

KHON KAEN SUGAR INDUSTRY PCL.



Business Overview: Opportunity Day Q2/2015

August 2015



SUGAR



ETHANOL



ELECTRICITY



BIO FERTILIZER



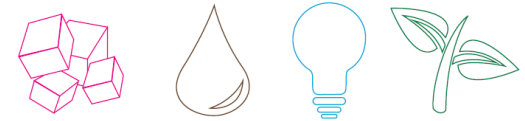


Company Overview

August 2015



Company Highlight



FROM **NATURE** TO **GREEN ENERGY**
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Fully Integrated Sugar & Energy company

- 7 Sugar Factories : 5 in Thailand & 2 in oversea
- 3 Power Plants
- 2 Ethanol Factories & Biogas

Readiness of AEC

- Sugar Cane Plantation : Laos – 10,000 h.a. & Cambodia 20,000 h.a.
- Sugar Mill : Laos – 3,000 TCD & Cambodia – 6,000 TCD

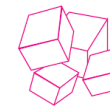
Strong Financial Position

- 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.

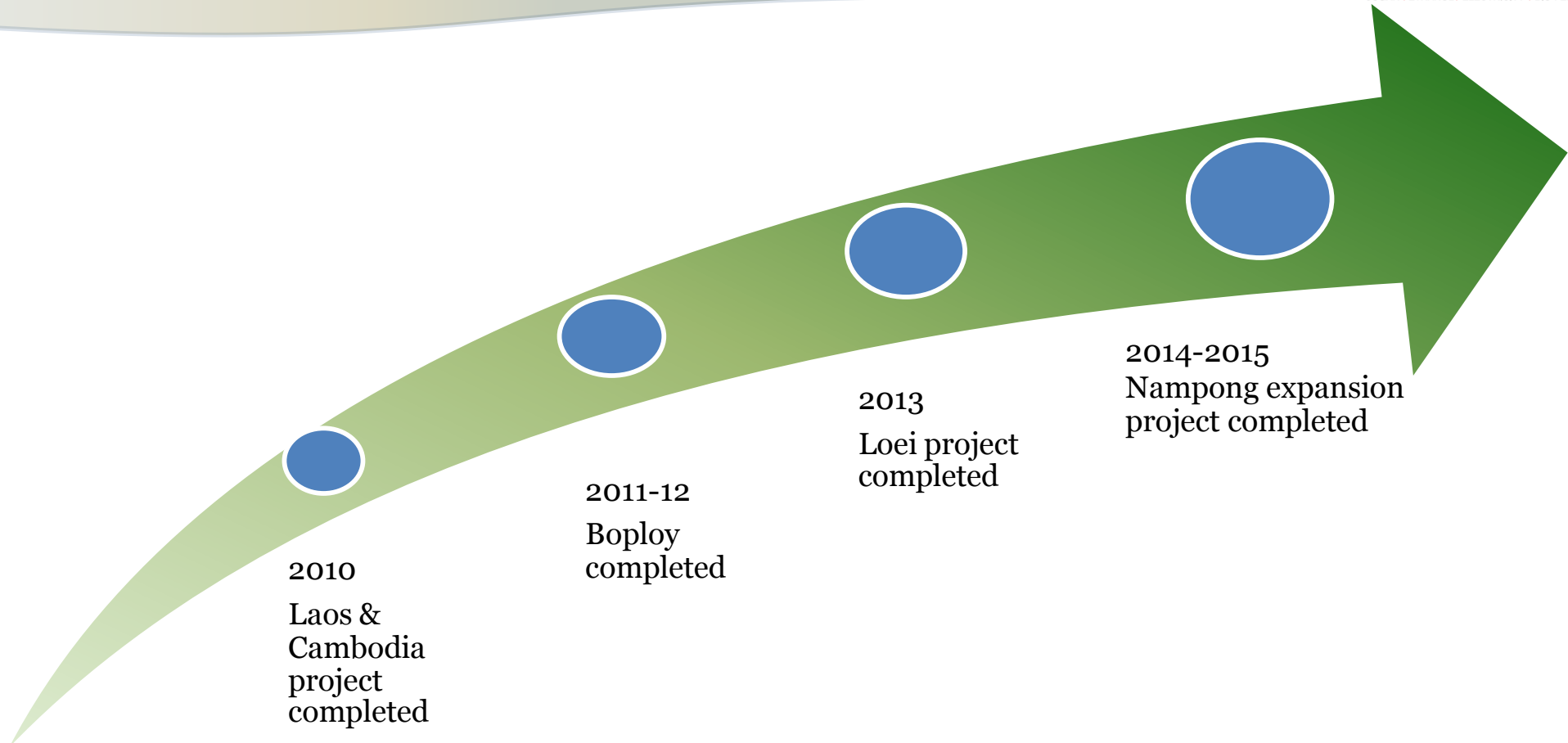
Strong Relationship with Strategic Stakeholder

- Industrial Customers
- Farmers (over 10,000 accounts) & Local communities
- Banks & Financial institution
- Investors & Shareholder

Major Development



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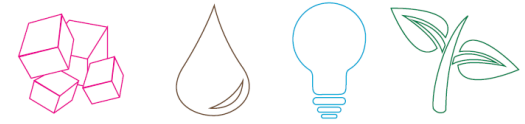
2010
Laos &
Cambodia
project
completed

2011-12
Boploy
completed

2013
Loei project
completed

2014-2015
Nampong expansion
project completed

KSL Factories



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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 m³/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 m³/y

Laos Facility

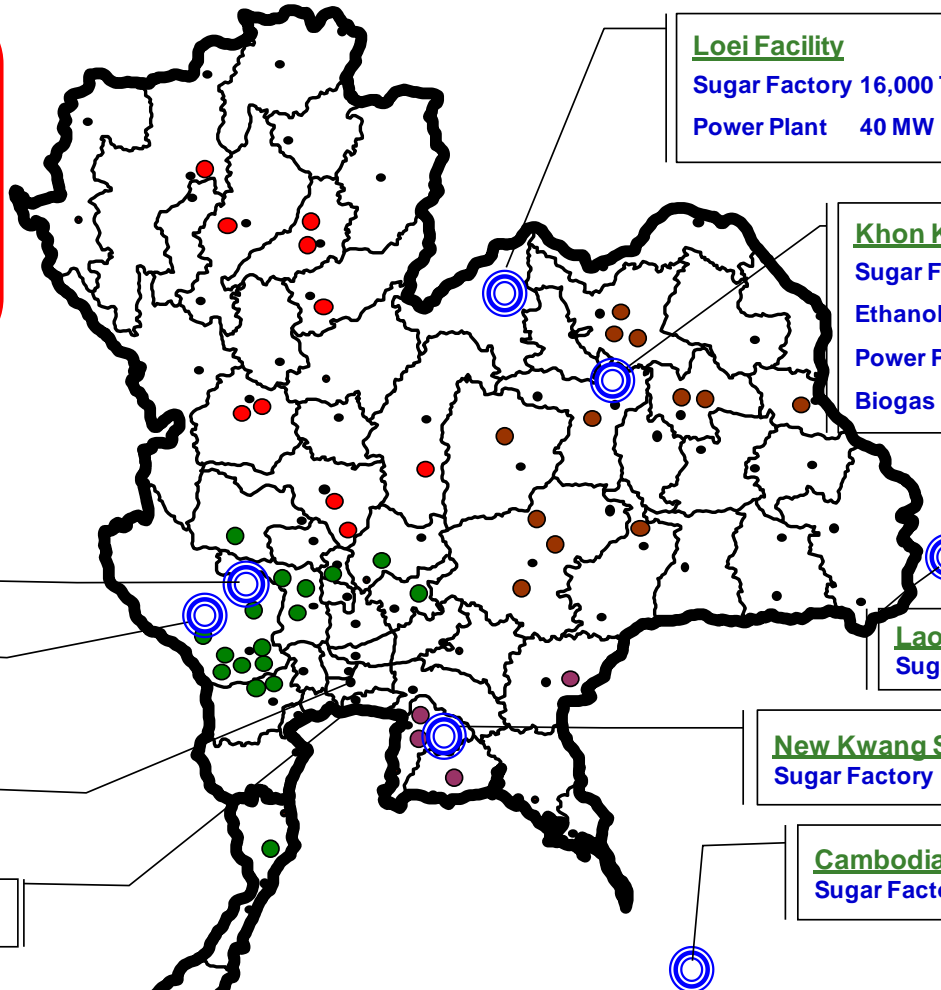
Sugar Factory 3,000 TCD

New Kwang Soon Lee Facility

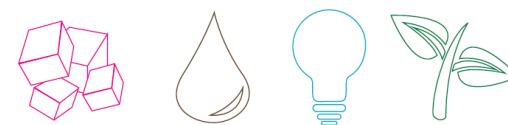
Sugar Factory 3,000 TCD

Cambodia Facility

Sugar Factory 6,000 TCD



Business Plan



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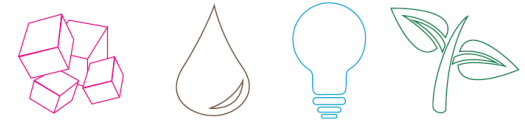
TCD = Ton Cane per Day

