TRIS
TRIS RATING
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News for Investors
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I.C.C. International Public Company Limited

Company Rating: AA
Rating Outlook: Stable

Rating History:	Company Rating	Issue Rating Secured	Issue Rating Unsecured
23 Mar 2005	AA	-	-
11 Jul 2002	AA-	-	-

Rating Rationale

TRIS Rating affirms the company rating of I.C.C. International PLC (ICC) at "AA". The rating reflects the company's debt-free status, proven capability and experience of its management team, a diverse range of products and brands, and its position as Thailand's leading distributor of lingerie, men's apparel, and cosmetics. ICC has a strategy to gradually develop its own specialty stores while keeping good relationships with both traditional and modern trade distribution channels. TRIS Rating expects this strategy will help the company sustain its strong market position. The rating also takes into consideration the low profitability typically associated with trading companies, the slowdown in private consumption, declining consumer confidence, and the complex shareholding structure of the Saha Group.

ICC is one of Thailand's largest wholesalers and distributors, distributing and marketing consumer products, particularly lingerie, apparel, and cosmetics. The company offers more than 100 brands, under both foreign brands and its own brands. Most of its brands, such as Wacoal, Arrow, Lacoste, Guy Laroche, ELLE, and Itokin, are well accepted by Thai consumers.

The competence and experience of ICC's management team, together with support from suppliers within the Saha Group, has made the company a leading distributor in Thailand and allowed it to maintain its market-leading positions.

ICC is the clear leader in the middle- to high-end lingerie market, with a combined market share of 66%, measured as sales through department stores. Wacoal products are a major contributor, with a market share of around 58%. The success of Lacoste and Arrow products has sustained growth in sales of men's apparel since 1998. Men's apparel now makes up a large portion of total sales, rising from 25% in 2002 to 31% in 2007.

ICC's financial policies remain very conservative. The company has been debt-free since 2002. ICC had gradually reduced the amount of the guarantees extended to related companies from a peak of Bt2,046 million at the end of 1997 to Bt331 million at the end of March 2008.

As a result of the slowdown in private consumption together with the strategic decision to quit distributing prepaid phone cards, ICC's sales declined by 12.9% in 2007. The decline was mainly due to sluggish sales of lingerie (sales declined by 12.9%), men's apparel (down by 7.3%) and prepaid phone cards (down by 55%). Prepaid phone cards is a non-core business that had previously made large contributions to total sales (around 8%-9% of revenue during 2005-2006 and 5% in 2007). ICC's total sales during the first quarter of 2008 declined by 4.3% to Bt2,775 million from Bt2,899 million in 2007. This drop was due in part to the termination of the phone card distribution business at the end of 2007 and partly due to flat sales in core businesses. However, the company's financial profile remains very strong. Funds from operations (FFO) were Bt885 million in 2006 and Bt863 million in 2007, more stable than the sales performance during the same periods.

Some investors may have difficulty analyzing the individual company due to the cross-holding structures between ICC and other Saha Group's companies. However, all transactions among ICC and companies in the Saha Group conform to the regulations of the Stock Exchange of Thailand (SET) and Securities and Exchange Commission (SEC).

Rating Outlook

The "stable" outlook reflects TRIS Rating's expectation that ICC will maintain solid market shares across its product lines, despite intense competition. A conservative financial policy is the keystone of the company's rating.

Key Rating Considerations

Strengths/Opportunities

- Debt-free, with a strong financial profile
- Proven and experienced management team
- Diverse range of products and brands
- Thailand's leading distributor for the major brands

Weaknesses/Threats

- Low profitability
- Potential to support related companies during downturns

Corporate Overview

The Chokwatana family established ICC in 1964 to distribute cosmetics under the Japanese brand "PIAS". Over the past four decades, the company added many brands, and has been the leading distributor and wholesaler of fashion products in Thailand. The company is the major distributor for the Saha Group, which is one of Thailand's largest business groups. ICC was listed on the Stock Exchange of Thailand (SET) in 1978. More than 50% of ICC's shares are held by the Chokwatana family and various companies in the Saha Group, including ICC suppliers such as Thai Wacoal PLC, Thanulux PLC, People's Garment PLC, International Laboratories Corp., and Lion Corporation (Thailand) Ltd.

