TRIS RATING

CreditNews ข่าวเครดิต

I.C.C. INTERNATIONAL PLC

Announcement no. 800

29 June 2011

Company Rating: AA

Outlook: Stable

New Issue Rating: -

Rating History:

Date	Company	Issue (Secured/Unsecured)
23/03/05	AA/Sta	-
12/07/04	AA-/Sta	-
11/07/02	AA-	-

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Rating Rationale

TRIS Rating affirms the company rating of I.C.C. International PLC (ICC) at "AA". The rating reflects the company's position as Thailand's leading distributor of lingerie, men's apparel, and cosmetics; capable management team; a diverse portfolio of products and brands; and solid relations with department stores and discount stores. The rating also takes into consideration the debt free position under the conservative financial policy and the operating stability. However, the rating is restrained by the low profitability typically associated with trading companies, and the complex shareholding structure of the Saha Group.

ICC is one of Thailand's largest wholesalers and distributors which markets and distributes consumer products, particularly lingerie, apparel, and cosmetics. The company offers more than 80 brands covering international licensed brands and its own brands. The international brands under the ICC umbrella, such as Wacoal, Arrow, Lacoste, Guy Laroche, and ELLE, are well-accepted by Thai consumers. ICC's products are available in department stores, discount stores and shops in more than 3,700 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 its market-leading positions.

The three major contributors to ICC's top line are lingerie, men apparel, and cosmetic. During the last three years and the first quarter of 2011, lingerie and men apparel each generated around 26%-28% of ICC's total revenue, while cosmetic provided approximately 13% contribution. In lingerie segment, ICC has dominated the middle- to high-end lingerie market, with a combined market share over 60% in 2010, measured by sales through department stores. Wacoal has remained as a leading lingerie brand more than a decade with the market share of 56% in 2010. Although gradually declining over the years due to aggressive competition and new brand launches, Wacoal's market share was more than double of the second largest competitor. The Wacoal product line alone has generated 21%-22% of total sales since 2008. The strength of ICC's men apparel segment is derived from Lacoste and Arrow which contributed average 10% and 8% of ICC's total sales, respectively. BSC Cosmetology, ICC's own brand, is the core product in the cosmetics segment with annual sales of approximately Bt750-Bt800 million for the past three years.

ICC recorded a revenue increase of 6.1% in 2010 and 14.7% year-on-year (y-o-y) in the first quarter of 2011. The increase has been supported by the improving economic sentiment since the second half of 2010. In addition, this result is in line with the management's initiative to challenge for an aggressive growth. ICC is expected to enforce more active marketing campaign, expand market coverage, and continue product development. One critical factor which must be monitored is operating costs. By nature, operating costs are fairly high and squeeze the profitability of the trading business. Moreover, a promotional and marketing expenses is necessary to impulse demand for consumer products. After a drop of ICC's operating margin to 4.9% in 2009 affected by hamburger crisis and domestic political turmoil, it was gradually improved to 5.9% in 2010 and 7.4% for the first three months of 2011. Thanks to the support of supply chain within the Saha Group and the well diversified product portfolio, ICC's operating margin was, at some extent, sustained in the range of 6%-7% during the past decade.

ICC's financial profile and liquidity remain strong, underpinned by its debt-free position and stable operating cash flow. ICC has continued a very conservative financial policy as the company has had no major capital investment since 2002. ICC has made some guarantees to related companies in order to strengthen its supply chain. The total amount of outstanding guarantees was gradually reduced and remained at Bt152 million at the end of March 2011. Funds from operations (FFO) amounted to Bt833 million in 2009 and Bt863 million in 2010. FFO for the first three months of 2011 was Bt223 million, up 34% from the same period in the prior year. The return on permanent capital has remained low since ICC has continued to build up its equity base over the years and has maintained a moderate dividend payout. However, for the first three months of 2011, ICC's pretax on permanent capital ratio improved to 2.4% (non-annualized), up from 1.6% (non-annualized) for the same period a year earlier.