LPD = Liters Per Day

		YEAR 2011 Actual	YEAR 2012 Actual	YEAR 2013 Actual	YEAR 2014 Actual	YEAR 2015 Actual
THAILAND SUGAR OPERATION	TCD TON CANE	64,000 TCD 6,171,851 T	78,000 TCD 7,298,623 T	86,000 TCD 7,668,496 T	110,000 TCD 8,470,492 T	110,000 TCD 8,749,389 T
	Ton Sugar	616,837 T	744,135 T	726,606 T	883,442 T	879,242 T
	Ton Molasses	283,730 T	335,376 T	363,164 T	383,395 T	403,014 T
ETHANOL OPERATION	LPD	150,000 LPD	350,000 LPD	350,000 LPD	350,000 LPD	350,000 LPD *
	MLitres	33.47 MLitres	88.45 MLitres	104.65 MLitres	91.61 MLitres	100.00 MLitres
POWERPLANT OPERATION (Sell to Grid)	MW	30 MW	40 MW	40 MW	40 MW	50 MW *
	MW-Hr	182,882	267,452	301,136	324,099	346,363*
	MW-HR	MW-HR	MW-HR	MW-HR	MW-HR	MW-HR
OVERSEA SUGAR OPERATION	TCD TON CANE	9,000 TCD 300,299 T	9,000 TCD 245,042 T	9,000 TCD 350,649 T	9,000 TCD 252,295 T	9,000 TCD 276,563 T
	Ton Sugar	33,938 T	26,895 T	35,812 T	29,131 T	33,634 T
	Ton Molasses	11,964 T	11,524 T	20,238 T	9,463 T	10,827 T

Note: * Forecast number

Main Investment Strategies



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(1) Core Business

- Relocate 1 sugar mill in Chonburi to Sra Keaw as a Complex (with Ethanol & Power Plants)
- Timeline depend on License approval

(2) Value Added from By-product

- Compressed Biogas, Bio Plastics

(3) Joint Venture / Investment Project

- Food, Renewable Energy, Logistics

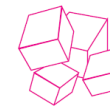


Industry Updated

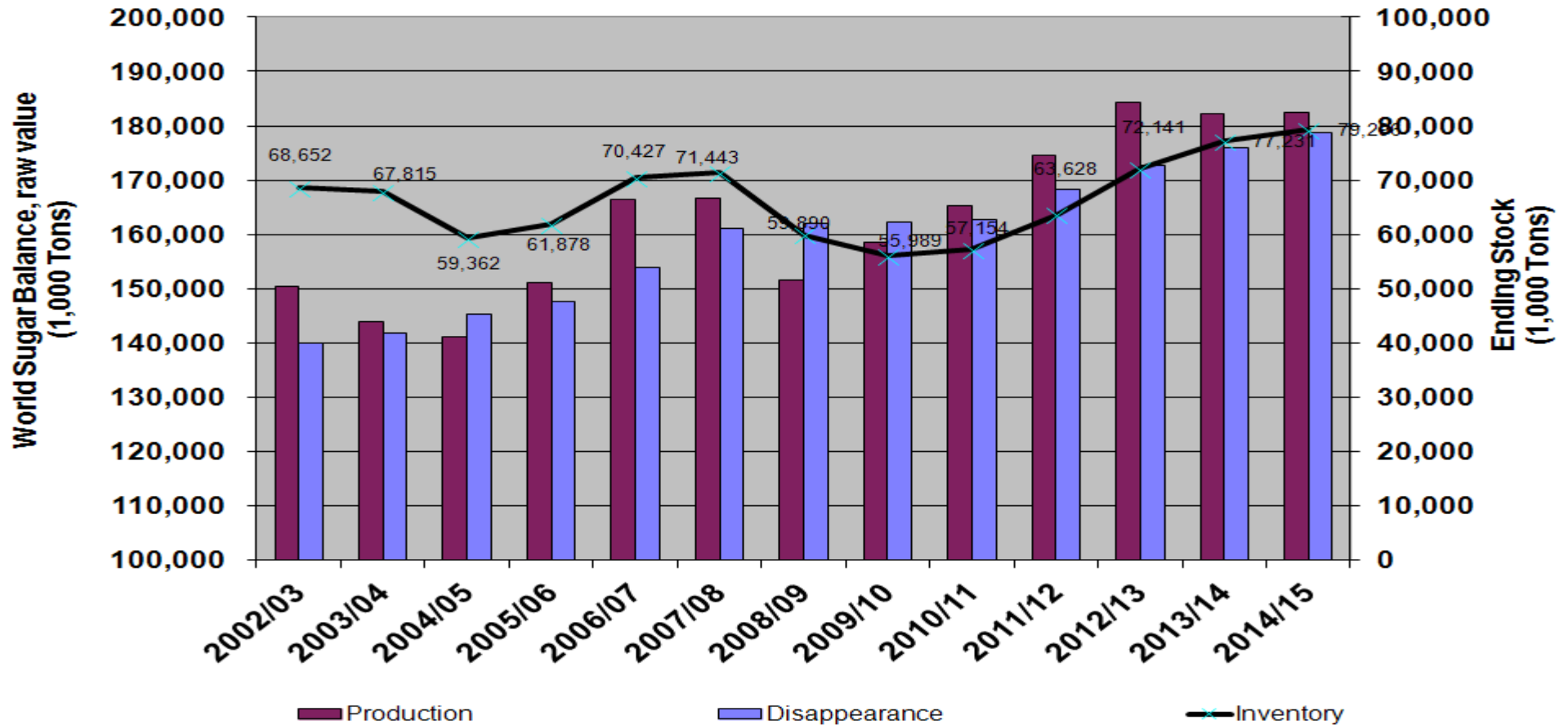
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World Sugar Balance

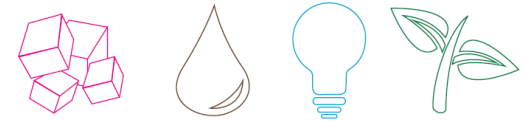


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Source: F.O. Lichts World Sugar Balances

World Sugar Price & Producer currency



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US DOLLAR/THAI BAHT FX SPOT RATE

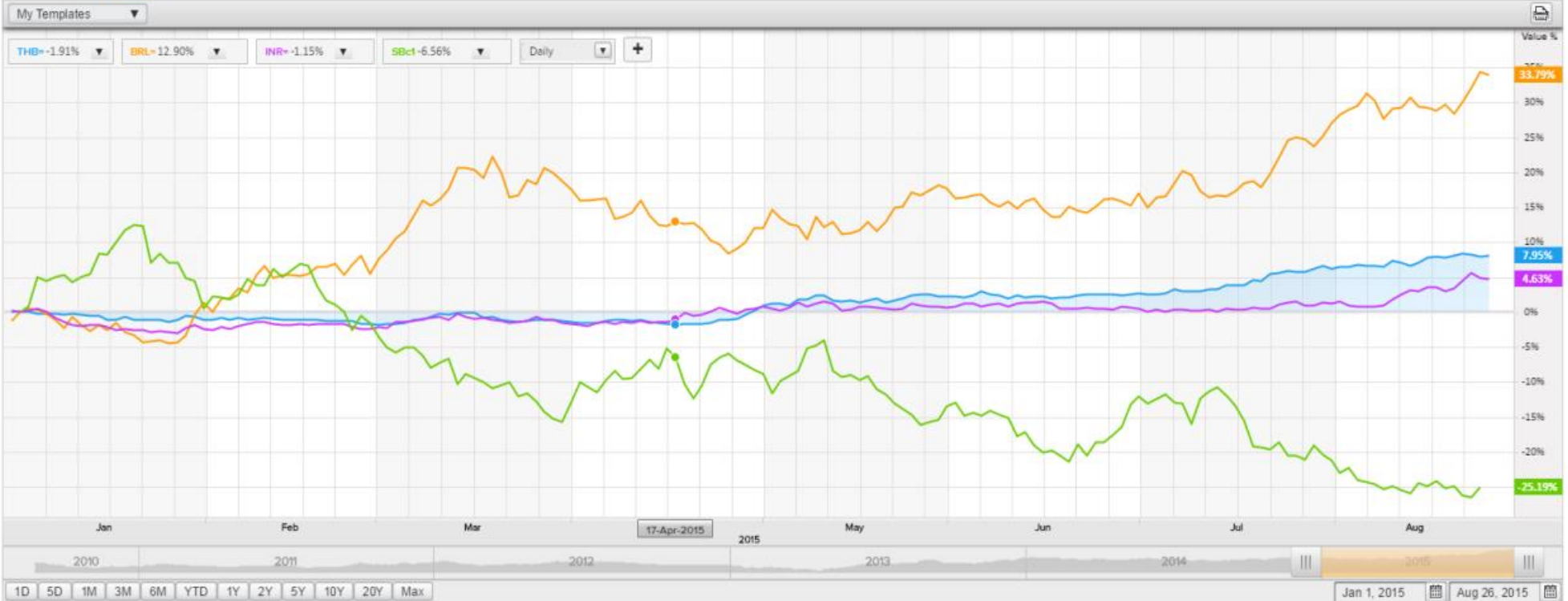
Bid: **35.59** Ask: **35.61** 26-Aug-2015 13:36 BROKER