ICC's products can be classified into several broad product lines: cosmetics, men's apparel, lingerie or women's innerwear, women's outerwear, children's apparel, leather goods and accessories, sporting goods and household products. Lingerie, men's apparel and cosmetics have been the largest revenue contributors, accounting for around 26%-33%, 22%-27% and 12%-13% of ICC's total sales during 2003-2007, respectively. In addition to major international brands such as Wacoal, Arrow, Guy Laroche, ELLE and Lacoste, ICC has introduced its own brands and Saha Group brands, such as Enfant, Essence, St. Andrews, and BSC. The establishment of BSC Cosmetology in 2006 means that Saha Group's own brands make up an increasing portion of total sales, rising from 26% of total revenue in 2005 to 32% in 2006, 34% in 2007, and 35% during the first quarter of 2008.

Recent Developments

In 2007, ICC started to focus more on sourcing products outside Saha Group to cut costs. This selective sourcing policy will increase gross margins and provide more flexibility so that the company will be able to spend more on advertising and sales force incentives, which are necessary in a highly competitive environment amid slowing private consumption. However, ICC is unlikely to source a significantly portion of its goods from non-Saha Group companies because of the cross-holding structure within Saha Group and because of its long-term relationships with suppliers within Saha Group. In addition, most Saha Group companies are extremely cost competitive producers. Currently, more than 90% of ICC's products are supplied by the Saha Group, up from 83% in 2006.

INDUSTRY ANALYSIS

- ***Private consumption stronger since mid-2007; challenges lie ahead***

The recent slowdown in the global economy and rising inflation rates pose significant challenges to the growth of private consumption and the overall economy during the second half of 2008. For the first half of 2008, the inflation rate was 6.3% year-on-year compared with the 2.3% rate recorded in 2007. The latest Consumer Confidence Index (CCI) reported by the Center for Economic and Business Forecasting (CEBF) showed signs of a weakening economic outlook. After increasing from November 2007 to March 2008, the CCI declined to 79.9 in April 2008, 78.8 in May 2008 and 78.0 in June 2008. The decline in consumer confidence reflected rising concerns over political uncertainty and the higher cost of living that has resulted from soaring commodity and oil prices.

The decline in confidence runs contrary to perceptions that the economy was performing satisfactorily. During the first three months of 2008, the Thai economy grew by 6.0%, due in large part to the expected impact of the economic stimulus package and expectations of expanded economic activity. The consumer products industry in particular has benefited from growth in consumer spending since June 2007. In the first quarter of 2008, GDP grew by 6.0%, compared with 4.8% for all of 2007, while private consumption growth increased to 2.6% from 1.5% for 2007. The Office of the National Economic and Social Development Board (NESDB) has projected that private consumption will grow by 3.8% in 2008 and GDP will grow by 4.5%-5.5%.

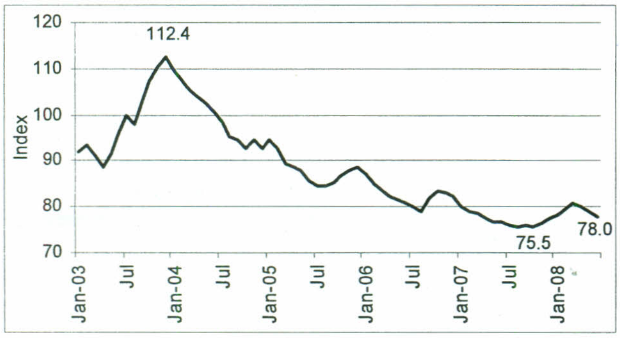
Table 1: Growth Rates (Year-on-Year) of GDP and Private Consumption

Unit: %

	2006	2007	2007				2008
	Full Year		Q1	Q2	Q3	Q4	Q1
GDP	5.1	4.8	4.2	4.3	4.8	5.7	6.0
Private Consumption	3.2	1.5	1.4	0.9	1.8	1.8	2.6

Source: NESDB

Chart 1: Consumer Confidence Index



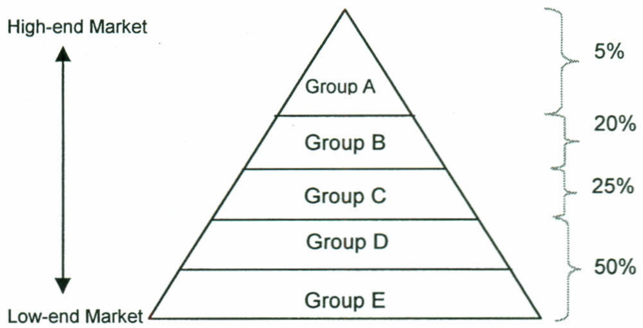
Source: CEBF

Lingerie:

