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	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, management team with proven capability and experience, a diverse portfolio of products and brands, solid relations with department stores and discount stores, and the firm's position as Thailand's leading distributor of lingerie, men's apparel, and cosmetics. The rating also takes into consideration the low profitability typically associated with trading companies, lower consumer confidence amid Thai political unrest, and the complex shareholding structure of the Saha Group.

ICC is one of Thailand's largest wholesalers and distributors, who operates marketing activities and distributes consumer products, particularly lingerie, apparel, and cosmetics under both international brands and its own brands. The company offers more than 80 brands. The international brands under the ICC umbrella such as Wacoal, Arrow, Lacoste, Guy Laroche, and ELLE are well-accepted by the Thai consumers. ICC's products are available in department stores, discount stores and shops in nearly 3,600 locations nationwide. The competence and experience of ICC's management team, together with support from suppliers within the Saha Group, have allowed the company to maintain market-leading positions. ICC has dominated the middle- to high-end lingerie market, with a combined market share over 60%, measured by sales through department stores. The Wacoal product line is a major contributor, with a market share of around 57%. This product line alone generated 22% of ICC's sales in 2009 and the first quarter of 2010. Men's apparel made up a large portion of total sales, contributing 26%-27% of total revenue in 2009 and the first quarter of 2010. Lacoste and Arrow products are the main men's apparel product lines. The cosmetics segment generated approximately 13% of ICC's total sales during the same period. BSC Cosmetology is the core product in the cosmetics segment with annual sales of approximately Bt800 million.

ICC maintains conservative financial policies, making its financial profile very strong. The company has had no debt obligations since 2002 and has minimal capital expenditures. The company has made guarantees to related companies in order to strengthen its supply chain. However, the amounts of these contingent liabilities have gradually declined. The total amount of outstanding guarantees was Bt152 million at the end of March 2010, compared with Bt322 million at the end of March 2009.

The fragile economy in 2009 adversely affected consumer confidence, shrinking ICC's sales and margins. Total sales in 2009 were Bt10,649 million, down 2.7% from 2008. The operating profit margin in 2009 declined to 4.9%, compared with over 6% each year during 2004-2008. Falling margins were largely a result of more aggressive promotional and marketing campaigns and an increase in the number of counter sales persons. However, for the first quarter of 2010, operating performance recovered. Revenue for the first three months of 2010 reached Bt2,707 million, up 7.5% from the same period of the previous year. The operating margin also improved to 7.21% of total sales, driven by continuing cost control initiatives.

Prolonged political unrest in Thailand could make the economy unstable and have a negative impact on consumer confidence. The recent political crisis in Bangkok worsened consumer sentiment, particularly in the second quarter of 2010. A number of major shopping centers, especially in the Rajprasong area, were shut down for nearly one month. The political chaos and the fire at the Central World shopping center caused Bt100 million damage of ICC's asset, including sales points, shops, and inventory. ICC estimated an approximately Bt100 million loss in sales during April and May 2010. However, thanks to ICC's diverse nationwide distribution channels, the sales from the Bangkok suburban outlets and upcountry can mitigate the fall in sales from the Rajprasong area. The company plans to boost the full year sales performance by launching more interesting promotional campaigns and events plus increasing the marketing activity frequency to attract customers and boost consumer sentiment.

Liquidity remains strong as ICC has maintained a debt free position. Fund from operations (FFO) was Bt833 million in 2009, compared with an average of Bt890 million per annum for the last four years. FFO in the first quarter of 2010 was Bt166 million, up 10% from the same period in the prior year. However, the return on permanent capital has gradually dropped since ICC has accumulated its equity base over the years and has maintained a moderate dividend payout.

Although ICC and other Saha Group companies have a complex cross-holding structure, all transactions between ICC and companies in the group conform to the regulations of the Stock Exchange of Thailand (SET) and the Securities and Exchange Commission (SEC).

Rating Outlook

The "stable" outlook reflects TRIS Rating's expectation that ICC will sustain its solid market positions across its product lines despite intense competition. A diverse product portfolio and conservative financial policy strongly support the company's credit quality.