In April 2011, ICC invested in Issara United Co., Ltd. (Issara United), a property developer. The share purchase was made in order to develop seaside condominium and resort in Cha-am and Hua Hin areas. The investment is in a total amount of Bt19.99 million or 25% of Issara United's paid up capital. Two other investors joint ICC in this project: Charn Issara Group purchased a 50% stake, and Saha Pathanapibul PLC (SPC) bought a 25% stake. From ICC's viewpoint, the project is expected to provide benefits in two ways: dividend income, and the chance to explore business opportunities in the real estate development industry.

In TRIS Rating's view, entering the property development business investment could expose ICC to more risk. The residential property industry is intensely competitive. The Hua Hin area has long been popular and most major developers are already established. ICC has to rely on the partner's expertise to develop the project. Finally, any future financial support for the property development venture, such as debt financing or contributing additional equity capital, may be needed. TRIS Rating expects that any future financial support in the project or further investments should be prudently considered so as to maintain ICC's conservative financial policy and maintain an ample liquidity reserve at all times.

ICC and other Saha Group companies have a complex cross-holding structure. TRIS Rating expects that all transactions between ICC and companies in the group should 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 helps support the company's credit quality. Future investments, if aggressively made, could be negative to the credit rating.

I.C.C. International PLC (ICC)

Company Rating:	AA
Rating Outlook:	Stable

KEY RATING CONSIDERATIONS

Strengths/Opportunities

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

Weaknesses/Threats

- Low profitability
- Intense competition
- Potential to support related companies during financial downturns

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, and International Laboratories Corp.

ICC's product portfolio spans into several product lines: cosmetics, men's apparel, lingerie, women's wear, 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 past five years. In addition to major international licensed brands such as Wacoal; Arrow; Guy Laroche; ELLE; and Lacoste, ICC has its own brands, such as BSC; Enfant; St. Andrews; and Essence. Currently, its own brands contributed 35% of total sales.

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

Unit: %

Product Line	2008	2009	2010	Jan-Mar 2011
Cosmetics	**13.3**	**13.0**	**13.0**	**13.0**
Lingerie	**27.8**	**27.9**	**26.3**	**27.1**
Men's wear	**27.4**	**26.3**	**27.1**	**27.8**
Women's apparel	3.7	4.0	3.9	4.0
Household products	9.6	10.6	10.8	9.4
Children's apparel	4.1	4.1	4.1	4.3
Leather goods & accessories	7.3	7.9	8.0	8.3
Sporting goods & toys	4.4	4.7	4.7	4.2
Others	2.5	1.5	2.3	1.8
Total	**100**	**100**	**100**	**100**

Source: ICC

RECENT DEVELOPMENTS

- ***Purchased Pan Asia Footwear PLC***

In February 2011, ICC purchased 18.9% or 102.1 million shares of Pan Asia Footwear PLC (PAF), a foot wear products manufacturer and exporter. ICC purchased the shares on the SET with total investment of approximately Bt105.2 million funded by ICC's operating cash flow.

- ***Invested in Issara United***

In April 2011, ICC's board of directors passed a resolution to allow the company to invest in Issara United, a property development company. ICC bought 25% or 199,997 shares of Issara United. The total investment is around Bt20 million, funded by ICC's operating cash flow. In addition, Charn Issara Group and SPC have joined this investment, by investing in proportions of 50% and 25% in stake of Issara United, respectively. Issara United plans to develop a seaside condominium and resort project in Cha-am. This investment is expected to bring up ICC's dividends and lead a business opportunity in real estate development.