- ***Lingerie market slows***

Demand for lingerie is determined by demographic factors, such as age and gender, and economic factors, including disposable income and unemployment. Slower GDP growth in 2007 also impacted lingerie demand. In 2007, the value of branded lingerie sold in department stores in Thailand totalled approximately Bt4,000 million, up only 1.2% from 2006. In 2007, the population in Thailand included more than 31 million women, a figure that increased by almost 200,000 per annum during 2005-2007. Demand for lingerie tends to grow as population rises and per capita income increases. Over the past few years, sales of fashion-styled lingerie have driven growth. Teenagers and young women, the main purchasers of fashion-styled lingerie, typically have higher buying frequencies than the working women or older adults groups. As lingerie is generally a necessity, demand is more stable than that of fashion and luxury clothing.

Chart 2: Lingerie Market Structure in Thailand



Source: ICC

The lingerie market in Thailand can be divided into five groups, based on price and image. In terms of value share, products in Group A, the high-end market, account for around 5% of total market sales. The products are either imported or made locally under license from international brands. Major brands in this segment are La Perla, Maidenform, Women's Secret, Marks & Spencer, and Lily of France. Lingerie in Groups B and C account for 20% and 25%, respectively, of total market sales. The leading brand in these segments is Wacoal, followed by Triumph, Sabina, and BSC. Groups D and E account for the remaining 50% of total market sales, with prominent brands such as POP Line, Jintana and Kullastri, as well as low-price products distributed through street vendors. These last two segments are believed to account for almost 70% of total lingerie units sold in Thailand.

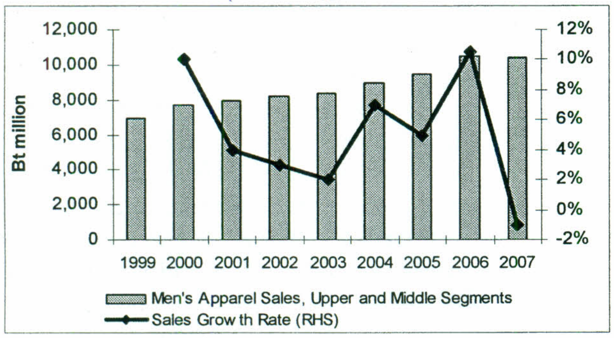
Competition has intensified in recent years. New international brands have entered the high-end market while low-price products, especially from China, target customers with low purchasing power. Among the various brands of lingerie sold in department stores and hypermarkets, Wacoal dominated the market around 58% market share followed by Triumph (13%) and Sabina (9%), based on 2007 total market sales. Young customers are mostly attracted by the desire to follow the latest fashion trends, and manufacturers continuously introduce new collections. For working women, a target group with higher brand loyalty than the younger customers, fit and suitable sizes are the major factors influencing the purchase decision. A certain degree of brand loyalty does exist, particularly in the high-end segment. At the low end of the market, where there are a number of small players, price is the strongest influence on consumer purchases. Though domestic producers face higher competition from imported products, domestically-produced lingerie has an advantage over imported goods because it is designed to fit the shapes of Thai women.

Men's Apparel:

- ***Sales flat in 2008***

As with other segments of the apparel market, demand for men's apparel is mainly determined by economic factors. In 2007, an uncertain economic and political situation and lower consumer confidence dampened apparel purchases. Sales in the upper and middle segments of the men's apparel market decreased by 1.0% in 2007, lower than the average growth of 6.1% in 2003-2006. Sales reached approximately Bt10,400 million in 2007. Should the political and economic uncertainty remain, the market may not expand in 2008. Though men tend to be more price sensitive than women, there is some brand loyalty in this market.

Chart 3: Sales of Men's Apparel in Upper and Middle Segments



Source: ICC

With approximately 82 men's apparel brands in Thailand, the market is segmented by price and brand image. The market is not as concentrated as the lingerie market as none of the leading men's apparel brands hold more than 25% market share by value. The high-end market comprises imported brands, such as Versace and Armani, and international brands, such as Lacoste, ELLE Homme, Guy Laroche, Excellency and Daks, which are manufactured locally under exclusive licenses. The major distribution channels are department stores and brand outlets. The middle segment of the market consists of the Arrow, GQ, John Henry and Getaway brands, which are also primarily distributed through department stores.

