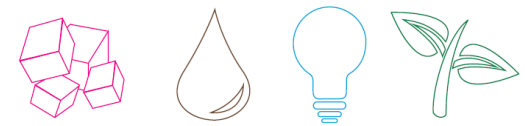
# P&L Highlights



FROM **NATURE** TO **GREEN ENERGY**  
SUGAR | ETHANOL | ELECTRICITY | BIO FERTILIZER



# P&L Highlights

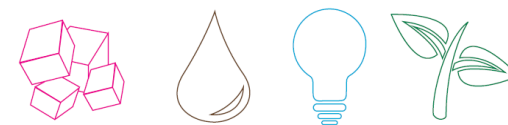


FROM **NATURE** TO **GREEN ENERGY**  
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Income Statement Highlight (Million THB)	12M_2012	12M_2013	12M_2014	Q1_2015
<b>Sales and Services</b>	<b>22,212</b>	<b>18,941</b>	<b>19,185</b>	<b>3,491</b>
<b>Cost of Sales and Service</b>	<b>(16,479)</b>	<b>(14,961)</b>	<b>(14,440)</b>	<b>(2,275)</b>
<b>Gross Profit from Sales &amp; Services</b>	<b>5,734</b>	<b>3,980</b>	<b>4,744</b>	<b>1,217</b>
<b>Other Incomes</b>	<b>493</b>	<b>777</b>	<b>447</b>	<b>118</b>
<b>Gross Profit from other Income</b>	<b>6,226</b>	<b>4,756</b>	<b>5,191</b>	<b>1,335</b>
<b>Selling Expense</b>	<b>(535)</b>	<b>(474)</b>	<b>(623)</b>	<b>(91)</b>
<b>Administration Expense</b>	<b>(701)</b>	<b>(603)</b>	<b>(644)</b>	<b>(216)</b>
<b>Management Remuneration</b>	<b>(163)</b>	<b>(182)</b>	<b>(193)</b>	<b>(67)</b>
<b>Proceeds to Fund</b>	<b>(1,064)</b>	<b>(1,033)</b>	<b>(992)</b>	<b>(292)</b>
<b>Total Expense</b>	<b>(2,463)</b>	<b>(2,292)</b>	<b>(2,451)</b>	<b>(666)</b>
<b>EBIT</b>	<b>3,763</b>	<b>2,464</b>	<b>2,740</b>	<b>669</b>
<b>Financial cost</b>	<b>(556)</b>	<b>(672)</b>	<b>(834)</b>	<b>(201)</b>
<b>Share of Profit of Associated Company</b>	<b>(8)</b>	<b>(0)</b>	<b>(11)</b>	<b>(2)</b>
<b>Corporate Income Tax</b>	<b>(726)</b>	<b>(132)</b>	<b>(109)</b>	<b>(25)</b>
<b>Minority and others</b>	<b>(118)</b>	<b>16</b>	<b>(159)</b>	<b>(45)</b>
<b>Net Profit</b>	<b>2,354</b>	<b>1,676</b>	<b>1,626</b>	<b>396</b>
<b>EPS</b>	<b>1.50</b>	<b>1.01</b>	<b>0.97</b>	<b>0.24</b>
<b>Gross Margin from Sales &amp; Service</b>	<b>25.8%</b>	<b>21.0%</b>	<b>24.7%</b>	<b>34.8%</b>
<b>Net Profit Margin</b>	<b>10.6%</b>	<b>8.8%</b>	<b>8.5%</b>	<b>11.3%</b>