INDUSTRY ANALYSIS

- ***Private consumption in 2010 rose due to strong economic recovery***

Thailand's consumer products industry has benefited from the recent strong economic recovery. According to the Office of the National Economic and Social Development Board (NESDB), the Thai economy recorded a decade-high growth rate of 7.8% in 2010. A healthier economic environment and improving consumer confidence supported private spending, which expanded by 4.8% in 2010, according to the NESDB. The factors supporting the economic expansion in 2010 comprised export growth, a low unemployment rate, and higher incomes in both the agricultural and non-agricultural sectors. Spending on durable goods grew particularly strongly, rising by 25.1% y-o-y in 2010. Domestic sales of passenger cars jumped by 45.82% compared with 2009. Consumption of semi-durable goods (such as clothing, foot ware, and household equipment) and non-durable goods (such as electricity and water supply, medicine, and household utensils) also grew, though in slower paces, rising by 6.7% and 1.8% y-o-y, respectively.

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

Unit: %

	2008	2009	2010	2010				2011	2011 p
				Q1	Q2	Q3	Q4	Q1	
GDP	**2.5**	**-2.3**	**7.8**	**12**	**9.2**	**6.6**	**3.8**	**3**	**3.5 -4.5**
Private consumption	**2.9**	**-1.1**	**4.8**	**3.9**	**6.4**	**5**	**3.9**	**3.4**	**3.7**
Durable good[1]	10.8	-7.1	25.1	28.9	32.8	24	16.6	23.7	n.a.
Semi-durable goods[2]	3.2	-8.8	6.7	9.5	6.7	5.9	5.1	4.5	n.a.
Non-durable goods[3]	1.5	0.7	1.8	2	1.1	1.9	2	2.2	n.a.
Services[4]	1.8	2.2	1.4	-4.8	5.9	2.5	1.3	-5.6	n.a.

Source: Office of the National Economic and Social Development Board (NESDB)

Note: 1 Durable goods include motor vehicles, furniture, audio-visual and information processing equipment.

2 Semi-durable goods include clothing, footwear and household equipment.

3 Non-durable goods include electricity and water supply, medicine, and household utensils.

4 Services include health care, financial, education, restaurant and hotels, and communication.

P = Projection

n.a. = Not available

Consumption in the private sector is expected to continue to grow in 2011, along with national income. In the first quarter of 2011, gross domestic product (GDP) grew 3.0% compared with the same quarter of the past year. Private consumption also increased, rising by 3.4% y-o-y. For the full year 2011, the Thai economy is expected to grow by 3.5%-4.5%; private consumption is expected to climb by 3.7%. There are several challenges and uncertainties that need to be monitored during the rest of the year, including Thailand's political situation after the general election in July, the effects of volatile European economies, and rising inflationary pressures that might affect interest rates and the cost of living.

The consumer confidence index (CCI), created by the Center for Economic and Business Forecasting (CEBF) of the University of the Thai Chamber of Commerce, improved in 2010. The index rose to 80.8 in December 2010 from 77.7 a year earlier. The CCI temporarily dropped in April and May 2010 when political conflicts turned into chaos in Bangkok's business districts.

Chart 1: Consumer Confidence Index

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

Lingerie:

- ***Lingerie sales grew in 2010 amid increasing competition***

Lingerie is used by most women every single day in one form or other, and many people like to purchase lingerie as a gift for their partners. Lingerie covers a wide range of products from bras, bra accessories, nightgowns, maternity underwear, sexy costumes, and robes and slippers.

Demand for lingerie is determined by demographic factors, such as age and gender, and economic factors, including disposable income and the level of unemployment. In addition, the accessibility to the products also provides a new market opportunity as the existing market is close to maturity. The role of modern trade outlets has been increasing over the past decade in Thailand and many other nations. There are now more modern trade facilities in the provinces plus increasing the market penetration to new customer groups including young and trendy customers. Both are contributing factors pushing the growth of lingerie sales in Thailand. Over the past few years, sales of fashion lingerie for young customers have driven growth. Teenagers and young women, the main purchasers of fashion lingerie, typically have higher buying frequencies than working women or older adults.