Competition in the men's apparel industry remains intense. After the textile and clothing industry was liberalized in 2005 following implementation of the World Trade Organization (WTO) agreement, competition from imported products has become more intense. While brand image is a major criterion for the upper end of the market, retailers will, from time to time, use price reduction campaigns to boost sales and clear stock. Manufacturers in the upper and middle segments of the market strive to increase market share by continuously and quickly introducing new products to meet changes in demand and lifestyle. To maintain market share and avoid price competition, they always conduct product research and development in order to attract customers with better quality products. Hypermarkets have increased competition in the lower-end segments by introducing private brands and pressuring manufacturers to improve production and distribution efficiency. In addition, free trade agreements (FTA) established between Thailand and other countries have increased competition in the Thai apparel industry, especially in the low-end market segment.

Cosmetics:

- ***Market growth dropped to 6% in 2007 amid more competition***

Thailand's cosmetics market generated sales of approximately Bt30,964 million in 2007, which was 6% higher than in 2006. The sales growth rate slowed from approximately 10% in the past few years as consumer purchasing power fell due to the economic slowdown and rise in oil prices. Demand for cosmetics is mainly affected by seasonal and social factors, such as fashion trends and lifestyles. The cosmetics market can be classified by distribution channel: counter sales, self-selection and direct sales.

The counter sales segment of the cosmetics market features large and attractive displays in department stores and trained "beauty advisors" who assist customers with services. Promotional activities, such as premiums, are the preferred competitive strategy, and price cuts are avoided as they are seen as damaging to brand image. The counter sales segment is highly competitive, especially competition among premium brands. The self-selection segment of the market reaches customers through displays in supermarkets, hypermarkets, specialty stores, and convenience stores. This segment uses advertising and pricing to motivate consumers to make purchases. The main feature of the self-selection segment is convenience, which is becoming more important for consumers. The third segment of the cosmetics market, direct sales, needs a large number of sales persons to communicate with consumers. The major strategies used to boost sales in this segment are advertising, product variety, and providing attractive returns to sales agents.

Cosmetics can also be divided by product type, such as makeup or skin care products. Demand for skin care products has continuously increased because consumers are more and more health-conscious. Products for men have potential growth, particularly skin care products. Manufacturers are increasingly using medical research to develop and introduce new products. Competition in the market is intense as domestic manufacturers must compete with an influx of imported brands. It is expected that the government's FTA policy will lower entry barriers for imported brands, boost sales of imported brands, and intensify competition in the domestic market.

BUSINESS ANALYSIS

The above-average business profile of ICC reflects the competence of its experienced management team and its proven capability as a leading distributor of lingerie, men's apparel, and cosmetics. Under the current climate of economic uncertainty, ICC's management team aims to hold sales performance in 2008, the same level as 2007. In the first quarter of 2008, although revenue declined slightly to Bt2,775 million from Bt2,899 million in the first quarter of 2007, net profit was relatively stable (Bt207 million in 2007 and Bt199 million in 2008). Expansion of its own sales channels and increased advertising are expected to drive sales growth during the next two to three years.

- ***Capable and experienced management team with comprehensive network***

ICC has been managed by the Chokwatana family since the company was established in 1964. The competence and extensive experience of the management team, together with support from suppliers within the Saha Group, have made the company a leading distributor in Thailand and allowed it to successfully maintain its leading positions in target markets. The major segments in which ICC has very strong competitive positions and significant market shares are lingerie, men's apparel and, to a lesser extent, cosmetics. Wacoal is the dominant brand in the lingerie market, while Arrow and Lacoste control significant shares of the middle- and upper-income men's apparel markets. In the cosmetics business, after halting sales of the PIAS brand, ICC successfully launched its own brand, BSC Cosmetology, in 2006. Sales of BSC Cosmetology were relatively stable during 2006-2007 at around Bt790 million, higher than sales of the PIAS brand, which averaged Bt648 million per annum during 2002-2004.

