TRIS RATING

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News for Investors

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Contacts	E-mail Addresses
Sarinthorn Sosukpaibul	sarinthorn@trisrating.com
Pramuansap Phonprasert	pramuansap@tris.co.th
Rungtip Charoenvisuthiwong	rungtip@tris.co.th
Ruangwud Jarurungsipong	ruangwud@tris.co.th
Watana Tiranuchit,CFA	watana@tris.co.th

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/Stable	-	-
12 Jul 2004	AA-/Stable	-	-
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 the management team, a diverse range of products and brands, and the firm's position as Thailand's leading distributor of lingerie, men's apparel, and cosmetics. ICC has a strategy to develop its own specialty stores while maintaining good relation with both the department store and the 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, both foreign and its own brands. Most of its brands, such as Wacoal, Arrow, Lacoste, Guy Laroche, and ELLE, are well accepted by Thai consumers. The competence and experience of ICC's management team, together with support from suppliers within the Saha Group, have made the company a leading distributor in Thailand and allowed it to maintain market-leading positions.

ICC is the leader in the middle- to high-end lingerie market, with a combined market share of 65.4%, measured by sales through department stores. The Wacoal product line is a major contributor, with a market share of around 58%, generating 22% of ICC's sales in 2008. Lacoste and Arrow products are the main men's apparel product lines. Men's apparel now makes up a large portion of total sales, contributing 27% of total sales in 2008.

ICC has very conservative financial policies, having been debt-free since 2002. The company has made guarantees to related companies in order to strengthen its supply chain. Though gradually declining, these contingent liabilities remain. The total amount of outstanding guarantee obligation was Bt322 million at the end of March 2009.

Total sales during 2008 and the first three month of 2009 were Bt10,947 million and Bt2,518 million, which dropped by 2.5% and by 9.3% year-on-year (y-o-y), respectively. The decline in 2008 was due in part to the transfer of the business of the "108 Shop" to Saha Pathanapibul PLC. Sales in the core businesses rose slightly. The economic contraction since the end of 2008, however, has impacted on consumer purchases and pressured the company's operations in the first three months of 2009. Sales slipped in the first three months of 2009, mainly due to sluggish sales of the main businesses. Sales of lingerie declined by 3.5%, sales of men's apparel dropped by 20.9%, and sales of cosmetics products fell by 8.1%.

Operating profit margins during 2004-2007 were above 6% and relatively stable. The margins improved to 7.1% in 2008 after efforts to increase the efficiency of the supply chain. However, at the end of March 2009, the current economic crisis pushed the margin down to 4.5%. Falling margins were largely a result of the increase in selling and administrative cost such as promotional and marketing campaigns and the increase in number of counter sales persons.

Liquidity remains comparatively strong as the company is debt free and has a stable pattern of operating cash flow. Funds from operations (FFO), which averaged around Bt840 million per annum during 2004-2007, increased to Bt988 million in 2008. However, as a result of the increase in selling and administrative expenses and the economic slowdown, FFO was Bt151 million in the first quarter of 2009.

Though ICC and other Saha Group's companies have a complex cross-holding structure, 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 the expectation that ICC will maintain solid market shares across its product lines, despite intense competition. A conservative financial policy strongly supports the company's credit quality. However, the deteriorating profitability, if continued, will be a negative factor for the 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 major brands

Weaknesses/Threats

- Low and deteriorating profitability
- Potential to support related companies during downturns
- Declining private consumption from the economic contraction

Corporate Overview

The Chokwatana family established ICC in 1964 to distribute cosmetics under the Japanese brand "PIAS" (discontinued in 2005). Over the past four decades, the company added many brands to its portfolio. ICC 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 SET in 1978. Around 55% of ICC's shares are held by the Chokwatana family and various companies in the Saha Group, including its 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 during the last five years. In addition to major international brands such as Wacoal, Arrow, Guy Laroche, ELLE and Lacoste, ICC has introduced its own brands, such as Enfant, Essence, St. Andrews, and BSC. The establishment of BSC Cosmetology in 2006 enlarged the contribution from ICC's own brands. Own brands were 32% of total revenue in 2006, and rose to 36% during the first quarter of 2009.