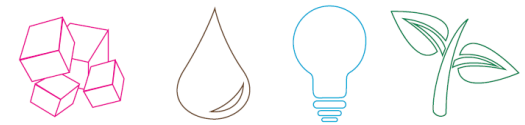
# Operating Profit



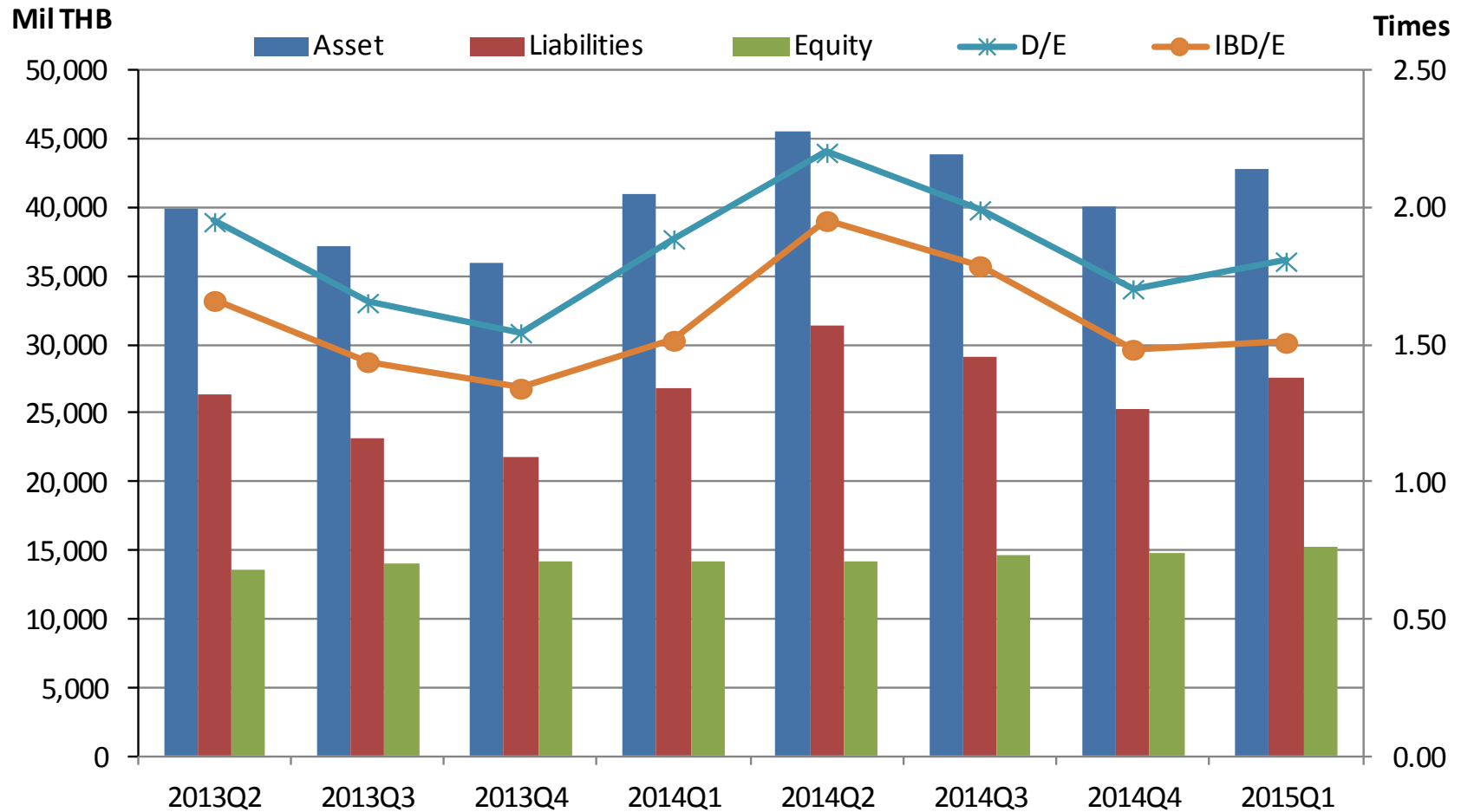
FROM **NATURE** TO **GREEN ENERGY**  
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<b>Financial Highlight (Million THB)</b>	<b>12M_2012</b>	<b>12M_2013</b>	<b>12M_2014</b>	<b>Q1_2015</b>
<b>Operating Profit Breakdown</b>				
<b>Sugar Business (Thailand)</b>	<b>3,194</b>	<b>1,285</b>	<b>1,470</b>	<b>255</b>
<b>Sugar Business (Other Countries)</b>	<b>(138)</b>	<b>118</b>	<b>15</b>	<b>3</b>
<b>Ethanol Business + Related</b>	<b>388</b>	<b>664</b>	<b>623</b>	<b>163</b>
<b>Power Plant Business</b>	<b>794</b>	<b>1,092</b>	<b>1,192</b>	<b>440</b>
<b>Others</b>	<b>389</b>	<b>91</b>	<b>276</b>	<b>90</b>
<b>Total</b>	<b>4,627</b>	<b>3,250</b>	<b>3,577</b>	<b>952</b>
<b>Deduct Admin</b>	<b>(864)</b>	<b>(785)</b>	<b>(837)</b>	<b>(283)</b>
<b>EBIT</b>	<b>3,763</b>	<b>2,464</b>	<b>2,740</b>	<b>669</b>
<b>Deduct Interest</b>	<b>(556)</b>	<b>(672)</b>	<b>(834)</b>	<b>(201)</b>
<b>Deduct Tax</b>	<b>(726)</b>	<b>(132)</b>	<b>(109)</b>	<b>(25)</b>
<b>Deduct Minority &amp; Other</b>	<b>(127)</b>	<b>16</b>	<b>(170)</b>	<b>(47)</b>
<b>Net Profit</b>	<b>2,354</b>	<b>1,676</b>	<b>1,626</b>	<b>396</b>

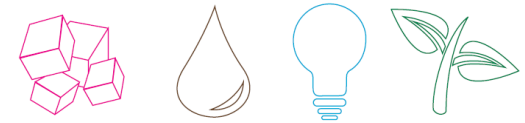
# Balance Sheet



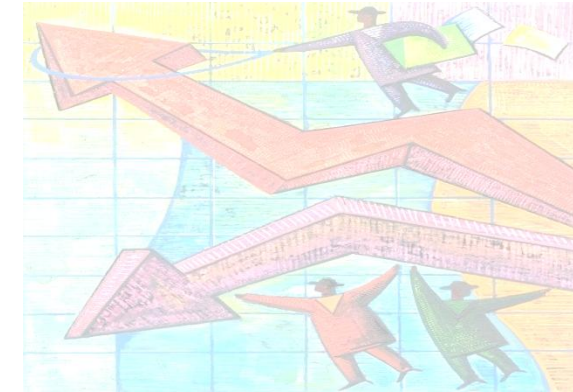
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# Outlook in 2015



FROM **NATURE** TO **GREEN ENERGY**  
SUGAR | ETHANOL | ELECTRICITY | BIO FERTILIZER



- ✓ World sugar price drops from carrying stock, BRL Exchange Rate, and Oil price
- ✓ Expecting 8.70 m tons cane, less than previous forecast affected by Drought in Central area
- ✓ Main contribution from Renewable Energy (Ethanol and Power Plant)

