TRIS
TRIS RATING

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Contacts	E-mail Addresses
Pornthep Wongsinwises	pornthep@tris.co.th
Suchada Pantu	suchada@tris.co.th
Ruangwud Jarurungsipong	ruangwud@tris.co.th
WatanaTiranuchit	watana@tris.co.th

I.C.C. International Public Company Limited

Company Rating:	Upgraded to AA from AA-
Rating Outlook:	Stable

Rating History:	**Company Rating**	**Issue Rating**	
		Secured	**Unsecured**
12 Jul 2004	AA-/Stable	-	-
11 Jul 2002	AA-	-	-

Rating Rationale

TRIS Rating upgrades the company rating of I.C.C. International PLC (ICC) to "AA" from "AA-". The rating reflects the company's continuously improving financial profile, its debt-free status since 2002, the proven capability and long experience of ICC's management team, the diversity of its product range and brands, and its position as Thailand's leading distributor of its core products: lingerie, men's apparel and cosmetics. Although, the highly competitive environment and the increasing influence of modern retail outlets, such as discount and specialty stores, together with increasing competition from directly imported products, especially in the cosmetics business, may pressure ICC's profitability, TRIS Rating expects that the company will be able to sustain its position in the future. The rating also takes into consideration the low profitability associated with all trading companies, exposure in form of guarantees to related companies, and the complex shareholding structure of Saha Group.

ICC is the clear leader in the middle- to high-end of lingerie market with 70% market share, including Wacoal products, which has held a market share of greater than 60%. The success of Lacoste and Arrow products has generated sustained growth in men's apparel sales since 1998. The contribution to total sales from men's apparel increased sharply, from 17% in 2000 to 22% in 2003 and 23% during the first nine months of 2004. In addition to being debt-free since 2002, ICC has gradually reduced guarantees to related companies from Bt1,023 million in 1999 to Bt417 million at the end of September 2004.

Rating Outlook

The "stable" outlook reflects TRIS Rating's expectation that ICC will continue to maintain its solid market share across the product line, despite intense competition. Its conservative financial policy also supports the company's rating.

Key Rating Considerations

Strengths/Opportunities

- Strong financial profile resulting from debt-free status
- Proven capability of ICC's experienced management team
- Diversity of product range and brands
- Ongoing position as Thailand's leading distributor of company's core products

Weaknesses/Threats

- Low profitability
- Potential exposure from need to provide support related companies during financial downturn

Corporate Overview

The Chokwatana family established ICC in 1964 to distribute cosmetics under the Japanese brand, Pias. Over the past four decades, the company has expanded its product lines and brand coverage, becoming 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, with investments in manufacturing businesses and services such as distribution. ICC has been listed on the Stock Exchange of Thailand (SET) since 1978. More than 50% of ICC's shares are held by the Chokwatana family and various companies in the Saha Group, including ICC suppliers, such as Thai Wacoal PLC, Thanulux PLC, People's Garment PLC, Saha Pathanapibul PLC, International Laboratories Co., Ltd. and Lion Corporation (Thailand) Ltd.

ICC's products can be classified into several broad groups: 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 traditionally contributed the greatest shares to the company's revenues, accounting for around 33%-36%, 17%-23% and 11%-13% of ICC's total sales during 2001-2003, respectively. In addition to major international brands, such as Wacoal, Arrow, Pias, Guy Laroche, ELLE and Lacoste, ICC also has introduced both its own brands and Saha Group brands, such as Enfant, Essence, St. Andrews and BSC. Since 2002, ICC's and Saha Group's own brands have contributed 28%-30% of the total company's sales.

Recent Developments

ICC is gradually implementing an IT system at outlets that will enable the company to efficiently manage inventory and closely monitor sales performance. In addition, ICC completed construction of its new head office during the third quarter of 2004. The building cost around Bt200 million to complete, utilizing only a small portion of the company's annual internal cash generation of Bt600-Bt700 million.