ICC's key distribution channel is department stores. However, the increasing influence of discount stores has prompted ICC to launch new brands, such as POP Line and St. Andrews, for distribution through this channel. Separate brands for different channels protects the premium brand image of products that are distributed through department stores. ICC maintains considerable bargaining power with its distribution channels due to its strong market position in a variety of products. However, there has been continuous pressure from the modern trade channels. As this channel has risen in popularity with consumers, the negotiating power of this channel has increased. ICC started investing in specialty stores under the "His and Her Shop" brand as a way to diversify its distribution channels. At the end of 2007, there were 18 "His and Her Shop" nationwide, with six shops in Bangkok and 12 shops upcountry.

- ***Extensive product diversification through strong relationships within the Saha Group***

ICC offers more than 100 long-established brands, including Wacoal, Arrow, Lacoste, Guy Laroche, ELLE, and Itokin, all of which have strong presences in the Thai market. Although the company relies heavily on international brand names, ICC has continuously launched its own brands, such as Kullastri, Enfant, Essence, St. Andrews, POP Line, and BSC. ICC plans to further develop BSC products to enable the brand to be a major contributor in the future.

ICC, which has always maintained a heavy reliance on suppliers under the Saha Group umbrella, has started sourcing from companies outside the Saha Group in obtaining the competitive cost of goods sold. ICC has equity investments in its suppliers and some of ICC's executives also hold management positions at suppliers. Some suppliers are also shareholders of ICC. The major benefit of this structure is that it ensures good cooperation with suppliers, which facilitates development of new products and raw materials.

- ***Continued leadership in lingerie***

ICC has maintained its dominant position in the lingerie market, which contributed an average of 28% of total sales during 2003-2007. ICC's lingerie brands had a combined market share measured by sales through department stores of around 66%-67% of the middle- to high-end markets in 2006-2007, down from 71% in 2005. The decline in market share resulted from Wacoal losing market share in the youth market when the company reacted slowly against a competitor's innovation. In addition, the company's low tier brands, e.g. POP Line and Kullastri also faced fierce competition from China as a result of lower import duties.

Despite the loss in market share, Wacoal is still the clear leader in the middle- to high-end lingerie market, with a market share of sales of 58% in 2007, equal to the 2006 share, but lower than a 61% share in 2005. Wacoal's market share peaked at 64% during 2001-2002, and gradually declined to 58% in part due to cannibalisation by other ICC's lingerie products, such as BSC and POP Line.

- ***Sustained growth for Arrow and Lacoste***

Men's apparel brands have gradually constituted an increasing portion of sales, rising from 22% in 2003 to 25% in 2005 and 2006 to 27% in 2007, and to 29% for the first quarter of 2008. ICC's most important brands in terms of sales contribution are Arrow and Lacoste. After declined by 3% in 2007, the combined sales of all product lines of these two brands reported 18.1% growth due to a substantial contribution from the Lacoste brand for the first quarter of 2008. The key factors contributing to the success in men's apparel were the continuous development of new products, innovation and design, brand image, various corporate social responsibility (CSR) campaign, and strong support from the Lacoste brand owner.

- ***BSC Cosmetology, a successful new product line***

Cosmetics have accounted for approximately 13% of ICC's sales since 2003. Due to the continued success of BSC Cosmetology, cosmetics were the segment that was least affected by the economic slowdown in 2007. By utilizing the former PIAS distribution channel and heavy brand investment, performance of the BSC Cosmetology product lines remained stable during 2006-2007. Annual sales were approximately Bt790 million during 2006-2007, which was higher than the annual sales of PIAS during 2002-2005. As a result, the contribution from the company's own brands increased from less than 30% before 2005 to 32% in 2006 and to 35% for the first quarter of 2008. The operating profit margin from cosmetics products recovered from 12.29% in 2005 to 15.10% in 2006 and to 17.89% in 2007.

- ***Inventory management systems completely implemented***

Nationwide, the company's distribution network includes around 6,300 sales counters that are staffed by full-time sales personnel. Each counter reports its sales and inventory level to the head office on a daily basis. The company has also established 82 ICC centers that act as upcountry information centers. ICC's years of experience have enabled it to develop a proprietary system for tracking daily sales and inventory. The company has completely implemented an on-line computer system (Quick Response Marketing System -- QRMS) that can process and link all real-time sales and inventory information between the company, suppliers, and its distribution network. This information system helps ICC place purchase orders with suppliers more efficiently and enables the company to respond more quickly to changing consumer preferences and demands.

FINANCIAL ANALYSIS

Despite relatively low profitability that is characteristic of companies in the trading business, ICC's liquidity, capital structure, and financial flexibility are very strong.