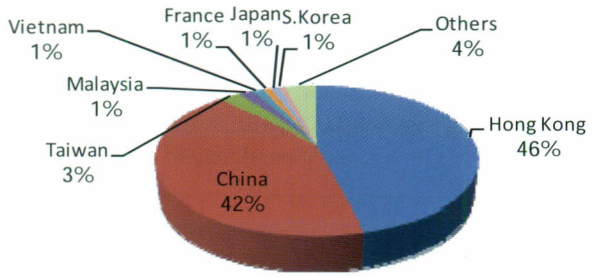
Economic growth in 2010 encouraged retail sales index expansion which grew by 9.8%, a significant revision from a y-o-y drop of 4.1% in 2009, according to the Bank of Thailand. Growth of retail sales index was consistent with the 4.3% growth of major branded lingerie sold in department stores in Thailand, according to the survey conducted by ICC in 2010. Organic growth in the sales of lingerie in Thailand was driven mainly by a growing population because consumption per head of lingerie is close to saturation. However, the Thai birth rate has been falling over the past decade and is now lower than 1% per year. Demand can still rise due to expansion into the provincial market segment, more marketing activities and campaigns, and new innovative products.

The lingerie market in Thailand can be divided into five groups based on price and brand 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 licenses 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-priced products distributed through street vendors. These two last segments are believed to account for almost 70% of total lingerie units sold in Thailand.

Among the various brands of lingerie sold in department stores in 2010, Wacoal dominated the market with around 56% market share, followed by Sabina (13%) and Triumph (12%). Young customers are mostly attracted by the desire to follow the latest fashion trends which in turn urges manufacturers to continuously introduce new collections. For working women, a target group with higher brand loyalty than 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. Domestic producers are expected to face higher competition from imported products from both China and the members of ASEAN Free Trade Area (AFTA).

In 2010, brassieres imported from Hong Kong and China dominated total brassiere imports into Thailand with a combine share of 88%. The rest, with much smaller import portion, were from Taiwan, Malaysia, Vietnam, and France.

Chart 2: Thailand's Brassiere Imports by Country of Origin in 2010



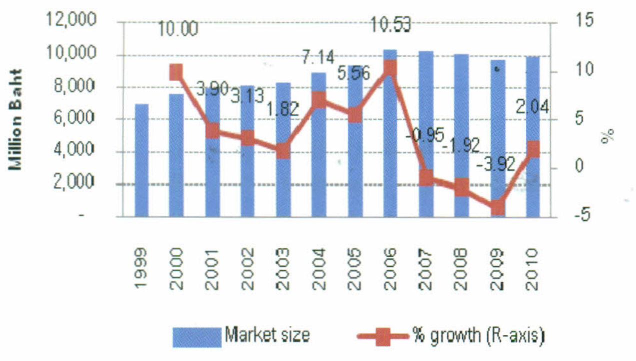
Source: Customs Department

Men's Apparel:

- ***Growth returns in 2010, but more intense competition is expected***

As with other segments of the apparel market, demand for men's apparel is mainly determined by economic factors. The market recovered in 2010, after consecutive declines from 2007 through 2009. The market had been down owing to weak economic conditions, prolonged political unrest, and low consumer confidence. According to a survey made by ICC, the total sales volume in the upper and middle segments of men's apparel in 2010 rose to Bt10,000 million, up by 2% from 2009 despite the political violence in May.

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



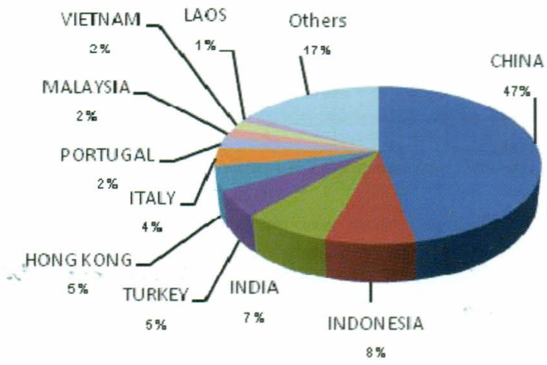
Source: ICC

Over the past decade, private expenditures for clothing in Thailand has been stable at about Bt5,000 per head per year. Similar to other garments, market for men's wear in Thailand, especially in Bangkok, tends to be close to saturation. The opportunity to boost sales relies on population growth and the offers of new materials and styles. The expansion of modern trade outlets into provincial areas should raise sales.