Key Rating Considerations

Strengths/Opportunities

- Debt-free, with a strong financial profile
- Experienced management team
- Diverse range of products and brands
- Extensive distribution channels
- Thailand's leading distributor for major product segments

Weaknesses/Threats

- Low profitability
- Potential to support related companies during financial downturns
- Lower consumer confidence amid political chaos

Corporate Overview

ICC was established by the Chokwatana family in 1964 initially to distribute imported cosmetics products. ICC has continuously extended its product portfolio to cover over 80 brands, mainly fashion and apparel products. 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. Approximately 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 product portfolio can be classified into several 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. Currently, its own brands contributed at 35% of total sales.

Table 1: ICC's Revenue Contribution by Major Product Line

Unit: %

Product Line	2007	2008	2009	Jan-Mar 2010
Cosmetics	**12.8**	**13.3**	**13.0**	**13.3**
Lingerie	**25.8**	**27.8**	**27.9**	**27.1**
Men's wear	**26.5**	**27.4**	**26.3**	**27.5**
Women's apparel	3.4	3.7	4.0	3.5
Household products	8.8	9.6	10.6	9.9
Children's apparel	4.1	4.1	4.1	3.9
Leather goods & accessories	6.6	7.3	7.9	8.1
Sporting goods & toys	4.2	4.4	4.7	5.2
Others	7.9	2.5	1.5	1.6
Total	**100**	**100**	**100**	**100**

Source: ICC

Recent Developments

- ***ICC's house brands expand to Singapore***

ICC extended its presence to Singapore in May 2010 by opening a total of 1,000 square foot sales areas from the 1st through 3rd floor in ALT, a brand-new premium specialty concept store, at Heeren Building opposite Mandarin Oriental Hotel, on Orchard road. The official grand opening is scheduled in early July 2010.

Target customer group of ALT is working women, aged 25-35. Hence, ICC offers products such as lingerie, cosmetics, women's outerwear, soft toy, spa and toiletries products. Those products are promoted with the introduction of ICC's house brands including BSC, BSC Panadda, Becky Russell, St. Andrews, Lemonade, and Sheene.

In medium to long term, ICC is seeking international opportunities to enhance brand building efforts and increase distribution coverage.

INDUSTRY ANALYSIS

- ***Political instability weakens private consumption in short term***

The consumer products industry has benefited from a recovery in private sector spending since the second quarter of 2009. In the first quarter of 2010, private consumption in Thailand showed year-on-year (y-o-y) growth of 4.0%, compared with growth of 1.4% y-o-y in the previous quarter. Gross domestic product (GDP) showed the same pattern. GDP grew in the first quarter of 2010 to 12.0% y-o-y, higher than the 5.8% y-o-y growth recorded in the fourth quarter of 2009. The major factors which impacted the Thai economy and private consumption were the global economic recovery, rising consumer confidence and the government stimulus packages.

However, more political violence between March 2010 and May 2010 adversely affected consumer confidence. Consequently, lower consumer confidence may partly impede the growth of the consumer products industry amid prolonged political unrest. The latest consumer confidence index (CCI) reported by the Center for Economic and Business Forecasting (CEBF) of the University of the Thai Chamber of Commerce showed a slight improvement in confidence. The CCI declined steadily from 78.4 in February 2010 to 77.3 in March 2010 and 75.0 in April 2010 before it recovered to 75.5 in May 2010. The decline in consumer confidence during recent months reflected more concerns over several issues: the effect of political uncertainty on the economic recovery, unemployment, and the uncertainty of the global economic recovery.

To alleviate the effect of the political unrest, the Thai government has launched several measures to ease the burden of employees and businesses affected by the turmoil, including tourism and retail businesses. The measures should at least provide a short-term boost in consumption and hence the consumer products industry. Despite the severe political unrest, the latest projection from the Bank of Thailand (BOT) for growth in private consumption in 2010 is 3.3%-5.3%. The GDP growth estimate for 2010 is 4.3%-5.8%. However, the severity of the domestic political instability will continue to constrain the growth of private consumption and the overall economy through the remainder of 2010.