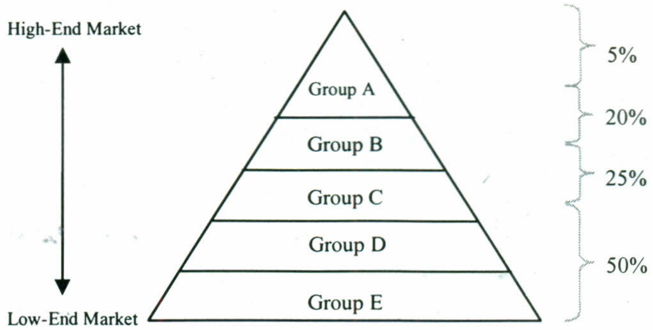
INDUSTRY ANALYSIS

Lingerie:

- ***Lingerie market growth remains flat***

Demand for lingerie is determined by a country's demographic factors, such as age and gender, as well as economic factors, such as level of disposable income and unemployment rate. In 2003, the lingerie market in Thailand generated sales of approximately Bt8,000 million, or approximately 2.7% of the sales figure for the entire apparel market, which was approximately Bt300,000 million. In 2003, the population in Thailand included more than 27 million women, a figure that is increasing by almost 250,000 persons every year. Demand for lingerie tends to grow with increasing population and per capita income. Moreover, since lingerie is a consistent product, demand is more consistent than fashion and luxury clothing.

Chart 1: Lingerie Market Structure in Thailand (Calculated on Items Basis)



The lingerie market in Thailand can be divided into five groups, based on price and image. Products in Group A, the high-end market, accounts 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 St. Michael, Guy Laroche, Maidenform, ELLE, BSC and Vanity Fair. Lingerie in groups B and C account for 20% and 25%, respectively, of total sales. The leader in these segments is Wacoal, followed by Triumph, Sabina, and Variance. Groups D and E account for the remaining 50% of sales, with prominent brands such as POP Line, Jintana and Kullsatri, 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.

Among the 20 brands of lingerie sold in department stores and hypermarkets, Wacoal dominated the market with 2004 market share of around 62%, followed by Triumph at 14%. Young customers are mostly attracted by the desire to follow the latest fashion trends, and manufacturers continuously introduce new collections. For the working women target group, which has higher brand loyalty than the young customer target group, fit and suitable sizes are the major factors influencing their decision. A certain degree of brand loyalty does exist, particularly in the high-end segment. At the low end of the market, there are a number of small players, with selling price the strongest influence on consumer purchases. Though domestic producers are facing competition from imported products, lingerie produced domestically has an advantage over imported goods, because it is designed to fit Thai women's shapes.

Men's Apparel:

- ***Stronger market growth in 2004***

Sales in the upper and middle segments of the men's apparel market increased by 7% in 2004, to approximately Bt9,000 million. This impressive growth, which is almost double the rate for the past three years, is partly due to higher average clothing prices. As is the case with other segments of the apparel market, demand for men's apparel is mainly determined by economic factors. Though men tend to be more price sensitive than women, there is some brand loyalty in this market.

With approximately 80 men's apparel brands in Thailand, the market is segmented by price and brand image. The market is not as concentrated as the lingerie market, as the market shares of leading brands are less than 35%. The high-end market consists of imported brands, such as Versace and Armani, and international brands, such as Lacoste, ELLE Home, 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 Arrow, GQ, John Henry, Getaway and St. Andrews brands, which are also primarily distributed through department stores.

Competition in the men's apparel industry remains intense. As the textile and clothing industry will be liberalized in 2005 under the World Trade Organization (WTO) agreement, competition from imported products is expected to become even more intense. While brand image is a major criterion for the upper end of the market, in order to boost sales and clear stock, retailers will, from time to time, use price reduction campaigns. Manufacturers in the upper end of the market strive to increase market share by continuously introducing new products to meet changes in demand and lifestyle. To maintain market share and avoid price competition, they always conduct product research and development. Hypermarkets add more competition to the lower-end segments by introducing private brands and pressuring manufacturers to improve production and distribution efficiency.