Table 1: Percentage of ICC's Revenue Contribution by Product Lines

Unit: %

Product Line	2006	2007	2008	Jan-Mar 2009
Cosmetics	**11.6**	**12.8**	**13.3**	**13.4**
Lingerie	**25.8**	**25.8**	**27.8**	**29.0**
Men's wear	**25.0**	**26.5**	**27.4**	**25.5**
Women's apparel	3.9	3.4	3.7	4.0
Household products	7.9	8.8	9.6	10.2
Children's apparel	4.0	4.1	4.1	4.4
Leather goods & accessories	6.2	6.6	7.3	7.5
Sporting goods & toys	3.8	4.2	4.4	4.9
Others	11.9	7.9	2.5	1.1
Total	**100**	**100**	**100**	**100**

Source: ICC

Recent Developments

- ***His&Her achieved one million member subscriptions***

ICC plans to strengthen its own distribution channel, His&Her shops. The company first launched His&Her shops, together with His&Her Plus Point membership program, in 2004 to expand market coverage for ICC products. His&Her shops offer the full range of ICC's fashion products including men's apparel, women's apparel, cosmetics and some leather goods. ICC had 51 His&Her shops nationwide at the end of June 2009, and achieved one million member subscriptions in April 2009. His&Her shops are expected to be a growth driver to cope with the economic slowdown and to capture customer demand outside department stores. ICC plans to expand to 70 His&Her outlets by the end of 2009.

INDUSTRY ANALYSIS

- ***Sluggish economy and political instability discouraged private consumption***

The consumer products industry currently faces a slowdown in private sector spending. In the first quarter of 2009, Thailand's private consumption contracted by 2.6% y-o-y, compared with growth of 2.1% y-o-y in the previous quarter. Gross domestic product (GDP) growth in the first quarter of 2009 contracted 7.1% y-o-y, more than the 4.2% y-o-y drop recorded in the fourth quarter of 2008. The major negative factors which have dampened the Thai economy and private consumption are the global economic crisis and the political uncertainty in Thailand. The consumer confidence index (CCI) reported by the Center for Economic and Business Forecasting (CEBF) of the University of the Thai Chamber of Commerce continues to show a weak economic outlook. The CCI slightly improved to 72.5 in June 2009 from 71.5 in May 2009, after a four-month decline since February 2009. The rebound is based on hopes that the economic situation will improve after Parliament authorised Bt800 billion in new borrowing as part of a three-year (2010-2012) stimulus package. However, the prolonged low level of consumer confidence reflects rising concerns over the world economic outlook which was worsen by the quick spread of influenza A (H1N1), plus political tension and rising unemployment in Thailand.

Table 2: Growth Rates (Y-O-Y) of GDP and Private Consumption

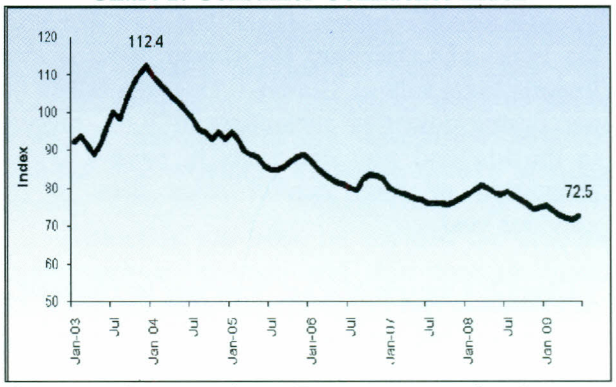
Unit: %

	2007	2008	2008				2009
	Full Year		Q1	Q2	Q3	Q4	Q1
GDP	4.9	2.6	6.0	5.3	3.9	-4.2	-7.1
Private consumption	1.6	2.5	2.7	2.5	2.7	2.1	-2.6

Source: The National Economic and Social Development Board (NESDB)

To alleviate the impact of the economic downturn, the Thai government has launched several fiscal measures to stimulate the economy and to ease the cost of living. The government stimulus packages should at least provide short-term support for the consumer products industry. The Bank of Thailand (BOT) has projected that private consumption will contract in the range of -3.0% to -1.0% in 2009 and GDP will contract in the range of -4.5% to -3.0%. The domestic political instability and the global economic contraction will continue to constrain the growth of private consumption and the overall economy for the remainder of 2009 and well into 2010.