Company sales declined substantially in 2007, falling by 12.9% to Bt11,232 million from Bt12,888 million in 2006. However, net income from operations remained quite stable, slipping to Bt730 million in 2007 from Bt733 million in 2006. Funds from operations (FFO) was also slightly lower, declining to Bt863 million in 2007 from Bt885 million in 2006. The ability to stabilize the profit and cash flow numbers has come from the new policy to purchase products from suppliers outside the Saha Group. This policy was implemented in 2007 and accounted for around 10% of total purchases in 2007.

- ***Strong cash flow protection***

Cash flow protection is very strong because the company is debt-free. Contingent liabilities were also considered low at Bt331 million at the end of March 2008, gradually decreasing from Bt476 million in 2003. The ratio of adjusted FFO to total debt (including guarantees to related parties) has been over 200% since 2005. FFO had held relatively constant at Bt800-Bt900 million per year from 2003 to 2007. The company also had a high degree of financial flexibility, with Bt2,117 million in credit facilities available from various financial institutions at the end of March 2008.

At the end of March 2008, the book value of ICC's investments was Bt5,052 million, which provides additional financial flexibility. The total investments comprise Bt777 million in bank deposits and bills of exchange and Bt4,275 million in long-term investments. ICC's long-term investments in listed companies had a combined market value of around Bt2,952 million as of 31 March 2008.

- ***Conservative financial policy***

ICC has a conservative financial policy and management intends to maintain this policy in the future. Total debt has decreased continuously and the company has been debt-free since April 2002. The adjusted debt to capitalization ratio (including guarantees to related parties) was very low at 2.94% at the end of March 2008. Over the past five years, ICC has continuously reduced financial support to related parties. Guarantees to related companies also decreased, from Bt476 million in 2003 to Bt331 million as of March 2008. However, net loans to related companies increased to Bt242 million as of March 2008, up from Bt122 million as of December 2007. The rise was from the financial support to aid the expansion of related companies and to better utilize excess cash. TRIS Rating expects that additional investments will not alter the financial policy and that leverage will stay very low over the medium term.

- ***Margins improve slightly***

The major factors helping the company sustain stable profitability are the strong relationships and negotiating power with distribution channels and suppliers despite pressure from department stores, its major customers. Gross margins for the three major product categories (lingerie, men's wear, and cosmetics and perfumes) had been improving during 2003-2007. Cost of goods sold was approximately 70% of sales during 2003-2006 but declined to 67% in 2007 and 63.8% for the first quarter of 2008. The improvement was due to the commencement of a cost reduction program by sourcing products outside the Saha Group. However, gaining from the cost reduction program were partially offset by heavier marketing spending and staff incentives designed to boost demand during an uncertain economic environment. In 2007, marketing and sales force incentives increased to 11.5% of total sales from 10.5% of total sales in 2006. During the first quarter of 2008, marketing expenses and sales force incentives as a percentage of total sales stayed at 11.1%, but this is expected to increase for the whole year. As a result of the increased spending, selling and administrative expenses as a portion of total sales increased from 24.4% in 2006, to 28.2% in 2007 and 26.8% for the first quarter of 2008.

The gross margin tallied 36.18% for the first quarter of 2008, up from 32.96% in 2007 and 29.45% in 2006. The higher margin is related to improved sourcing and negotiation with suppliers. Operating income before depreciation and amortization as a percentage of sales was stable at around 6.1%-6.6% during 2003-2007, but rose to 10.7% for the first quarter of 2008, compared with 6.6% for the first quarter of 2007.

- ***Investments in related companies foster cooperation but low returns***

Return on permanent capital has traditionally been low as ICC has made substantial investments in related companies. In 2007, the return of 8.90% was slightly lower than the 10.24% reported in 2006. The total value of investments increased from Bt3,261 million in 2003 to Bt4,430 million as of December 2007 and to Bt4,275 million as of March 2008, or 33% of total assets. These investments are considered necessary because most of the related companies support ICC's operations.