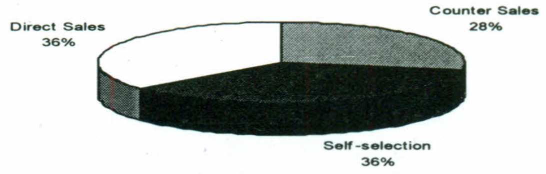
- ***Domestic textile producers face higher competition from abroad***

At the same time the Thai government has reduced duty protection for the domestic textile industry, manufacturers continue to receive government support to improve competitiveness. Garments imported from ASEAN countries have been duty-free since 1 January 2004, whereas garments imported from other countries are mainly subject to tariffs of 30%-60%.

Cosmetics:

- ***Market expanded by 10% despite of intense competition***

Chart 2: Distribution Channels of Cosmetics in Thailand



Source: ICC

Thailand's cosmetics market generated sales of approximately Bt24,000 million in 2004, approximately 10% more than in 2003. Demand for cosmetics is mainly affected by seasons and social factors, such as fashion trends and lifestyles. The cosmetics market also 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 such as make-up massage. Promotional activities, such as premium, are the preferred competitive strategy, and price cuts are avoided as they are seen as damaging to brand image. The self-selection segment of the market reaches customer through displays in supermarkets, hypermarkets, specialty stores and convenience stores. This segment uses advertising and pricing to motivate consumers to make purchases. The main strength in the self-selection segment of the market 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 and providing attractive returns to sales agents.

Cosmetics can also be divided into make-up and skin care products. Demand for skin care products has continuously increased because consumers are more and more health-conscious. Manufacturers are increasingly using medical research to develop and introduce new products. Competition in the market is intense as domestic manufacturers must compete with imported brands. The government has reduced protection for the domestic cosmetics industry. Most of cosmetics imported from ASEAN countries have been duty-free since 1 January 2004, while cosmetics imported from other countries are still taxed at 30%-40% (for cosmetics, such as perfumes, lipsticks and powder).

Competition in the retail industry remains intense. The entry of modern retail trade outlets, particularly hypermarkets such as Big C, Carrefour and Tesco-Lotus, has somewhat negatively affected traditional Thai retailers. These modern retailers provide modern services and displays, use standardized management systems, and make large investments in technology and innovation to attract customers. While the main strategy of modern retailers is to lower prices, other strategies include member cards, credit cards, campaigns and multiple branches. Furthermore, the use of technology and innovation by modern retailers is pressuring both Thai suppliers and traditional retailers, including department stores.

BUSINESS ANALYSIS

The above-average business profile of ICC reflects the success of its long experienced management team and its proven capability as one of the Thai leading distributors of core products, including lingerie, men's apparel and cosmetics.

- ***Experienced management team and proven capability as one of Thailand leading distributors***

ICC has been managed by the Chokwatana family since the company was established in 1964. The competence and experience of ICC's management team, together with support from suppliers within the Saha Group, has made the company a leading distributor in Thailand and allows it to successfully maintain leading positions in its target markets. The major segments in which ICC has very strong competitive positions and significant market shares are lingerie, men's apparel and, to a lesser extent, cosmetics. Wacoal is considered the dominant leader in the lingerie market, while Arrow controls significant shares of the middle and upper income men's apparel markets. In the cosmetics industry, while Pias has been able to sustain its market position, its profit margin has decreased in the past years.

ICC uses department stores as its key distribution channel. However, the increasing influence of discount stores has prompted ICC to launch new brands, such as POP Line and St. Andrews, for distribution through this channel, while protecting the premium brand image of products that are distributed through department stores. With a strong market position and a variety of products, ICC maintains considerable bargaining power among its distribution channels. Additionally, there is increasing competition from imported products, due to lower import duties.

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

ICC is one of Thailand's largest distributors. Its activities are the distribution and marketing of consumer products, particularly apparel and cosmetics. The company offers more than 40 long-established brands, including Wacoal, Arrow, Pias, Guy Laroche, ELLE, Lacoste and Itokin, all of which have a strong presence 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 its latest brand, BSC. The percentage of total sales from BSC products has gradually increased since the brand debuted in 1999. ICC plans to further develop BSC products to enable the brand to be one of its main contributors in the future.

ICC relies heavily on suppliers under the Saha Group umbrella. ICC has equity investments in its suppliers and some of ICC's executives also hold management positions within its suppliers. At the same time, some suppliers are shareholders in ICC. The major benefit of this structure is that it ensures good cooperation with suppliers for product and raw material development. However, the complexity of the shareholding structure of ICC and the Saha Group may make it difficult for investors to evaluate the company.