Last High: **35.69** Week High: **35.83** Month High: **35.83** Year High: **35.83**

[FX Spot Overview Guide](#)

[Quote](#) [News](#) [Chart](#)

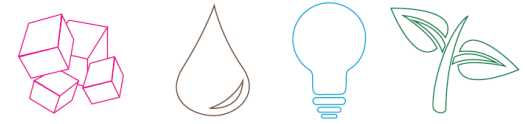
[Overview](#) [Price](#) [Chart](#) [Contributor/Broker Data](#) [Calculators](#) [FX Polls](#) [360 Menu](#)



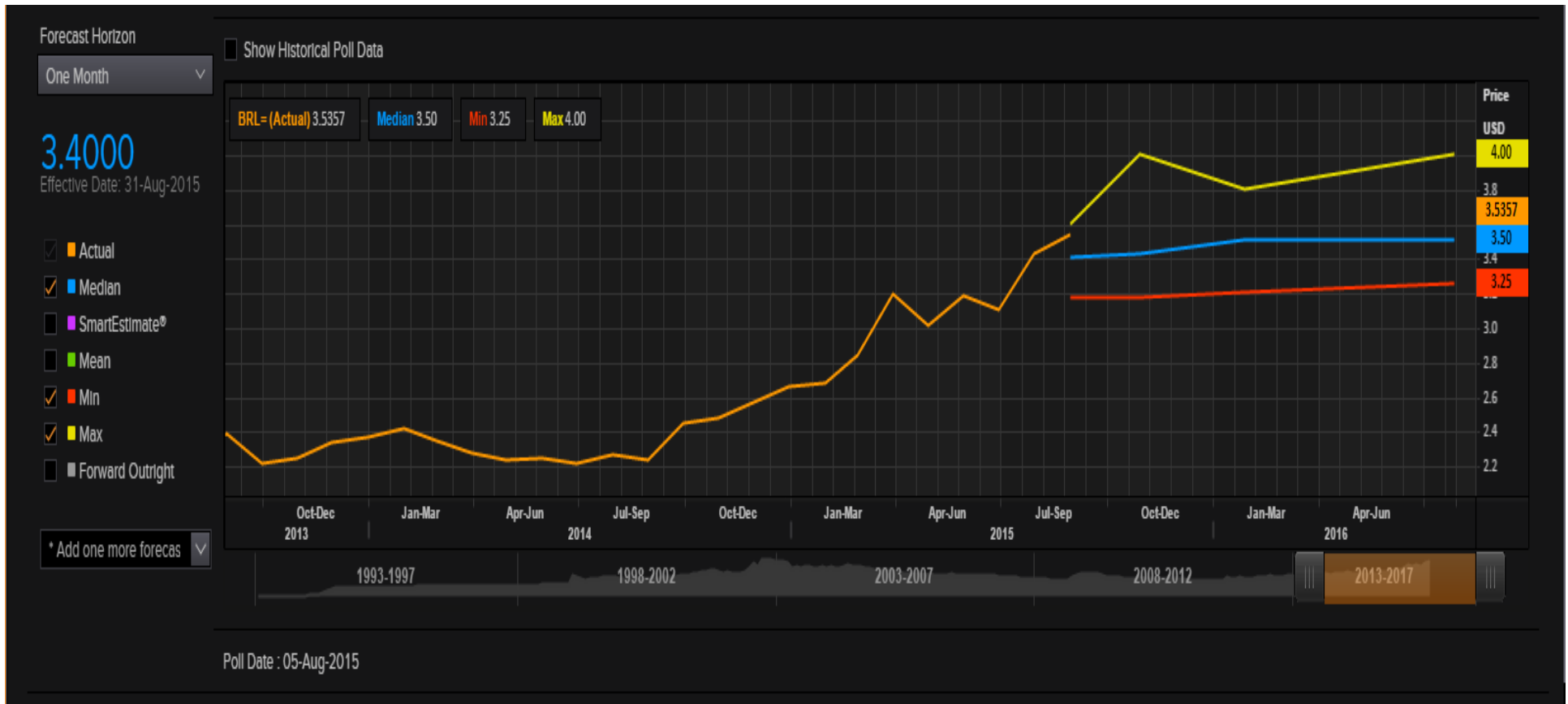
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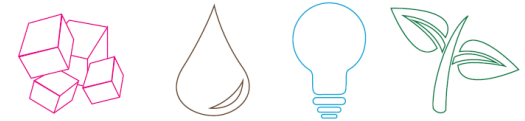
Brazilian Real Forecast



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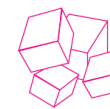
News



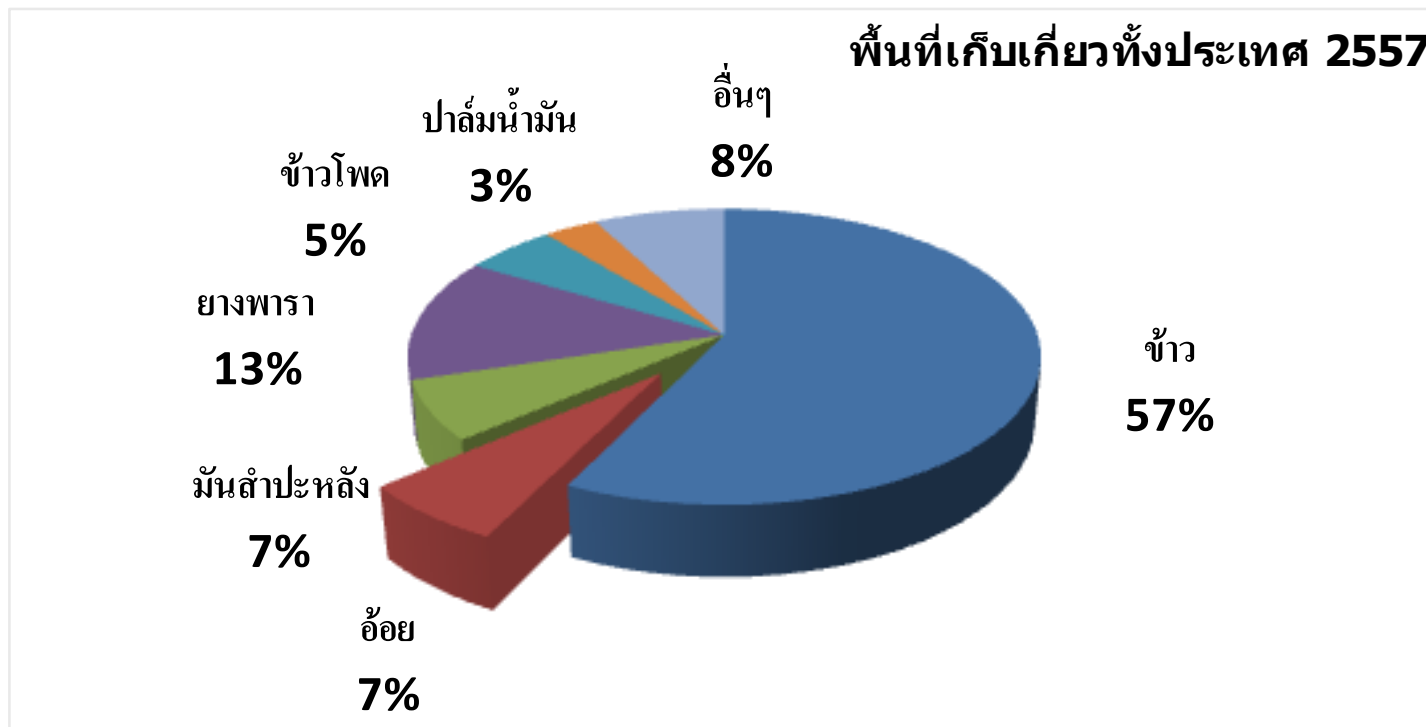
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- (-) Commodities price decline due to Global economic slowdown**
- (-) Depreciation of Brazilian Real put a pressure on sugar price**
- (+) Strong import demand from China and Asian countries**
- (+) Impact of El Nino in this region**