Chart 1: Consumer Confidence Index



Source: Center for Economic and Business Forecasting (CEBF), University of the Thai Chamber of Commerce

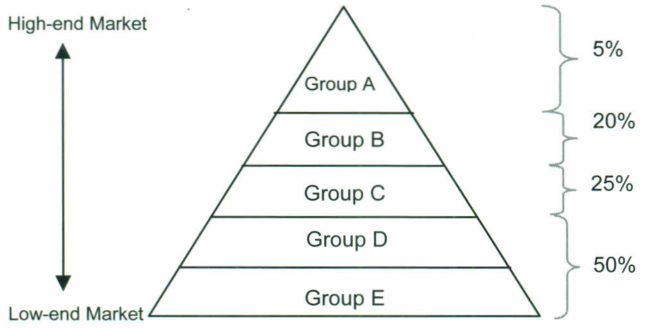
Lingerie:

- ***Market slows due to lower purchasing power***

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 2008 dampened lingerie demand. In 2008, the value of branded lingerie sold in department stores in Thailand totalled approximately Bt3,900 million, a drop of 2.9% from 2007. In 2008, the population in Thailand included more than 32 million women, a figure that increased by almost 200,000 women per annum during 2005-2008. Demand for lingerie tends to grow as population rises and per capita income increases. In 2009, lingerie sales are expected to weaken due to both economic and political uncertainty. 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 working women or older adults. As lingerie is generally a necessity, demand is more stable than that of fashion and luxury clothing.

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, Victoria 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. Due to a fall in the purchasing power of consumers in 2009, lingerie in the low-end segment tends to have a higher proportion of total market sales than in the previous year.

Chart 2: Lingerie Market Structure in Thailand



Source: ICC

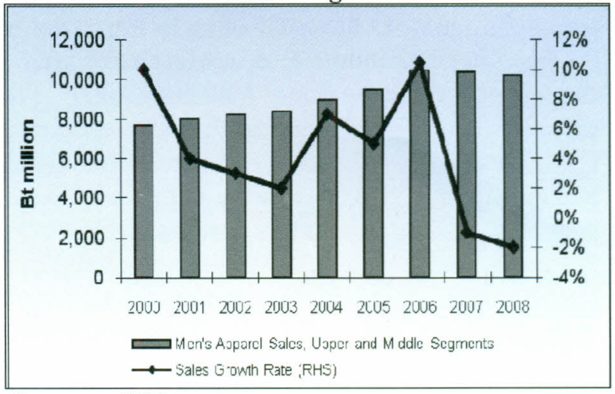
Competition has intensified in recent years. New international brands have entered the high-end market while low-price products, especially from China, target customers with low purchasing power. Among the various brands of lingerie sold in department stores and hypermarkets, Wacoal dominated the market with around 58% market share, followed by Triumph (12%) and Sabina (10%), based on 2008 total market sales. As consumption and consumer sentiment are expected to remain low in 2009, competition has been heightened. Competitors now frequently launch new designs and new collections, offer price discounts, and offer more sales promotion. Young customers are mostly attracted by the desire to follow the latest fashion trends which urge manufacturers to 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 may shrink further in 2009***

As with other segments of the apparel market, demand for men's apparel is mainly determined by economic factors. In 2008, 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 1.9% in 2008, lower than the average growth of 4.8% in 2003-2007. Sales reached approximately Bt10,200 million in 2008. Should the political and economic uncertainty remain, the market may shrink in 2009. 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 83 men's apparel brands in department stores 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 holds 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 increased. 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. The recent economic contraction has intensified competition. Competitors have used price cuts and more promotional activities to attract customers. Manufacturers in the upper and middle segments of the market also 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, producers conduct research and product 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 diminished amid more competition***

Demand for cosmetics is mainly affected by seasonal and social factors, such as fashion trends and lifestyles. Thailand's cosmetics market generated sales of approximately Bt32,500 million in 2008, which was 5% higher than in 2007. The sales growth rate slowed from approximately 10% in 2003-2007 as consumer purchasing power fell due to the economic slowdown. Economic factors have continued to impact cosmetics sales. However, although cosmetics are considered a necessity, the sales growth rate in 2009 may drop slightly from 2008.