- ***Continued leadership in lingerie, sharp growth for Arrow and Lacoste and increasing competition in cosmetics market***

Although ICC's lingerie sales fluctuated throughout 2001-2003, ICC has maintained its dominant position in the lingerie market. The main reason for the fluctuation in sales was a slowdown in the sales of Wacoal products. Wacoal, the company's leading brand, dominated the middle- to high-end of the Thai lingerie market with a 62% share of the middle- to high-end markets in 2003 and the first nine months of 2004, down slightly from its market share of 64% during 2001-2002. Furthermore, this decline was only partially offset by increasing sales of other ICC's brands, such as BSC and POP Line, etc. In 2003, and the first nine months of 2004, ICC's lingerie brands still maintained combined market share of more than 70% shares of the middle- to high-end markets, and accounted for 33% of ICC's total sales for that period.

Men's apparel brands have gradually increased their contribution to ICC's sales, from 17% in 2000 to 22% for 2003 and to 23% for the first nine months of 2004. ICC's most important brands in terms of sales contribution are Arrow and Lacoste. Both brands were able to achieve sales growth of more than 10% during 2004. Key success factors were the continuous development of new products, innovation and design, and brand image, which ICC believes are the most important factors for success in the men's apparel business.

Cosmetics account for approximately 12% of ICC's sales, with the largest sales contribution derived from Pias. Through continuous marketing activities and product innovations, Pias is also considered one of the leaders in terms of counter sales cosmetics in Thailand, with a market share of 12%. For the first nine months of 2004, the operating profit margin for ICC's cosmetics products deteriorated from 12.14% in 2003 to 9.81%, as a result of heavy sales promotion used to counter increasingly fierce competition, especially from imported products.

- ***Gradual implementation of inventory management systems***

Nationwide, the company's distribution network includes around 400 sales counters that are staffed by full-time sales personnel, who report their sales and inventory to head office on a daily basis. The company also established 83 ICC centers that act as the company's information centers upcountry. Its long experience in the business has enabled the company to develop its own system to track daily sales and inventory. The company has implemented an on-line computer system (QRMS: Quick Response Marketing System) that can process and link all real-time sales and inventory information from the company's supply and distribution network. This information system helps ICC place purchase orders with suppliers more efficiently and enables the company to respond more quickly to changing consumer preferences and demands.

FINANCIAL ANALYSIS

Despite relatively low profitability, the company's liquidity and capital structure, and remarkable financial flexibility support ICC's above-average financial profile.

- ***Strong cash flow protection from zero debt, which is further enhanced by company's holding in related companies***

The company's cash flow protection is very strong because of low contingent liabilities (such as guarantees to related companies) and zero debt. The company's adjusted funds from operation (FFO) to total debt ratio (including guarantees to related parties) was 157.85% for the first nine months of 2004, a significant improvement from

54% in 2001. FFO has been quite stable, at around Bt600 million per year during 2001-2003, and is expected to improve to more than Bt700 million in 2004. The company also has a high degree of financial flexibility, with around Bt2,100 million in credit facilities available from various financial institutions.

Moreover, at the end of September 2004, the book value of the company's investments were Bt4,399 million, which provides additional financial flexibility to ICC. The total investments are composed of current investments (ICC's bank deposits and bills of exchange) worth Bt935 million and long-term investments worth Bt3,464 million. ICC's long-term investments in the listed companies had a combined market value of around Bt2,260 million as of September 2004. TRIS Rating expects that given its sustained minimum debt, ICC will be able to maintain high cash flow protection over the medium term.

- ***Conservative financial policy with no debt since 2002 and few guarantees***

ICC has a conservative financial profile, and management intends to maintain this policy in the future. ICC's total debt has decreased continuously and the company has been debt-free since April 2002 when it repaid its outstanding debentures. The company's adjusted debt to capitalization ratio (including guarantees to related parties in ICC's debt), which peaked in 1997 at 36.2%, has declined to 4.5% as of September 2004. Over the past five years, ICC has continuously reduced its financial support to related parties. Net loans to related companies were reduced from Bt1,150 million in 1998 to Bt96 million in September 2004 and guarantees to related companies also decreased, from Bt1,023 million in 1999 to Bt417 million as of September 2004. For the next three years, ICC has no plans that would require significant amounts of capital expenditures, therefore, TRIS Rating expects ICC will be able to maintain minimal leverage over the medium term. Additionally, given the sustained growth in economic condition, the amount of support is still at a minimal level.