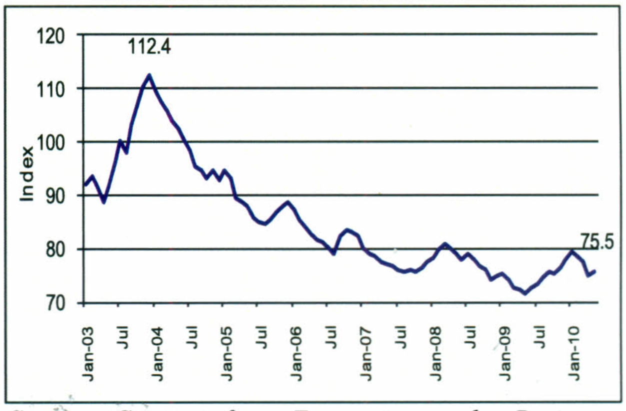
Table 2: Growth Rates (Y-O-Y) of GDP and Private Consumption

Unit: %

	2008	2009	2009				2010
	Full Year		Q1	Q2	Q3	Q4	Q1
GDP	2.5	-2.3	-7.1	-4.9	-2.8	5.8	12.0
Private consumption	2.7	-1.1	-2.5	-2.2	-1.3	1.4	4.0

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

Chart 1: Consumer Confidence Index



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

Lingerie:

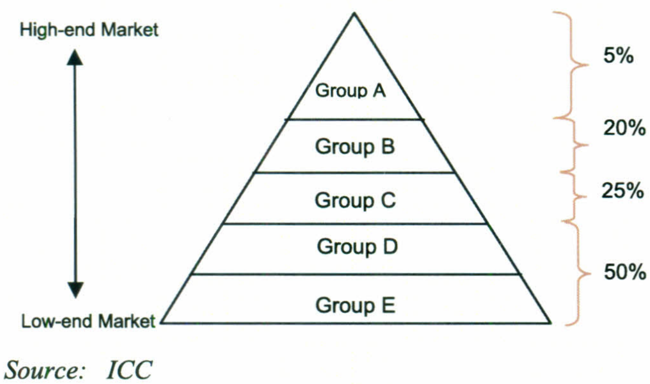
- ***Moderate market growth is expected***

Demand for lingerie is determined by demographic factors, such as age and gender, and economic factors, including disposable income and unemployment. Over the past few years, sales of fashion lingerie and lifestyle-oriented lingerie have driven growth. Teenagers and young women, the main purchasers of fashion lingerie, typically have higher buying frequencies than working women or older adults.

A GDP drop in 2009 impacted lingerie demand. As income per capita fell, buying frequency of lingerie dropped. In 2009, the value of branded lingerie sold in department stores in Thailand totalled approximately Bt3,900 million, a drop of 0.2% from 2008. In 2009, the population in Thailand included more than 32 million women, a figure that increased by almost 140,000 women per annum during 2007-2009. Demand for lingerie tends to grow as population rises and per capita income increases. As lingerie is generally a necessity, demand is more stable than that of fashion and luxury clothing. In 2010, lingerie sales are expected to grow at moderate rate due to the continuing economic recovery. Expansion of the provincial market, more marketing activities and campaigns, and new innovative products will help boost demand.

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 segment, 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 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 two last segments are believed to account for almost 70% of total lingerie units sold in Thailand.

Chart 2: Lingerie Market Structure in Thailand



Source: ICC

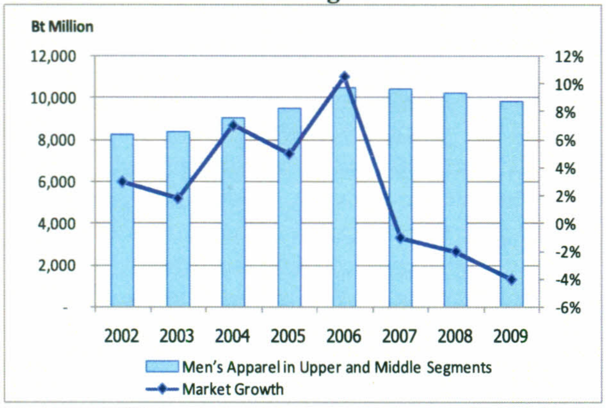
Among the various brands of lingerie sold in department stores and hypermarkets, Wacoal dominated the market with around 57% market share, followed by Triumph (11.6%) and Sabina (11.0%), based on 2009 total market sales. Young customers are mostly attracted by the desire to follow the latest fashion 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. Competition in the lingerie market remains high. Producers have to launch new designs and new collections more often, offer price discounts, and conduct more marketing activities and campaigns. Although domestic producers face higher competition from imported products from both China and the members of ASEAN Free Trade Area (AFTA), domestically-produced lingerie has an advantage over imported goods because it is designed to fit the shapes of Thai women.