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 damage to brand image. The counter sales segment is highly competitive especially 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 and 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. The impact from the economic slowdown has put pressure on the operating performance in a short to medium term. Expansion of its own sales channels and increased promotional campaign are tools used to compete in the negative economic climate.

- ***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 the target markets. The major segments in which ICC has very strong competitive positions and significant market shares are lingerie, men's apparel, and cosmetics.

ICC's key distribution channels are department stores and modern trade. ICC has more than 6,000 counter sales persons nationwide, staffed by full-time sales personnel. Department stores are one of the distribution channels for premium brand products to capture medium- to high-income consumers. In addition, ICC also offers economy brands, such as POP Line and St. Andrews through modern trade or discount stores. 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 has gradually developed its own specialty stores under the "His&Her Shop" name as a way to diversify into distribution channel and to capture the changing behavior of consumers. Consumers are increasingly seeking alternatives outside department stores. At the end of June 2009, the company rolled out 51 His&Her outlets nationwide. His&Her shops provide flexibility to attractively present its products and to offer promotional packages. Moreover, to create a brand loyalty, His&Her shops offer a membership program, His&Her Plus Point, to provide benefits to members. His&Her Plus Point achieved one million subscribers in April 2009.

To support the company's nationwide distribution network, ICC developed 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.

- ***Extensive product range through strong relation within Saha Group***

ICC offers more than 100 long-established brands, including Wacoal, Arrow, Lacoste, Guy Laroche, and ELLE, 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 has maintained a heavy reliance on suppliers under the Saha Group umbrella. 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 to ensure good cooperation with suppliers. This in turn facilitates development of new products and raw materials which are key success factors in a fashion-driven business. However, ICC has an option to source supplies from companies outside the Saha Group in order to obtain competitive costs, and indirectly improve group efficiency.

- ***Continued leadership in lingerie***

Sales of lingerie products was the largest contributor, accounting for 28%-29% of ICC's total sales in 2008 and the first quarter of 2009. ICC has maintained its dominant position in the middle- to high-end lingerie market. Measured by sales through department stores, all ICC's lingerie brands have a combined market share around 65%-66% from 2007 through the first quarter of 2009. This share percentage slipped from 67.5% in 2006. The decline in market share resulted from the fierce competition in the domestic market as some brand manufacturers shifted production capacity from exports to the domestic market. Wacoal, however, is still the clear leader in the middle- to high-end lingerie market, with a stable market share of 58%. Wacoal's market share peaked at 64% during 2001-2002, and gradually declined to 58% partly due to cannibalization by other ICC lingerie products, such as BSC and POP Line, and aggressive competition from rivals.

- ***Arrow and Lacoste, the main contributors in men's apparel***

Men's apparel brands have gradually constituted an increasing portion of sales, rising from 24% of total sales in 2004 to 27% in 2008, though down slightly to 26% in the first quarter of 2009. ICC's most important brands in terms of sales contribution are Arrow and Lacoste. The combined sales of all product lines of these two brands constituted 19% of total sales in 2008, but fell to 16.8% in the first three months of 2009. The decline was due to the economic downturn and the significant drop in Lacoste sales. Lacoste Thailand has been approved by the licensor to produce their own products to suit the climate and demand of Thai consumers for the remainder of 2009.

ICC has maintained long relation with many licensors. The relation with the licensor is an important factor and contributed to ICC's successful history. The long negotiation process, however, could negatively impact performance.