Thailand harvesting Area



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Source : Office of Agricultural Economics

Thailand harvesting Area



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สินค้าเกษตร	2553		2554		2555		2556		2557	
	พื้นที่เก็บเกี่ยว	%	พื้นที่เก็บเกี่ยว	%	พื้นที่เก็บเกี่ยว	%	พื้นที่เก็บเกี่ยว	%	พื้นที่เก็บเกี่ยว	%
ข้าว	74,576,860	61.16%	72,809,236	59.7%	76,743,055	59.0%	74,099,208	57.6%	73,943,567	57.1%
อ้อย	6,309,892	5.17%	7,870,253	6.5%	8,013,011	6.2%	8,259,969	6.4%	8,456,409	6.5%
มันสำปะหลัง	7,405,168	6.07%	7,096,173	5.8%	8,513,242	6.5%	8,656,942	6.7%	8,431,223	6.5%
ยางพารา	12,058,237	9.89%	12,765,636	10.5%	15,748,503	12.1%	16,462,714	12.8%	17,399,664	13.4%
ข้าวโพด	7,268,112	5.96%	7,178,598	5.9%	7,153,788	5.5%	7,214,650	5.6%	7,073,303	5.5%
ปาล์มน้ำมัน	3,384,809	2.78%	3,565,460	2.9%	3,700,508	2.8%	3,767,336	2.9%	4,148,168	3.2%
อื่นๆ	10,939,150	8.97%	10,624,753	8.7%	10,226,699	7.9%	10,086,274	7.8%	9,978,312	7.7%
รวม	121,942,228		121,910,109		130,098,806		128,547,093		129,430,646	

ตั้งแต่ปี 55 พื้นที่เก็บเกี่ยวข้าวลดลง

อ้อย พื้นที่เก็บเกี่ยวเพิ่มขึ้นจาก 6.3 ล้านไร่ปี 53 เป็น 8.4 ล้านไร่ปี 57

มันสำปะหลัง พื้นที่เก็บเกี่ยวเพิ่มขึ้นจาก 7.4 ล้านไร่ปี 53 เป็น 8.4 ล้านไร่ปี 57

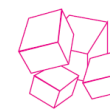
ยางพารา พื้นที่เก็บเกี่ยวเพิ่มขึ้นจาก 12 ล้านไร่ ปี 53 เป็น 17 ล้านไร่ ปี 57

ข้าวโพด พื้นที่เก็บเกี่ยวใกล้เคียงเดิม

ปาล์มน้ำมัน พื้นที่เก็บเกี่ยวเพิ่มจาก 3.4 ล้านไร่ ปี 53 เป็น 4.1 ล้านไร่ปี 57

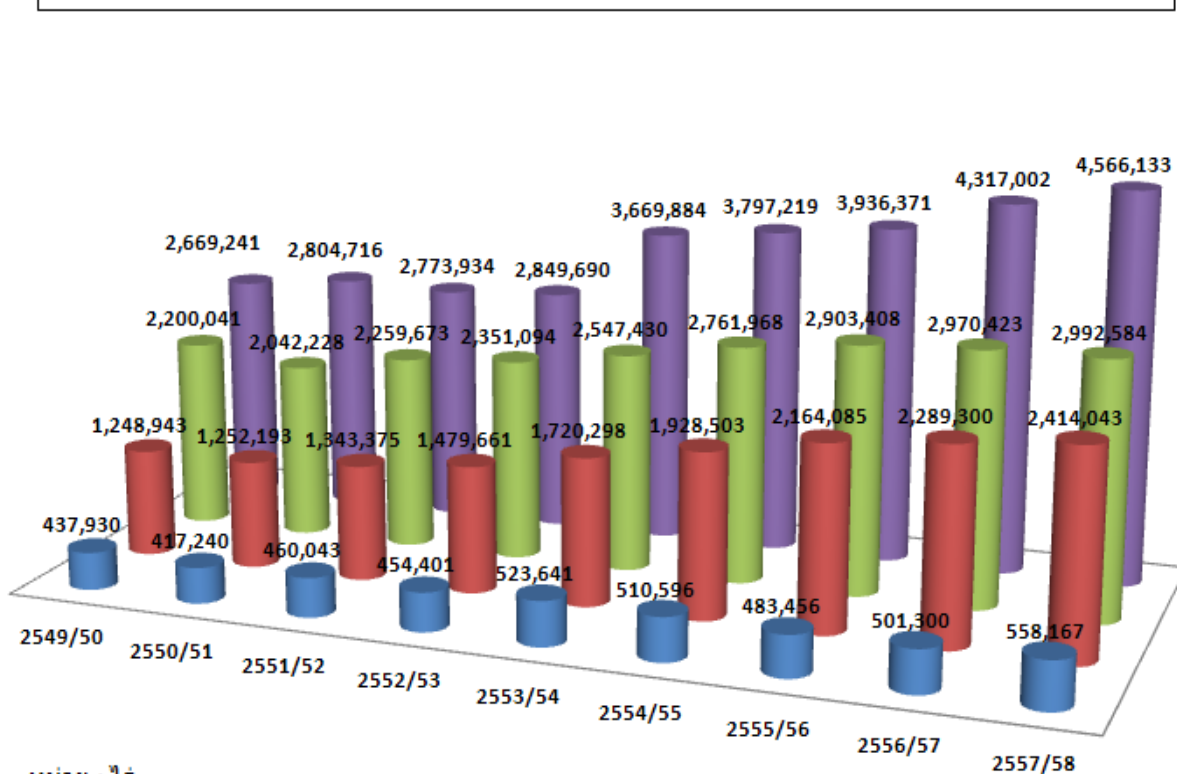
Source : Office of Agricultural Economics

Thailand Sugarcane Plantation Area



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■ ตะวันออก ■ เหนือ ■ กลาง ■ ตะวันออกเฉียงเหนือ

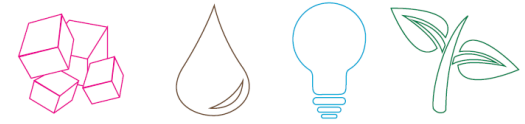


หน่วย : ไร่

Source : OCSB

พื้นที่(ไร่)	57/58 Actual	58/59 Forecast	% change
เหนือ	2,414,043	2,538,817	5.17%
กลาง	2,992,584	3,060,903	2.28%
ตะวันออกเฉียงเหนือ	4,566,133	4,806,561	5.27%
ตะวันออก	558,167	627,455	12.41%
ทั่วประเทศ	10,530,927	11,033,736	4.77%

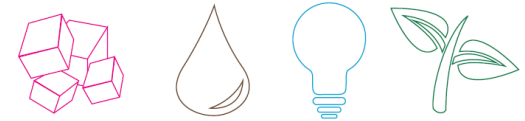
Asian Economic Community (AEC) Tax & Implication for Sugar