Men's Apparel:

- ***High potential growth in life-style oriented men's apparel***

As with other segments of the apparel market, demand for men's apparel is mainly determined by economic factors. The market has been shrinking since 2007. The market contracted in 2007, decreasing by 1% from the previous year. This is in sharp contrast to annual growth which averaged at 7.5% during 2004-2006. A continuous drop of 2% in 2008 was mainly caused by the shock from the global economic crisis. A fragile economic recovery in 2009, prolonged political unrest, and low consumer confidence dampened apparel purchases. Sales in the upper and middle segments of the men's apparel market in 2009 reached Bt9,800 million, down by 4% from 2008. In 2010, the political turmoil and recent political violence might adversely affect the market, particularly in the second quarter of 2010. However, a more stable political and economic situation plus high potential in upcountry markets and life-style oriented men's apparel will be key drivers of market growth for the full year.

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



Source: *ICC*

With approximately 84 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% of market share by value. The high-end segment 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. Although men tend to be more price sensitive than women, there is some brand loyalty in this market.

Competition in the men's apparel industry remains intense. After the textile and clothing industry was liberalized in 2005 following implementation of the WTO agreement, competition from imported products has increased. 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.

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 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 development in order to attract customers with better quality products. In addition to innovation, production and distribution efficiency plus marketing activities and events are also the key factors used to compete with rivals.

Cosmetics:

- ***Moderate market growth 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 Bt34,000 million in 2009, which was 4.6% higher than in 2008. The sales growth rate slowed from approximately 10% per annum in 2003-2007 due to lower consumer purchasing power during the economic slowdown and a fall in consumer confidence amid political unrest. For 2010, high-frequency marketing activities, new packaging gimmicks, motion and lifestyle-oriented cosmetics will draw consumer attention and create brand awareness. Competition in cosmetic market can generate growth. In addition, new distribution channels, innovations, and high potential in the provincial market will drive growth.

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. 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 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 convenient, 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 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 is one area of 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. The government's FTA policy has lowered entry barriers for imported brands, which partly has boosted sales of the products.

BUSINESS ANALYSIS

ICC's above-average business profile reflects the competence of its experienced management team and its position as a leading distributor of lingerie, men's apparel, and cosmetics.

ICC has benefited from diversification in terms of product categories, a broad portfolio of brands, and a nationwide distribution channel. Continual product development, supported by the supply chain within the Saha Group, strengthens its competitive edge. Although economic prospects in 2010 suffered due to political chaos, ICC expects a strong performance in 2010, stimulated by growth potential in upcountry areas and promotional campaigns throughout the year.

- ***Experienced management team with strong group support***

ICC has been managed by the Chokwatana family since the company was established in 1964. The management team of ICC is experienced in each industry.

ICC has long-established positions in various international brands such as Wacoal, Arrow, Lacoste, Guy Laroche, and ELLE, each of which has a strong presence in the Thai market. The management team has maintained relations with these international brand licensors for a long time, which is an important factor contributing to the company's successful history. In addition, ICC has continuously developed its own brands, such as Enfant, Essence, St. Andrews, POP Line, and BSC. In 2009, the newly launched brands were BSC Panadda, BSC Jeans, and Becky Russell.

As part of Saha Group, ICC has sourced most of its supplies through the group member companies. The Saha Group has a supply chain structure with complex cross shareholdings. ICC has equity investments in its suppliers and some of ICC's executives also hold management positions at suppliers' companies. Some suppliers are also shareholders of ICC. The benefit of this structure ensures 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. Dedicated management team and support from the Saha Group have allowed ICC to sustain its role as a leading distributor in Thailand.

- ***Diverse products and distribution channels***

ICC's product portfolio covers several 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.

ICC's key distribution channels are department stores and modern trade. ICC's products are available in nearly 3,600 locations nationwide. Department stores are the channel to offer premium brand products to capture medium- to high-income consumers while the modern trade channel is suited for economy brands.

ICC has developed its own specialty stores under the "His&Her Shop" name to capture consumers outside department stores. At the end of May 2010, the company rolled out more than 75 His&Her outlets, mainly in suburban areas. ICC plans to have approximately 100 His&Her outlets by the end of 2010. His&Her shops provide a flexible setting to attractively present its products, to offer promotional packages, and to create brand loyalty through a membership program: His&Her Plus Point. His&Her shops generated approximately Bt360 million of revenue in 2009, and Bt120 million for the first three months of 2010. ICC plans to further expand His&Her shops upcountry where department stores are out of reach.