- ***BSC Cosmetology, a successful house brand***

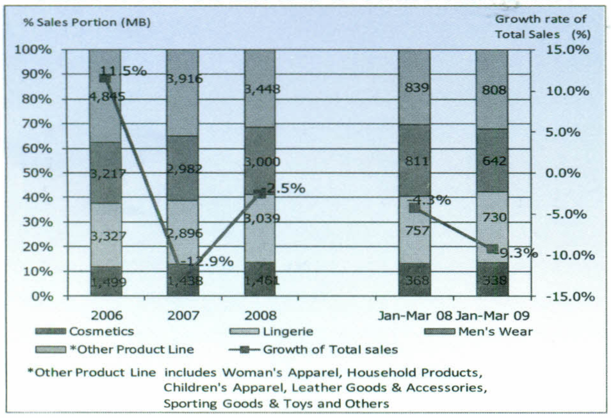
Cosmetics accounted for approximately 13% of total sales in 2008. Since being introduced in 2006, BSC Cosmetology has performed well with annual sales of approximately Bt800 million during 2007-2008. BSC Cosmetology substituted for the contribution from the PIAS product line which was discontinued in 2005. In addition, BSC Cosmetology reflects the ability and capacity of ICC to manage new brands. Besides managing the licensed brands, ICC has continuously launched its own brands of various products which help minimize the dependency on product licenses. The contribution from BSC Cosmetology boosted the portion of own-brands from 32% of total revenue in 2006 to 36% during 2008 and the first quarter of 2009. The operating profit margin from cosmetics products also improved, rising from 12.29% in 2005 to 16.81% in 2008 and to 16.84% in the first three months of 2009.

- ***Performance hurt by economic slowdown***

Total sales of 2008 were Bt10,947 million, down by 2.5% y-o-y. The decline was mainly due to the transfer of the business of the "108 Shop" to Saha Pathanapibul PLC and the cease of prepaid phone cards distribution. If considering core business segments, revenue from product sales in 2008 increased 3.2% y-o-y.

The economic downturn pressured on ICC's performance. As a result, sales of the first quarter of 2009 fell further, dropping by 9.3% y-o-y. The decline was due to drops in the main businesses. Lingerie sales declined by 3.5%, men's apparel sales dropped by 20.9%, and cosmetics sales slipped by 8.1%. Compared with the first quarter of 2008, all three main businesses had positive y-o-y growth rates.

Chart 4: ICC's Sales and Growth Performance



Source: ICC

To cope with the economic downturn, the company plans to stimulate sales and boost the full year performance by launching more interesting promotional campaigns and events to attract customers. In addition, developing new products and expansion of the distribution channel are expected to help strengthen performance. However, if the current economic slump continues for a long period, it would have a further negative effect on private consumption, and thus adversely affect the company's operating performance.

FINANCIAL ANALYSIS

ICC's financial profile remains very strong derived from its debt-free position and improving operating performance. However, the economic contraction cuts consumer purchasing power, pressuring on sales and profits in 2009. Margins are deteriorating and returns on investment may be lower in the year to come.

- ***Margins decline***

Overall gross margins improved substantially during 2007-2008 through attempts to negotiate with the Saha Group and through sourcing from unaffiliated companies. ICC's cost of goods sold across all product lines declined from over 70% of sales in 2006, to 67% in 2007, and to 64%-65% in 2008 and the first quarter of 2009, respectively. However, gains from the reductions in cost of goods sold were partially offset by heavier marketing spending and promotional campaigns to boost demand, especially in an uncertain economic environment.

Operating profit increased to 7.1% in 2008 from 6% in the past, because cost of goods sold was under tighter control. However, margins declined to 4.5% in the first three months of 2009. Falling margins were largely a result of increases in selling and administrative costs such as marketing campaigns and the increase in number of counter sales persons. Selling expense increased from 18.7% of total sales in 2007, to 20% in 2008, and to 20.9% in the first quarter of 2009.

TRIS Rating believes ICC's operating margins will be under pressure in a short to medium term during the economic contraction. Cost control by sourcing low priced raw materials, as well as new innovative products, and sales stimulation activities may be required to boost overall margin. Further declines in margin, however, could be a negative factor to the credit rating.

- ***Strong cash flow protection***

Cash flow protection is strong since the company has no debt service obligations and minimal capital expenditures for normal operation. However, ICC has maintained contingent liabilities of around Bt320-Bt330 million since 2006.

FFOs have held relatively strong at over Bt800 million per year during 2005-2007. FFOs increased 14.5% y-o-y in 2008, partly due to the improved operating performance and high dividend receipt. The ratio of adjusted FFOs to total debt (including guarantees to related parties) increased from over 200% in the past to 302.8% in 2008. However, at the end of March 2009, the ratio dropped to 46.8% (non-annualized) due to a weak operating performance. The effects from the current economic contraction will probably make ICC to receive lower dividends in the near future and may reduce the effectiveness of its strategy to promote the sales.