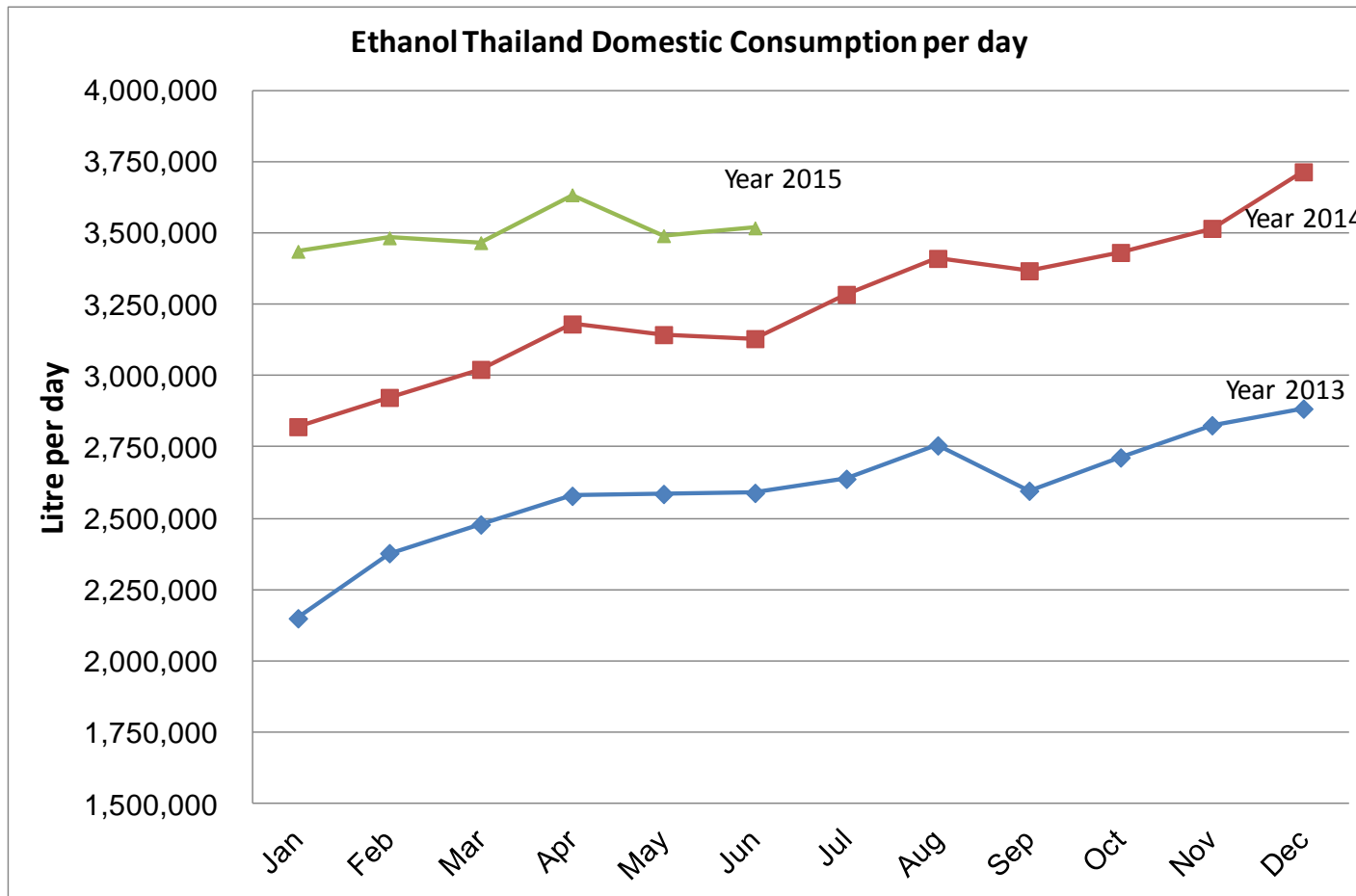
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Country	Tax						
	2552	2553	2554	2555	2556	2557	2558
Thailand	65%	0%					0%
Indonesia	40%	40%	40%	40%	40%	40%	5-10%
Malaysia	0%	0%					0%
Philippines	65%	38%					5%
Cambodia	7%	5%					0%
Laos	10%	5%					0%
Myanmar	15%	13%					5%
Vietnam	27%	5%					5%

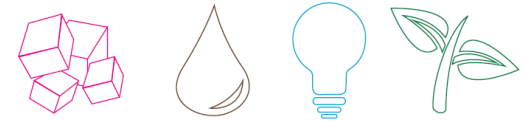
Ethanol Consumption Outlook



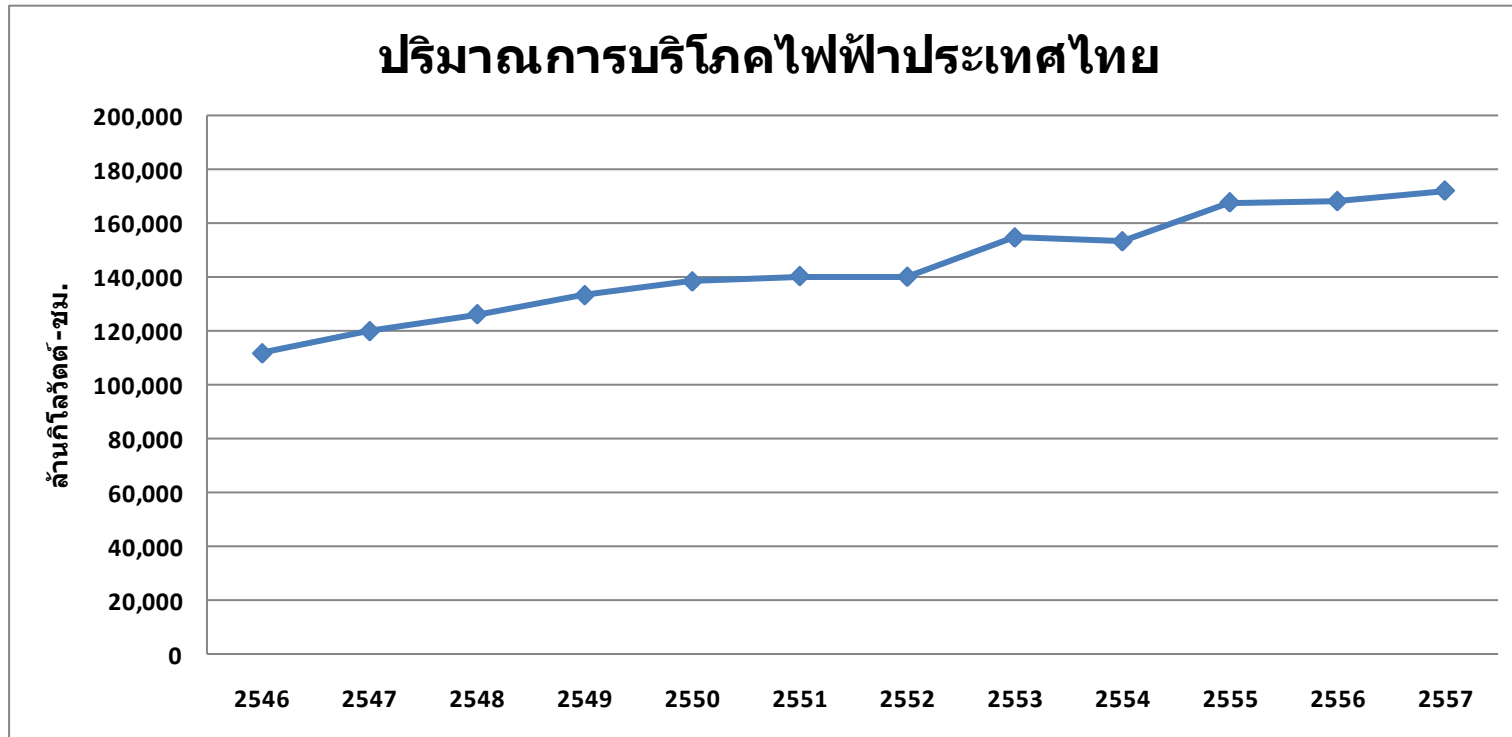
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Electricity Consumption Outlook