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 so 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 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 is expected to become more 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. Supported by relatively low production costs, China took the biggest portion of imported men's and boy's shirts in 2010.

Chart 4: Thailand's Imported Men's and Boy's Shirts by Country of Origin in 2010



Source: Customs Department

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 selling to the upper and middle segments of the market will also strive to increase market share by continuously and quickly introducing new products to meet changes in demand and lifestyles. 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 efficiencies plus marketing activities and events are also the key factors used to compete with rivals.

Cosmetics:

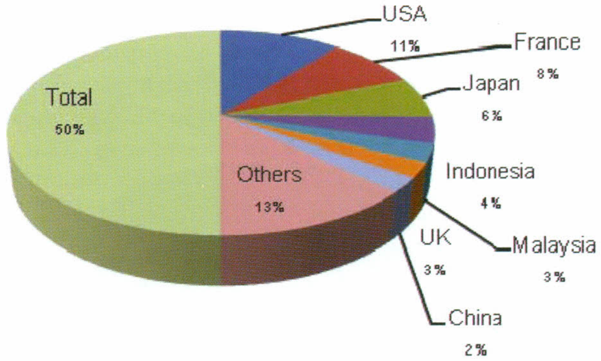
- ***Growth continues, driven by new products and products for men***

Demand for cosmetics is mainly affected by seasonal and social factors, such as fashion trends and lifestyles. Thailand's cosmetics market weathered the recent global and domestic economic slump. The market continued to grow, though at lower rates, between 2007 and 2009. In 2010, an economic recovery, promotional campaigns, and the introduction of new products stimulated sales in the cosmetics market. Sales grew impressively, rising by 10% to Bt37,400 million, compared with a 5% growth in 2009.

Competition in the cosmetics market remains high, especially in the middle and economy segments, which are relatively more price sensitive than the luxury cosmetics segment. The luxury segment can more effectively secure market share based on brand loyalty. The cosmetics market can also 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. The self-selection segment reaches customers through displays in super-markets, hypermarkets, specialty stores, and convenience stores. The third segment of the cosmetics market, direct sales, needs a large number of sales persons to communicate with consumers.

Typically, skincare cosmetics provide more handsome returns to producers than general cosmetic products such as make up product. Demand for skincare cosmetics depend on various factors including level of income, seasonal effects, health awareness, lifestyle, and gender. Products for men have a good potential growth as more men are using skincare products. Manufacturers are increasingly using medical research to develop and introduce new value-added products. Competition in the market is intense as domestic manufacturers must compete with an influx of imported brands. Import tariffs imposed on cosmetics originating in ASEAN nations have been waived according to AFTA. The tariff reduction has paved the way for more competitors from this region. However, most imported cosmetics, by value, came from the US and Europe. According to the Ministry of Commerce, cosmetics imported in 2010 increased by 26.95% to US$463.81 million, 21.73% of which came from the US, 16.35% from France, and 12.64% from Japan.

Chart 5: Thailand's Imported Cosmetics by Country of Origin in 2010



Source: Ministry of Commerce

BUSINESS ANALYSIS

ICC's business profile reflects its position as a leading distributor of lingerie, men's apparel, and cosmetics in Thailand. The company has benefited from diversification in terms of product categories, a broad portfolio of brands, and a nationwide distribution channel. ICC's competitive edge has been strengthened by product innovations and product development, together with support from the supply chain within the Saha Group. With the improving economic sentiment, ICC's operating performance in 2011 is expected to improve, driven by the high growth potential in upcountry areas.

- ***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. The company has long-established market positions with its 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, an important factor contributing to the company's successful history. At the same time, ICC has continuously developed its own brands, such as BSC, Enfant, Essence, POP Line, Kullasatri, and St. Andrews.

