

Press Release

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TRIS Rating Affirms Company & Issue Ratings of "KSL" at "A-/Stable"

TRIS Rating Co., Ltd. has affirmed the company and senior debenture ratings of Khon Kaen Sugar Industry PLC (KSL) at "A-" with "stable" outlook. The ratings reflect the company's long track record in the Thai sugar and sugarcane industry, its diversification into sugar-related businesses, and the efficient operations of its sugar mills. The ratings also take into consideration the company's exposure to the regulatory and operational risks of its sugar operations in Lao PDR and Cambodia, as well as the volatility of both sugar prices and the supply of sugarcane. The "stable" outlook reflects TRIS Rating's expectation that KSL will be able to maintain its market position in the Thai sugar industry. The sugarcane plantations and sugar mills in Lao PDR and Cambodia are expected to be profitable in FY2013 and FY2014, respectively. Although KSL will pursue investment plan during FY2012-FY2015, the company is expected to maintain a healthy financial position in the medium term.

TRIS Rating reported that KSL is one of the leading sugar producers in Thailand, established in 1945 by the Chinthammit family and associates. Currently, the Chinthammit family collectively holds 68.62% of the company's shares. The company owns and operates four sugar plants in Khon Kaen, Kanchanaburi, and Chonburi provinces, with a combined cane crushing capacity of 80,000 cane tonnes per day. The KSL Group has been able to procure 7.3 million tonnes of sugarcane in the 2011/2012 period and produced 753,393 tonnes of sugar. Its sugar production was ranked the fourth with a market share of 7.3% for the 2011/2012 period, following the Mitr Phol Group (19.14%), the Thai Roong Ruang Group (18.3%), and the Thai Ekkalak Group (11.2%). KSL's crushing yield, based on standard sugarcane, was 92.24 kilograms (kg.) per cane tonne, better than the industry average of 90.8 kg. per cane tonne.

TRIS Rating said, since 2006, KSL has expanded along the sugar value chain to maximize the utilization of sugarcane. KSL's sugar-related businesses include the electricity generation and ethanol production. During the last five years, revenue from the energy segment (electricity and ethanol) accounted for an average of 10% of total revenue. Earnings before interest, tax, depreciation and amortization (EBITDA) from the energy segment contributed around 20% of total EBITDA during the same period.

Apart from the sugar business in Thailand, KSL operates sugar plants in Lao PDR and Cambodia. The plants in Lao PDR and Cambodia started commercial production in FY2010. The amount of sugarcane procured for both plants was 300,299 tonnes in FY2011. KSL's sugarcane crushed in FY2012 dropped to 245,042 tonnes, due to bad weather conditions and a lack of skilled labor for the planting and harvesting tasks. All the raw sugar produced in the two plants is exported to the European Union (EU). KSL expects the sugar operations in Lao PDR and Cambodia to improve in coming years with the Lao PDR operations to be profitable in FY2013 and the Cambodia operations in FY2014.

In order to strengthen its ability to procure sugarcane, KSL relocated and then expanded the new sugar complex in Bo Ploy, Kanchanaburi province. The relocation and expansion required an investment of Bt7,250 million. The new sugar complex consists of sugar, ethanol, power, fertilizer, and biogas plants. The first phase of the Bo Ploy project commenced operation in FY2011 and the second phase started in FY2012. The third phase of Bo Ploy, plus a new sugar plant and power plant in Loei province, are expected to be completed and start commercial operation in FY2013.

KSL's financial performance improved during FY2011 through the first nine months of FY2012. Total revenue rose by 36% to Bt16,460 million in FY2011, from Bt12,071 million in FY2010. KSL's total revenue reached Bt18,325 million in the first nine months of FY2012. The growth in revenue was due primarily to the completion of a new sugar complex in Bo Ploy, which raised KSL's sugarcane crushing capacity to 80,000 cane tonnes per day. The electricity capacity sold to Electricity Generating Authority of Thailand (EGAT) increased to 30 megawatts (MW) in FY2011 and 40 MW in FY2012, from 20 MW in FY2010. In addition, the combined production capacity of the ethanol plants escalated to 350,000 liters per day in FY2012 from 150,000 liters per day in earlier years. The operating income before depreciation and amortization to sales ratio rose to 21.8% in FY2011 and 18.32% during the first nine months of FY2012, up from 13%-15% during FY2007-FY2009. Cash flow protection strengthened, as the ratio of funds from operations (FFOs) to total debt increased to 23.41% in FY2011, from 5.01% in FY2010 and 18.5% in FY2009. KSL's financial leverage remained high as the company invested in several projects, including the sugar plants in Lao PDR and Cambodia, the sugar complex in Bo Ploy, and the new sugar plant and power

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plant in Loei province. However, the ratio is expected to improve when the expansion projects are fully operational.

Global sugarcane production volumes and sugar prices are both very volatile. For the 2011/2012 season, sugarcane production in Thailand was around 98 million tonnes, a historical high, due to the favorable weather, more planting area, and a larger number of cane growers. The world price for raw sugar in January 2011 soared to 36.11 cents/pound (lb), as production in Brazil and Australia declined. The price eased in October 2011 to 28.87 cents/lb, due to a rise in sugar production in Thailand. Sugar prices in 2012 gradually decreased to 22.98 cents/lb in May 2012, from 24.05 cents/lb in January 2012. However, raw sugar prices are expected to slightly increase in the remainder of 2012 as a result of supply shortage from lower sugarcane production in Brazil and India, said TRIS Rating. – End

Khon Kaen Sugar Industry PLC (KSL)

Company Rating:

Affirmed at A-

Issue Ratings:

KSL12NA: Bt500 million senior debentures due 2012

Affirmed at A-

KSL14DA: Bt1,500 million senior debentures due 2014

Affirmed at A-

Rating Outlook:

Stable

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