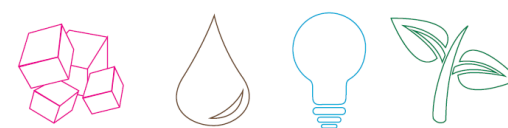


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Source : BOT

Renewable Energy Regulator Target



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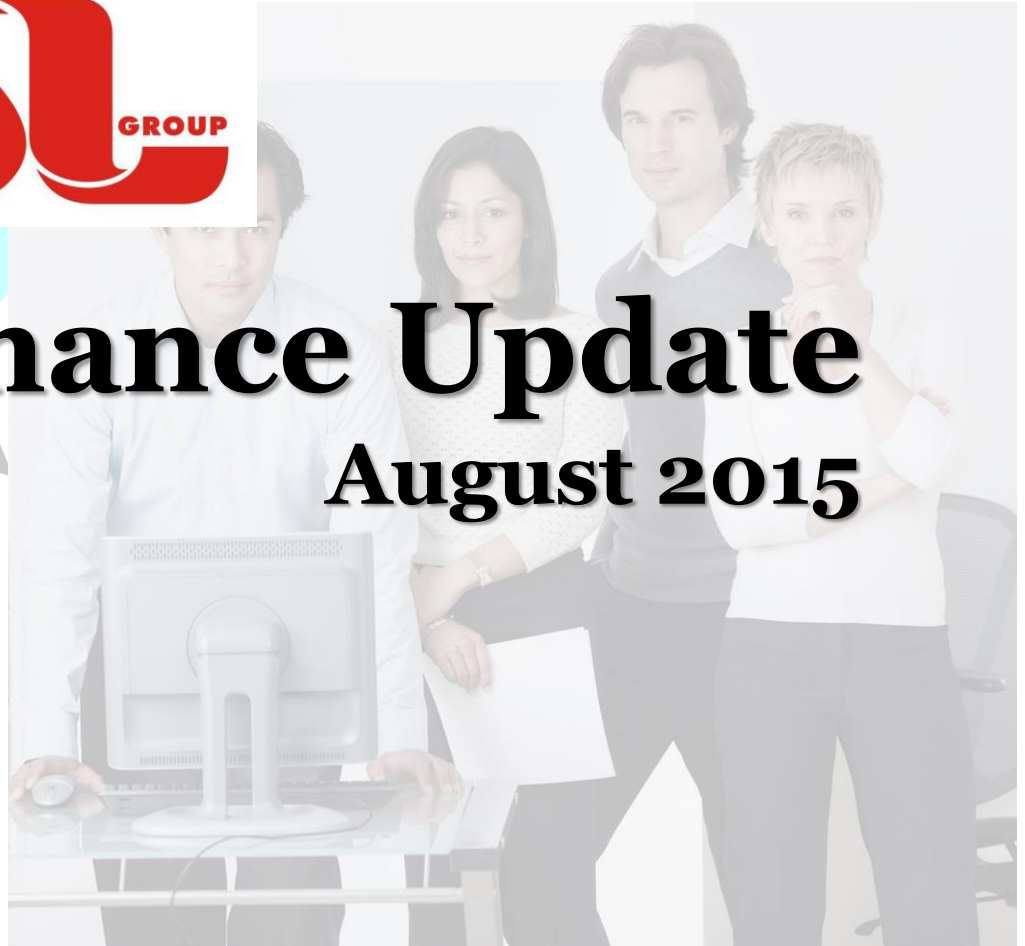
พลังงานทดแทน	หน่วย	เป้าหมาย 2564	2554	2555	2556	2557 ^P	งบประมาณ 2558
							ด.ค.-เม.ย.
ไฟฟ้า**							
แสงอาทิตย์	MW	3,000	79	377	823	1,299	1,303
พลังงานลม	MW	1,800	7	112	223	224	225
พลังน้ำขนาดเล็ก*	MW	324	96	102	109	142	142
ชีวมวล	MW	4,800	1,790	1,960	2,321	2,452	2,487
ก๊าซชีวภาพ	MW	3,600	159	193	265	312	327
ขยะชุมชน	MW	400	25	43	47	66	75
พลังงานรูปแบบใหม่	MW	3	-	-	-	-	-
รวม	MW	13,927	2,156	2,786	3,788	4,494	4,558
	ktoe	5,370	988	1,138	1,341	1,467	906
ความร้อน							
แสงอาทิตย์	ktoe	100	2.0	3.5	4.5	5.1	5.38
ชีวมวล	ktoe	8,500	4,123	4,346	4,694	5,144	3,231
ก๊าซชีวภาพ	ktoe	1,000	402	458	495	528	286
ขยะชุมชน	ktoe	200	1.7	78.2	85.0	98.1	57
รวม	ktoe	9,800	4,529	4,886	5,279	5,775	3,580
เชื้อเพลิงชีวภาพ							
เอทานอล	ล้านลิตร/วัน	9.0	1.2	1.4	2.6	3.2	3.53
ไบโอดีเซล	ล้านลิตร/วัน	7.2	2.1	2.8	2.9	2.9	2.68
เชื้อเพลิงใหม่ทดแทนดีเซล	ล้านลิตร/วัน	3.0	-	-	-	-	-
รวม	ล้านลิตร/วัน	19.2	3.3	4.2	5.5	6.1	6.21
	ktoe	5,657	984	1,270	1,612	1,783	1,048
ก๊าซชีวภาพอัด	ตัน/วัน	1,200	-	-	-	-	-
	ktoe	3,807	-	-	-	-	-
การใช้พลังงานทดแทน	ktoe	24,634	6,501	7,294	8,232	9,025	5,534
การใช้พลังงานขั้นสุดท้าย	ktoe	99,838	70,562	73,316	75,214	75,804	44,681
สัดส่วนการใช้พลังงานทดแทน	%	25	9.21	9.95	10.94	11.91	12.39

Source : กรมพัฒนาพลังงานทดแทนและอนุรักษ์พลังงาน กระทรวงพลังงาน

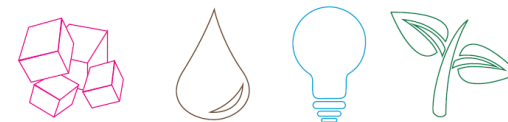


Performance Update

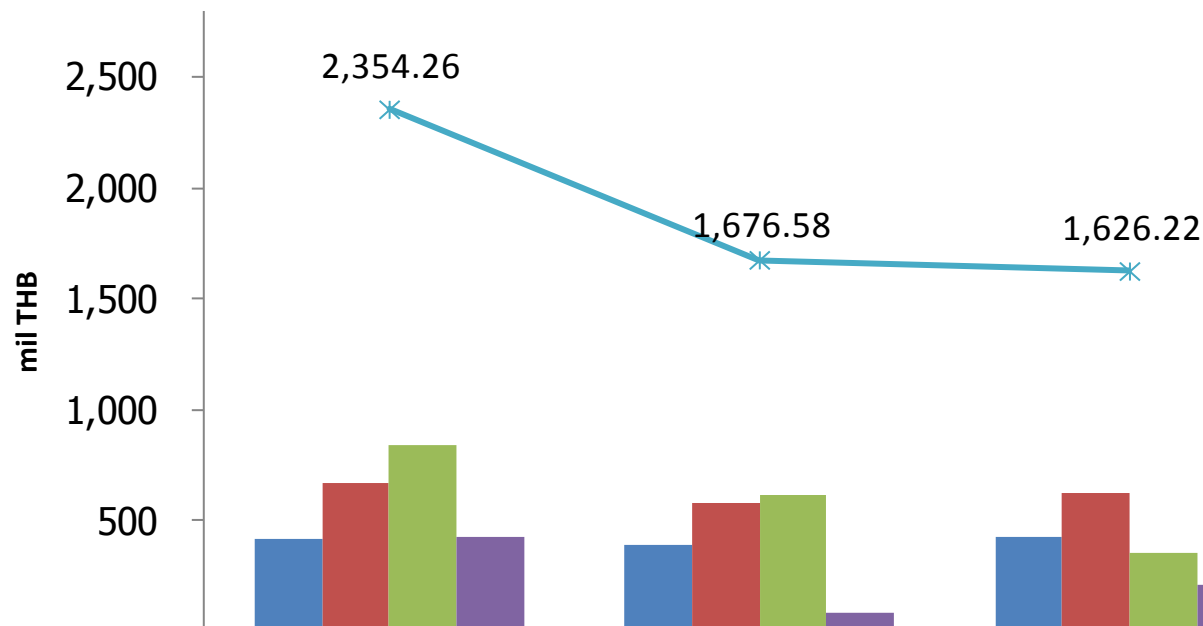
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Profit/Loss

2014Q2 : 627 m THB

2015 Q2 : 464 m THB

26% decrease

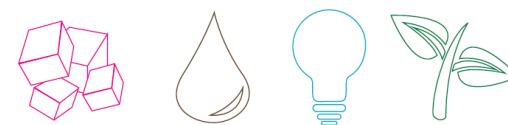
2014-1H: 1,055 m THB

2015-1H: 860 m THB

18% decrease

	2012	2013	2014	2015
Q1	415.90	390.47	427.33	395.93
Q2	666.66	584.33	627.26	463.94
Q3	839.84	613.04	358.49	
Q4	431.87	88.75	213.14	
Total	2,354.26	1,676.58	1,626.22	