As part of Saha Group, ICC has sourced most of its supplies through the companies in the Group. Companies in the Saha Group, including ICC, have complex cross shareholdings. Some of ICC's executives also hold management positions at supplier companies. The benefit of this structure is that it ensures good cooperation with suppliers. This facilitates development of new products and raw materials which are key success factors in a fashion-driven business. A dedicated management team and support from the Saha Group have allowed ICC to continuously launched new products and maintain 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, women's wear, children's apparel, leather goods and accessories, sporting goods, and household products. ICC's products are available in more than 3,700 locations nationwide. In addition, ICC has strong relationships and bargaining power with key distribution channels. ICC's key distribution channels are department stores, modern trade, shops, and specialty stores. Department stores are ICC's major distribution channel, generating around half of ICC's revenues. The department store channel offers premium brand products to capture medium- to high-income consumers while the modern trade or discount store channel is suited for economy brands. In addition, ICC's own "His&Her" specialty stores are established to capture consumers outside department stores.

To strengthen its network, ICC plans to add more His&Her outlets upcountry where there are fewer department stores. His&Her shop provides 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". At the end of March 2011, the company rolled out 98 His&Her outlets, mainly in upcountry areas. In addition, ICC plans to add around 40 His&Her outlets by the end of 2011.

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

Revenues from lingerie products constitute a large portion, representing 26%-28% of ICC's total revenues during the past three years. ICC has dominated the lingerie market as a leader in the middle- to high-end market. Measured by sales through department stores, ICC's lingerie brands including Wacoal, BSC, BSC Signature, ELLE, and Variance have a combined market share of about 63%.

Wacoal is a leading lingerie brand. It has a history in Thailand dating back over 40 years and has a strong market position in working age segment. Wacoal contributed over 79% of ICC's lingerie sales, or 21%-22% of total revenues during the last three years. Although its market share has gradually declined over years, Wacoal maintained its leading position in the middle- to high-end lingerie market with a market share of 56% in 2010. The decline was 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. Moreover, adding more distribution channel, i.e., His&Her shops and stand-alone shops in plaza is expected to expand customer base in upcountry areas and improve its market shares.

- ***Men's apparel segment registered strong growth***

The men's apparel segment has provided 26%-28% of ICC's revenues during 2008 through the first quarter of 2011. The strength of the men apparel segment is derived from the strength of the Lacoste and Arrow brands which have contributed averages of 10% and 8% of ICC's total sales, respectively.

In 2010, the men's apparel market grew by only around 2% compared with 2009 due to the fragile economic recovery. However, for ICC, sales in the men apparel segment soared by nearly 10% in 2010 and by 16% for the first three months of 2011, compared with the same period a year earlier. Arrow, a core brand, continued to show high growth rate, with sales rising by 12% in 2010 and around 9% for the first three months of 2011. Arrow's market share also increased from 18% in 2009 to around 20% in 2010. Moreover, Lacoste posted a 15% growth for the first three months of 2011. ICC's men wear was successful to target younger customer segment. Cool Metropolis and DAKS has reported an impressive growth. In addition, the outstanding growth was largely driven by higher sales of the upcountry areas. For the first three months of 2011, men's apparel sales from the upcountry areas increased by over 40% y-o-y.

- ***Balance from own brands***

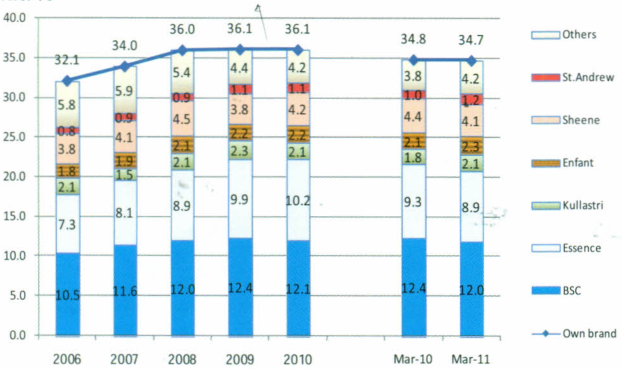
Licensed products have been key contributors to ICC's total revenue. These products contributed about 64%-65% of total sales during the past three years. A heavy reliance on licensed products exposes ICC to risk from termination of a license agreement. ICC has developed its own brands to support its top line.