In addition, ICC has developed S Channel, a home-shopping television channel, broadcast by satellite to target shop-at-home consumers.

- ***Dominant position in lingerie market***

Revenues from lingerie products constitute a large portion of ICC's total revenues. Sales of lingerie products for the first three months of 2010 represented 27% of total sales.

ICC has dominated the lingerie market as a leader in the middle- to high-end market. Measured by sales through department stores, all of ICC's lingerie brands have combined market share of over 60%.

Wacoal is a very well-known lingerie brand for Thai women. It has history in Thailand dating back nearly a half of a century. Wacoal contributed over 75% of ICC's lingerie sales, or 22% of total revenues. Wacoal maintains its clear leading position in the middle- to high-end lingerie market, with a market share of 57% in 2009. Wacoal's market share peaked at 64% during 2001-2002 and gradually declined partly due to cannibalization by other ICC's lingerie products, such as BSC and ELLE, and aggressive competition from rivals, particularly in the young customer segment. More frequent marketing activities and more rapid launches of fashion-styled lingerie are crucial tools to reach consumers in the young segment and to counter aggressive competition.

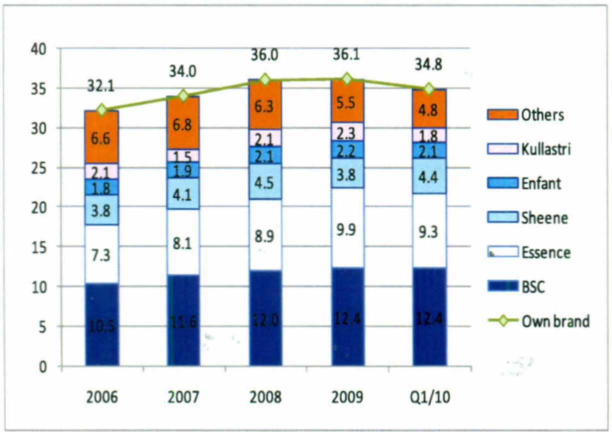
- ***Rising contribution from own brands***

Licensed products have been key contributors to ICC's total revenue. These products contributed 64%-65% of total sales from 2008 through the first quarter of 2010. Heavy reliance on licensed product exposes ICC to risk from termination of a license agreement. ICC has developed its own brands to mitigate such the termination risk.

The rise of contribution from own brands was driven by the introduction of BSC Cosmetology to replace PIAS when the license agreement for PIAS was discontinued in 2005. Ever since, the BSC brand has actively expanded to offer other product lines, i.e., BSC Jeans and BSC Panadda. Both have performed well and are accepted by customers. BSC Panadda's revenue for the first three months of 2010 grew by 20% from the same period the previous year.

Chart 4: ICC's Own Brands Contribution to Total Revenue

Unit: %



Source: ICC

In 2009 and the first three months of 2010, ICC's own brands generated 35%-36% of total revenue. The key contributors were the BSC, Essence, and Sheene brands which contributed approximately 12%, 10%, and 4% of total revenue, respectively. With an extensive distribution network and strong supply chain, ICC has a competitive advantage to launch and manage new brands. In addition, the company is exploring to expand its own brands to international markets. This would help minimize the dependence on the product licenses and strengthen its business profile.

- ***Negative impact from political violence in Bangkok***

Prolonged political unrest in Thailand adversely affected consumer confidence. The recent political violence in Bangkok lowered consumer sentiment particularly in the second quarter of 2010.

During April and May 2010, a number of department stores and shopping centres in Rajprasong and surrounding areas such as Silom and Pathumwan were negatively affected by political chaos. Most of them were not able to fully operate and eventually had to close for nearly one month. ICC estimated its lost sales were approximately Bt100 million during these two months. In addition, fires at the Central World mall, and Zen department store caused damage to ICC's assets such as sales points, shops and inventory, of around Bt100 million. However, thanks to ICC's diversified nationwide distribution channels, the sales from Bangkok suburban and upcountry areas can mitigate the drop in sales in the Rajprasong area. In addition, the company has scheduled promotional campaigns throughout the year and increased marketing activities and events to stimulate consumer spending. Upcountry expansion of His&Her shops will enlarge distribution coverage.

FINANCIAL ANALYSIS

ICC's financial profile remains very strong driven by its debt-free position and stable operating cash flow. However, the prolonged political chaos cut consumer confidence particularly in the second quarter of 2010. The impact on the rest of the year remains to be seen.