P&L Highlights



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Income Statement Highlight (Million THB)	6M_2014	6M_2015	%Chg
Sales and Services	7,429	7,906	6%
Cost of Sales and Service	(4,937)	(5,494)	11%
Gross Profit from Sales & Services	2,491	2,411	-3%
Other Incomes	184	313	70%
Gross Profit from other Income	2,675	2,724	2%
Selling Expense	(207)	(234)	13%
Administration Expense	(342)	(376)	10%
Management Remuneration	(106)	(107)	2%
Proceeds to Fund	(495)	(596)	21%
Total Expense	(1,148)	(1,314)	14%
EBIT	1,527	1,410	-8%
Financial cost	(392)	(414)	6%
Share of Profit of Associated Company	(0)	13	
Corporate Income Tax	(25)	(89)	262%
Minority and others	(55)	(60)	
Net Profit	1,055	860	-18%
EPS	0.32	0.21	
Gross Margin from Sales & Service	33.5%	30.5%	
Net Profit Margin	14.2%	10.9%	

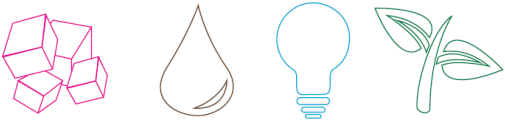
Volume ++
Price ---

FX -59 -> 17 m
Derivative
10 -> 125 m

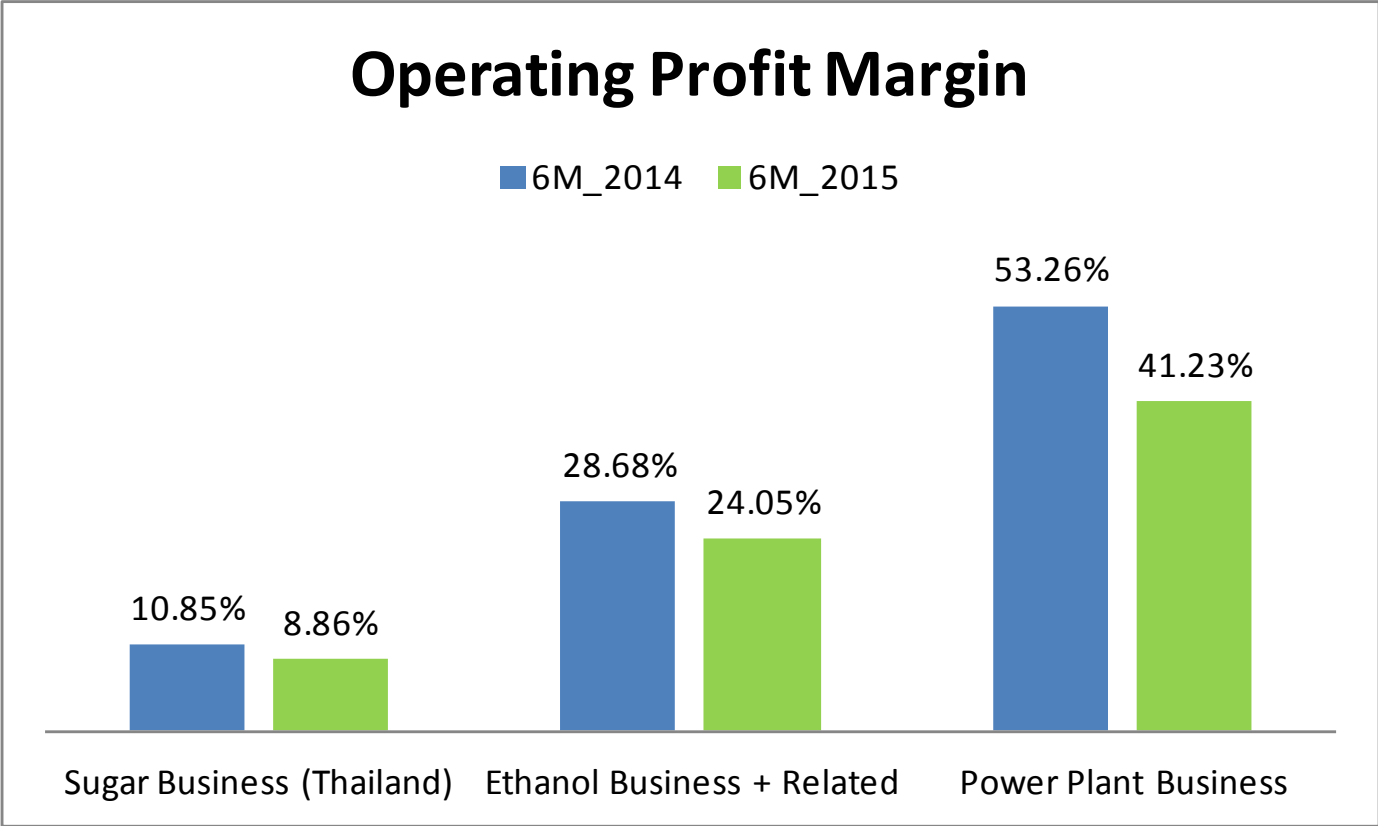
Project Investment

BOI expired at
Nampong site

Operating Profit Margin



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Volume increase
Price decrease

Operating Profit
Margin dropped

Operating Profit



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Financial Highlight (Million THB)	6M_2014	6M_2015	
Operating Profit Breakdown			
Sugar Business (Thailand)	728	618	
Sugar Business (Other Countries)	11	(206)	
Ethanol Business + Related	336	316	
Power Plant Business	846	925	
Others	54	101	
Total	1,974	1,754	
Deduct HQ Admin	(447)	(343)	
EBIT	1,527	1,410	
Deduct Interest	(392)	(414)	
Deduct Tax	(25)	(89)	
Deduct Minority & Other	(56)	(47)	
Net Profit	1,055	860	

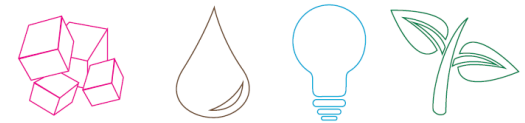
Oversea Operation

- Cost of Production in Oversea is uncorrelated to World sugar Price
- Cane Cost : 1 year investment
- Sharp drop in Selling price