ICC's own brands have comprised a growing portion revenue, starting when BSC Cosmetology replaced PIAS when the PIAS license agreement was discontinued in 2005. ICC's own brands have generated 35%-36% of total revenue since 2008. The top own brands were the BSC, Essence, and Sheene brands which contributed approximately 12%, 9%, and 4% of total revenue in 2010, respectively.

ICC could leverage its existing network and supply chain, when launching and managing new brands. Besides its efforts to improve operating performance and profitability, ICC also plans to promote its own brands by creating stronger brand images and expanding product line. In addition, the company is contemplating selling its own brands overseas, particularly in Asia. Expansion of its own brand contribution would help minimize the dependence on the product licenses and strengthen its business profile.

Chart 6: ICC's Own Brands Contribution to Total Revenue

Unit: %



Source: ICC

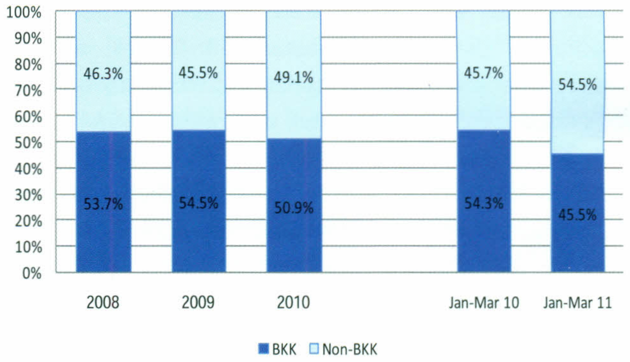
- ***High growth potential in upcountry areas***

In the past, ICC's revenues were concentrated mainly in the Bangkok area where several large department stores were located. Revenue from the Bangkok area was approximately 54%-58% of ICC's total sales during 2002-2009.

The managements of ICC have urged all business units to pursue aggressive growth strategy. Upcountry market posts a growth potential owed to lower market access. ICC has promoted more marketing activities and added more His&Her shops in upcountry areas. During 2010 through the first quarter of 2011, sales contribution from areas outside Bangkok remarkably increased. For the first three months of 2011, revenue from areas outside Bangkok climbed by 20% from the same period the year earlier. The rise was evidenced in every part of Thailand. Sales from the non-Bangkok comprised 49% of total sales in 2010, then rose to 54.5% of total sales for the first three months of 2011. Going forward, the sales contribution from upcountry areas is expected to grow.

Chart 7: ICC's Sales Contribution by Area

Unit: %



Source: ICC

- ***Entering the property development business could expose more risks***

Since April 2011, ICC has joined with Charn Issara Group and SPC to make the investment in Issara United in order to develop a property project. Issara United's first project is a Cha-am seaside condominium and resort. Besides this project, ICC is considering picking up its non-performance-asset (NPA) project to rearrange again after pending for a while. One of ICC's NPA projects is "Forest Villa", a housing development project in Ramkhamhaeng area, with costing value of around Bt400 million. From these investments, ICC expects the return in forms of revenues and dividend income and the company will use the investment as a means to expand into the real estate development market.

In TRIS Rating's view, entering the property development business investment could expose ICC to more risks. The residential property industry is intensely competitive and much more fluctuate. ICC has low expertise in property development industry and has to rely on the partner's expertise to develop the project. Future debt financing or large financial support may be needed. TRIS Rating expects that the financial support to the project or further investment should be prudently considered so as to maintain the conservative policy and reserve the ample liquidity at all time.