- ***Conservative capital structure yields low return on assets***

ICC has maintained a conservative financial policy. 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. However, to support its supply chain, ICC has extended financial support to some related supplier companies in terms of equity injections, loans and/or loan guarantees. ICC has continuously reduced the amount of financial support given to related parties. Guarantees to related companies decreased from Bt326 million in 2008 to Bt152 million at the end of 2009 and March 2010. The outstanding amount of lending to related companies was approximately Bt100 million at the end of March 2010.

In accordance with ICC's policy, equity injections have been used for long-term investments. At the end of March 2010, the book value of ICC's long-term investments was Bt4,815 million or 34% of total assets. Those investments were mostly funded by operating cash flow. Therefore, the adjusted debt to capitalization ratio (including guarantees to related parties) has been exceptionally low, standing at 1.2% at the end of March 2010.

ICC has a fixed dividend policy at a moderate level in order to retain cash for internal use. As a result, the return on permanent capital has gradually declined since ICC's equity base has been accumulated over the years. The ratio dropped from over 10% during 2005-2006 to 8% in 2009 and 1.6% (non-annualized) for the first three months of 2010.

TRIS Rating expects that ICC will maintain a conservative financial policy and consider additional investments to maximize the benefits of the group as a whole.

- ***Improved margins***

ICC's overall gross margin continues to grow, driven by the efficiency of the supply chain under the Saha Group. In addition, innovative products and new collections have improved pricing. As a result, the gross margin was 35%-36.4% of total sales from 2008 through the first quarter of 2010, up from 33% in 2007. However, gains from the reductions in the cost of goods sold were partially offset by heavier expenses for marketing activities and promotional campaigns to boost demand particularly during the economic downturn. The sales and administrative expenses rose from 29.7% of revenues in 2008 to 31.5% in 2009, mainly due to the increase in marketing expenses and counter salespersons. Operating income before depreciation and amortization as a percentage of sales in 2009 was 4.9% of total sales, down from 7.1% in 2008. However, after the economic recovery, the operating margin for the first three months of 2010 grew, rising to 7.21% of total sales. The rise was driven by ongoing cost control initiatives.

Going forward, ICC is challenged to continually improve its cost structure. The pressure on sales and margins is likely to remain. Political unrest and rising commodity prices have contributed to economic uncertainty. To keep its competitive position and improve profitability, ICC must control cost by sourcing low-priced raw materials and continue to create innovative and value-added products.

- ***Strong cash flow protection***

ICC's cash flow protection is considered strong, driven by a stable cash flow generation and low leverage.

FFOs have remained relatively strong. The company generated FFO of Bt833 million in 2009, compared with an average of Bt890 million per year during 2004-2008. FFO for the first quarter of 2010 was Bt166 million, up 10% from the same period of the prior year. The ratio of adjusted FFO to total debt (including guarantees to related parties) has been remarkably high, standing at 547.27% in 2009 and 109.21% (non-annualized) at the end of March 2010, partly driven by lower guarantee obligations.

The company possesses a high degree of financial flexibility, with Bt1,497 million in near-cash assets, consisting of cash on hand, cash on deposit and bills of exchange. Moreover, the company had Bt3,209 million in credit facilities available from various financial institutions at the end of March 2010.

Financial Statistics and Key Financial Ratios

Unit: Bt million

	Jan-Mar 2010	------------- Year Ended 31 December ------------ 2009	2008	2007	2006	2005
Sales	2,707	10,649	10,947	11,232	12,888	11,555
Gross interest expense	0.0	0.0	0.7	0.5	0.5	0.1
Net income from operations	131	652	779	730	733	686
Funds from operations (FFO)	166	833	988	863	885	822
Capital expenditures	36	106	87	386	586	101
Total assets	14,162	13,918	13,277	12,817	13,146	12,297
Total debt	-	-	-	-	-	-
Guarantees to related companies	152	152	326	332	333	392
Shareholders' equity	12,140	11,803	11,129	10,893	10,554	9,771
Operating income before depreciation and amortization as % of sales	7.2	4.9	7.1	6.1	6.1	6.4
Pretax return on permanent capital (%)	1.6 **	7.9	9.5	8.9	10.2	10.4
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 * (%)	109.2 **	547.3	302.8	260.3	265.7	209.4
Total debt/capitalization* (%)	1.2	1.3	2.8	3.0	3.1	3.9

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.*

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