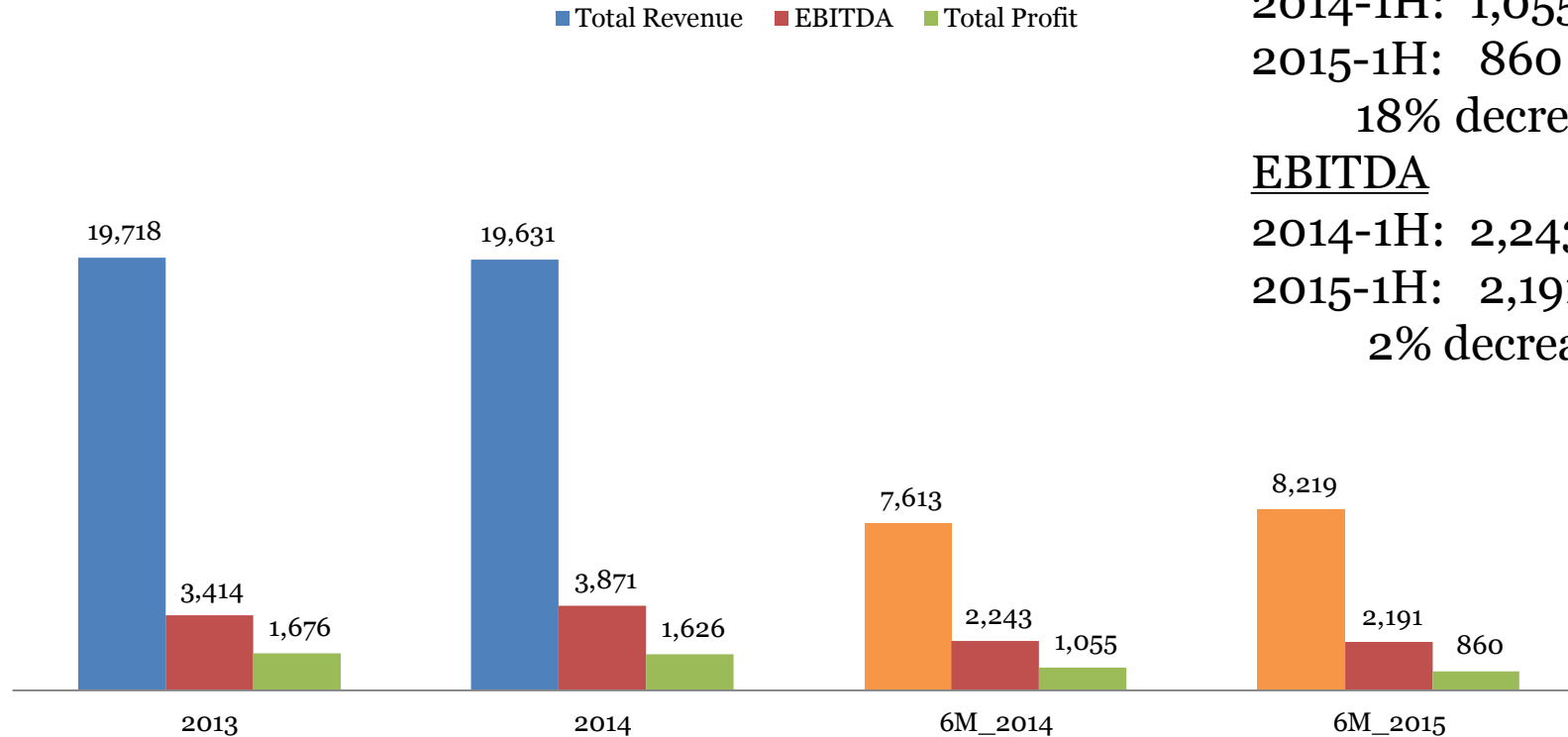
Domestic Operation

- Sugar cane cost is under revenue sharing system 70:30
- Drop in sugar price => Drop in sugar cane price
- Processing Cost => Fixed (varied by volume crush)
- Gross Margin decrease

To-Date Performance



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Profit/Loss

2014-1H: 1,055 m THB

2015-1H: 860 m THB

18% decrease

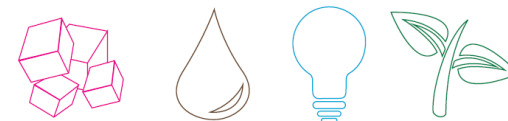
EBITDA

2014-1H: 2,243 m THB

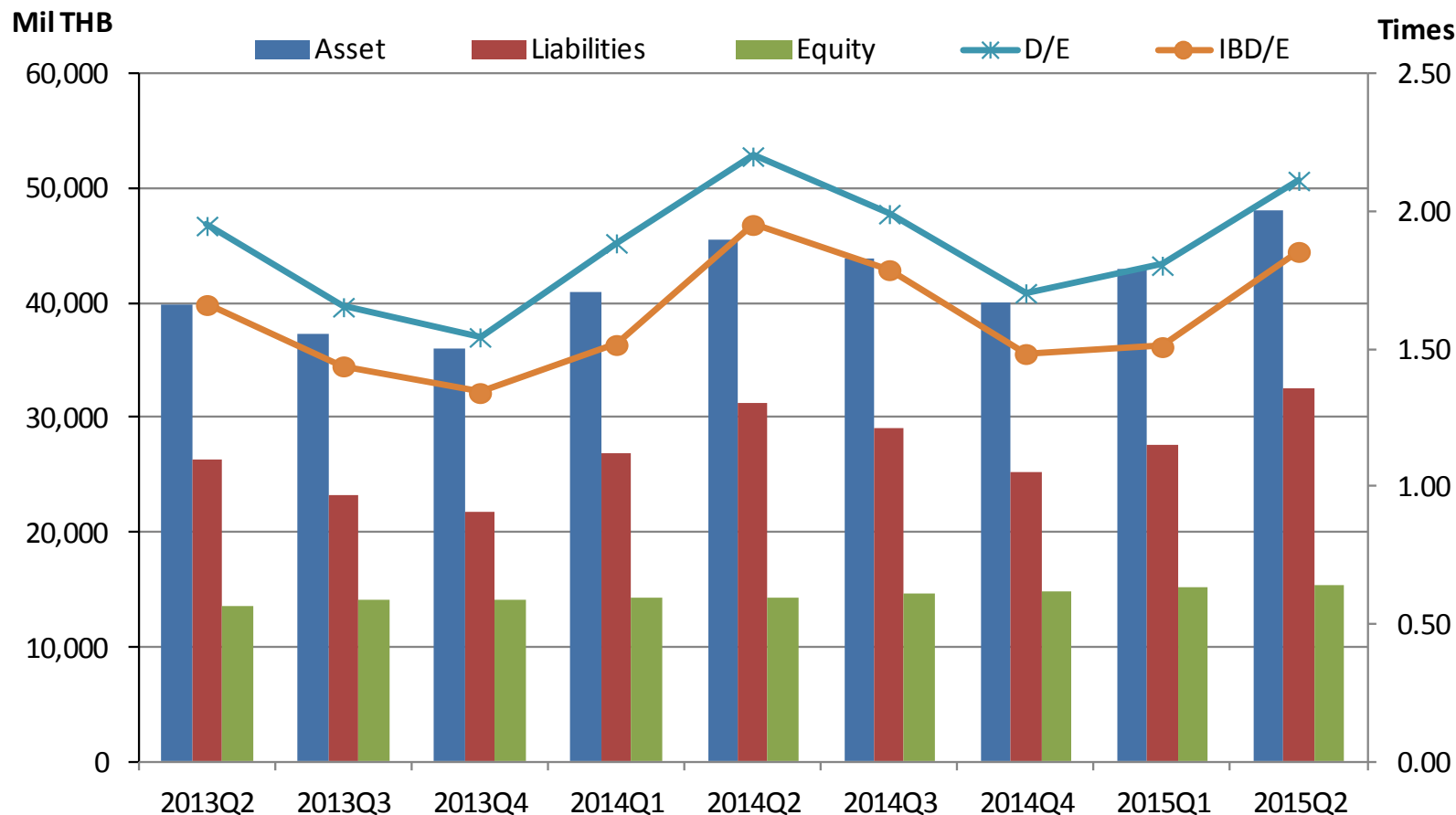
2015-1H: 2,191 m THB

2% decrease

Statement of Financial Position



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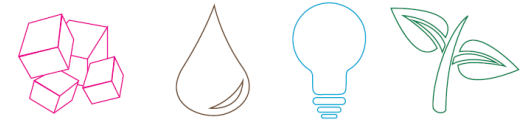
D/E Ratio
 2014-1H: 2.20
 2015-1H: 2.11

IBD/Equity
 2014-1H: 1.95
 2015-1H: 1.86

Conclusion:

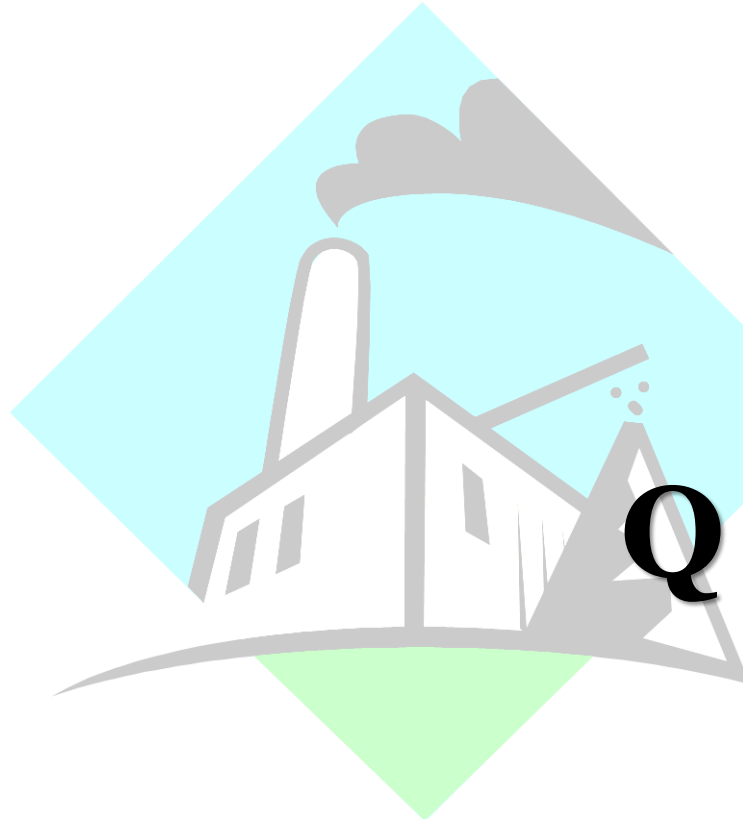
Outlook in 2015-2016

- ✓ World sugar price drops from carrying stock, BRL Exchange Rate, and Oil price
- ✓ Sugarcane plantation in Thailand still expand
- ✓ Main contribution from Renewable Energy (Ethanol and Power Plant)



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Q & A