FINANCIAL ANALYSIS

ICC's financial profile remains solid driven by its debt-free position and stable operating cash flow. ICC's credit quality is enhanced by its strong cash flow protection as the company consistently maintains the conservative financial policy.

- ***Improved margins***

ICC's overall gross margin continues to improve, driven by the ongoing efficiency of the supply chain under the Saha Group and cost control initiatives. In addition, innovative products and new collections have improved pricing. As a result, the gross margin rose from 35% of total sales in 2009, to 36.3% in 2010, and to 38.4% for the first three months of 2011. However, gains from the reductions in the cost of goods sold were partially offset by heavier selling expenses for promotional and marketing activities. Sales and administrative expenses rose from 31.5% of revenues in 2009 to 31.7% in 2010, and to 32.3% for the first three months of 2011

Although marketing expenses were higher, ICC's operating income before depreciation and amortization as a percentage of sales rose from 4.9% in 2009, to 5.9% in 2010 and 7.4% for the first three months of 2011, respectively. Operating cost remains one crucial factor to be monitored. Cost control initiatives remain the major challenge for ICC in its effort to keep competitive position and improve profitability. ICC has controlled costs by sourcing low-priced raw materials and continues to create innovative and value-added products.

- ***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 and had no major investment 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. Guarantees to related companies remained around Bt152 million at the end of 2009 through March 2011. In accordance with ICC's policy, equity injections are used for long-term investments. At the end of March 2011, the book value of ICC's long-term investments was Bt5,471.91 million or 34.9% of total assets. As those investments were mostly funded by operating cash flow, the adjusted debt to capitalization ratio (including guarantees to related parties) has been low, standing at 1.2% at the end of March 2011.

ICC pays a fixed dividend at a moderate level in order to retain cash for internal use. As a result, the return on permanent capital ratio has gradually declined since ICC's equity base has been accumulated. The ratio dropped from over 10% during 2005-2006 to 8% in 2009-2010. However, for the first three months of 2011, the ratio improved to 2.4% (non-annualized), up from 1.6% (non-annualized) for the same period a year earlier due to higher margins.

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.

- ***Solid cash flow protection***

ICC's cash flow protection is considered very strong, driven by stable cash flow generating ability and low leverage (including guarantees to related parties).

FFO has remained stable. The company generated FFO of Bt833-Bt863 million per year during 2009-2010. FFO for the first three months of 2011 was Bt223 million, up 34% from the same period of the prior year. The ratio of adjusted FFO to total debt (including guarantees to related parties) has been high, standing at 569% in 2010 and 147% (non-annualized) at the end of March 2011.

The company possesses a high degree of financial flexibility, with Bt1,524 million in near-cash assets, consisting of cash on hand, cash on deposit, and bills of exchange. Moreover, the company had Bt3,006.2 million and US$7.5 million in credit facilities available from various financial institutions as of March 2011.

Financial Statistics and Key Financial Ratio

Unit: Bt million

	Jan-Mar 2011	------------------------ Year Ended 31 December				-----------------------------
		2010	2009	2008	2007	2006
Sales	3,105	11,294	10,649	10,947	11,232	12,888
Gross interest expense	0.0	0.0	0.0	0.7	0.5	0.5
Net income from operations	193	688	652	779	730	733
Funds from operations (FFO)	223	863	833	988	863	885
Total capital expenditures	274	284	106	87	386	586
Total assets	15,668	15,245	13,918	13,277	12,817	13,146
Total debt	-	-	-	-	-	-
Guarantees to related companies	152	152	152	326	332	333
Shareholders' equity	12,870	12,963	11,803	11,129	10,893	10,554
Operating income before depreciation and amortization as % of sales	7.4	5.9	4.9	7.1	6.1	6.1
Pretax return on permanent capital (%)	2.4**	7.8	7.9	9.5	8.9	10.2
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 * (%)	147.1 **	569.1	547.3	302.8	260.3	265.7
Total debt/capitalization * (%)	1.2	1.2	1.3	2.8	3.0	3.1

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 followed:

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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