In addition to strong FFOs, the company also had a high degree of financial flexibility, with Bt955 million consists of cash in hand, deposited cash in bank and bills of exchange, and Bt2,526 million in credit facilities available from various financial institutions at the end of March 2009.

- ***Conservative financial policy***

ICC has a conservative financial policy, which the management team intends to maintain in the future. Despite relatively low profitability that is a characteristic of trading companies, ICC's liquidity, capital structure, and financial flexibility are strong. The company has been debt-free since April 2002. Over the past five years, ICC has continuously reduced the amount of financial support given to related parties. Guarantees to related companies also decreased, from Bt439 million in 2004 to Bt322 million as of March 2009. The adjusted debt to capitalization ratio (including guarantees to related parties) was very low at 2.8% at the end of March 2009.

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

At the end of March 2009, the book value of ICC's long-term investments was Bt4,280 million or 32% of total assets. Return on permanent capital has traditionally been low as ICC has made substantial investments in related companies. In 2008, the return was 9.5%, slightly higher than the 8.9% reported in 2007, and 1.5% (non-annualized) reported in the first quarter of 2009.

ICC provides loans to related companies. The outstanding amount increased from Bt122 million in 2007, to Bt359 million as of December 2008, and to Bt228 million outstanding as of March 2009. The increase in loans to related companies was from the financial support to aid the expansion of related companies. This raises concerns on returns on investment and future policy. The investments and other supports to related companies are considered necessary because most are suppliers of ICC. TRIS Rating expects that ICC will maintain a conservative financial policy and consider additional investments with an eye towards maximizing the benefits of the group as a whole.

Financial Statistics and Key Financial Ratios

Unit: Bt million

	Jan-Mar 2009	---------------- Year Ended 31 December ------------- 2008	2007	2006	2005	2004
Sales	2,518	10,947	11,232	12,888	11,555	9,908
Gross interest expense	0.1	0.7	0.5	0.5	0.1	-
Net income from operations	114	779	730	733	686	675
Funds from operations (FFO)	151	988	863	885	822	792
Capital expenditures	29	87	386	586	101	136
Total assets	13,183	13,277	12,817	13,146	12,297	11,108
Total debt	-	-	-	-	-	-
Guarantees to related companies	322	326	332	333	392	439
Shareholders' equity	11,151	11,129	10,893	10,554	9,771	9,041
Operating income before depreciation and amortization as % of sales	4.5	7.1	6.1	6.1	6.4	6.5
Pretax return on permanent capital (%)	1.5 **	9.5	8.9	10.2	10.4	9.6
Earnings before interest, tax, depreciation and amortization (EBITDA) interest coverage (times)	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.
FFO/total debt * (%)	46.8 **	302.8	260.3	265.7	209.4	180.6
Total debt/capitalization* (%)	2.8	2.8	3.0	3.1	3.9	4.6

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 the fundamental creditworthiness of the company. The rating outlook will be announced in conjunction with the credit rating. In most cases, the outlook of each debt obligation is equal to the outlook assigned to the issuer or the obligor. 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.

TRIS Rating may announce a **"CreditAlert"** as a part of its monitoring process of a publicly announced credit rating when there is a significant event that TRIS Rating considers to potentially exerting a substantial impact on business or financial profiles of the rated entity. Due to an insufficient data or incomplete developments of the event, such as merger, new investment, capital restructuring, and etc., current credit rating remains unchanged. The announcement aims to forewarn investors to take a more cautious stance in investment decision against debt instruments of the rated entity. CreditAlert report consists of a "Rational" indicating warning reasons, a "CreditAlert Designation", and a current credit rating. Rating Outlook is withheld in the announcement.

CreditAlert Designation illustrates a short-term rating outlook indicative of the characteristics of impacts on the credit rating in one of the three directions (1) *Positive* (2) *Negative* and (3) *Developing.*

For subscription information, contact
TRIS Rating Co., Ltd., Office of the President, Tel: 0-2231-3011 ext 500
Silom Complex Building, 24th Floor, 191 Silom Road, Bangkok 10500, Thailand, www.trisrating.com