Financial Statistics and Key Financial Ratios

Unit: Bt million

		---------------- Year Ended 31 December -------------				
	Jan-Mar 2008	2007	2006	2005	2004	2003
Sales	2,775	11,232	12,888	11,555	9,908	8,845
Gross interest expense	0.19	0.52	0.49	0.08	-	0.01
Net income from operations	199	730	733	686	675	409
Funds from operations (FFO)	248	863	885	822	792	677
Capital expenditures	23	388	586	101	136	156
Total assets	12,876	12,817	13,146	12,297	11,108	10,252
Total debt	-	-	-	-	-	-
Guarantees to related companies	331	332	333	392	439	476
Shareholders' equity	10,940	10,893	10,554	9,771	9,041	8,488
Operating income before depre. and amort. as % of sales	10.66	6.13	6.11	6.35	6.47	6.62
Pretax return on permanent capital (%)	2.72**	8.90	10.24	10.42	9.58	7.46
Earnings before interest, tax, depre. and amort. (EBITDA) interest coverage (times)	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.
FFO/total debt * (%)	74.94**	260.34	265.65	209.44	180.55	142.15
Total debt/capitalization* (%)	2.94	2.95	3.06	3.86	4.63	5.31

n.m. *Not materialized*
* *Including contingent liabilities of guarantees to related companies*
** *Non-annualized*

Rating Symbols and Definitions

TRIS Rating uses eight letter rating symbols for announcing medium- and long-term credit ratings. The ratings range from AAA, the highest rating, to D, the lowest rating. The medium- and long-term debt instrument covers the period of time from one year up. The definitions are:

AAA The highest rating, indicating a company or a debt instrument with smallest degree of credit risk. The company has extremely strong capacity to pay interest and repay principal on time, and is unlikely to be affected by adverse changes in business, economic or other external conditions.

AA The rating indicates a company or a debt instrument with a very low degree of credit risk. The company has very strong capacity to pay interest and repay principal on time, but is somewhat more susceptible to the adverse changes in business, economic, or other external conditions than AAA rating.

A The rating indicates a company or a debt instrument with a low credit risk. The company has strong capacity to pay interest and repay principal on time, but is more susceptible to adverse changes in business, economic or other external conditions than debt in higher-rated categories.

BBB The rating indicates a company or a debt instrument with moderate credit risk. The company has adequate capacity to pay interest and repay principal on time, but is more vulnerable to adverse changes in business, economic or other external conditions and is more likely to have a weakened capacity to pay interest and repay principal than debt in higher-rated categories.

BB The rating indicates a company or a debt instrument with a high credit risk. The company has less than moderate capacity to pay interest and repay principal on time, and can be significantly affected by adverse changes in business, economic or other external conditions, leading to inadequate capacity to pay interest and repay principal.

B The rating indicates a company or a debt instrument with a very high credit risk. The company has low capacity to pay interest and repay principal on time. Adverse changes in business, economic or other external conditions could lead to inability or unwillingness to pay interest and repay principal.

C The rating indicates a company or a debt instrument with the highest risk of default. The company has a significant inability to pay interest and repay principal on time, and is dependent upon favourable business, economic or other external conditions to meet its obligations.

D The rating for a company or a debt instrument for which payment is in default.

The ratings from AA to C may be modified by the addition of a plus (+) or minus (-) sign to show relative standing within a rating category.

TRIS Rating's short-term ratings focus entirely on the likelihood of default and do not focus on recovery in the event of default. Each of TRIS Rating's short-term debt instrument covers the period of not more than one year.The symbols and definitions for short-term ratings are as follows:

T1 Issuer has strong market position, wide margin of financial protection, appropriate liquidity and other measures of superior investor protection. Issuer designated with a "+" has a higher degree of these protections.

T2 Issuer has secure market position, sound financial fundamentals and satisfactory ability to repay short-term obligations.

T3 Issuer has acceptable capacity for meeting its short-term obligations.

T4 Issuer has weak capacity for meeting its short-term obligations.

D The rating for an issuer for which payment is in default.

All ratings assigned by TRIS Rating are local currency ratings; they reflect the Thai issuers' ability to service their debt obligations, excluding the risk of convertibility of the Thai baht payments into foreign currencies.

TRIS Rating also assigns a *"Rating Outlook"* that reflects the potential direction of a credit rating over the medium to long term. In formulating the outlook, TRIS Rating will consider the prospects for the rated company's industry, as well as business conditions that might have an impact on its fundamental creditworthiness. The rating outlook will be announced in conjunction with the credit rating. In all cases, the outlook assigned to a company will apply to all debt obligations issued by the company. The categories for *"Rating Outlook"* are as follows:

Positive The rating may be raised.
Stable The rating is not likely to change.
Negative The rating may be lowered.
Developing The rating may be raised, lowered or remain unchanged.

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