- ***Low profit margin but in line with other trading companies***

ICC has maintained its cost of goods sold at approximately 70% to 72% of sales during the last five years. This reflects the company's strong relationship and negotiation power with its distribution channels and suppliers even though there was pressure from department stores, its major customers. Gross margins for its three major product types -- lingerie, men's wear, and cosmetics and perfume -- have been stable during the same period. However, gross margins on cosmetics and perfume in the first nine months of 2004 were slightly below the range for the past five-year range, since there is now greater competition in the market. ICC's selling and administrative expenses have been approximately 23%-24% of total sales since 2001. Correspondingly, operating income before depreciation and amortization as a percentage of sales was stable at around 6.4%-6.6% during 2001-2003, but picked up to 7.6% for the first nine months of 2004. Due to relatively high advertising expenditures in the fourth quarter, full year 2004 operating margin will be lower than for the first nine months.

- ***Huge investments in related companies lead to low return on permanent capital***

Return on permanent capital was at 8.28% because the company received low returns from its substantial investments in related companies. Total investments increased from Bt1,324 million in 1998 to Bt3,464 million as at September 2004, accounting for 33% of its assets. These investments are considered necessary because most of the related companies support ICC's operations. Management plans to use any excess cash to invest further in related companies.

Table 1: Breakdown of Product Line Contribution

Sales Contribution	2000 Bt million	2000 %	2001 Bt million	2001 %	2002 Bt million	2002 %	2003 Bt million	2003 %	3Q2004 Bt million	3Q2004 %
Lingerie	2,799.98	34.85	2,964.03	36.52	3,106.86	35.64	2,903.14	32.82	2,330.90	32.43
Men's Wear	**1,422.93**	17.71	**1,516.61**	18.69	**1,755.54**	20.14	**1,932.90**	21.85	**1,656.16**	23.04
Lacoste	***341.47***	4.25	***395.09***	4.87	***517.17***	5.93	***574.05***	6.49	***511.73***	7.13
Arrow	***515.01***	6.41	***507.01***	6.25	***528.99***	6.07	***556.85***	6.30	***488.52***	6.8
Cosmetic	970.56	12.08	943.40	11.62	1,074.03	12.32	1,161.56	13.13	842.82	11.73
Women's Apparel	730.62	9.09	630.00	7.76	694.61	7.97	583.80	6.60	426.55	5.93
Household Products	469.67	5.85	497.67	6.13	561.73	6.44	708.32	8.01	582.24	8.10
Children's Apparel	471.99	5.87	473.41	5.83	471.87	5.41	454.67	5.14	336.01	4.67
Others	1,168.15	14.54	1,091.40	13.45	1,053.27	12.08	1,100.70	12.44	1,013.24	14.10
Total	8,033.90	100.00	8,116.52	100.00	8,717.91	100.00	8,845.09	100.00	7,187.92	100.00

Source: ICC

Financial Statistics and Key Financial Ratios

Unit: Bt million

	9/2004	2003	2002	2001	2000	1999
		Year ended 31 December				
Sales	7,188	8,845	8,719	8,117	8,034	7,182
Gross interest expense	-	0.01	11	39	44	35
Net income from operations	583	409	624	518	470	455
Funds from operations (FFO)	659	677	625	618	761	717
Capital expenditures	75	156	293	138	50	197
Total assets	10,625	10,252	9,384	9,184	9,166	8,675
Total debt	-	-	-	465	495	506
Guarantees to related companies	417	476	528	671	724	1,023
Shareholders' equity	8,942	8,488	7,611	7,122	7,193	6,731
Operating income before depre. and amort. as % of sales	7.59	6.62	6.40	6.45	9.17	7.52
Pretax return on permanent capital (%)	8.28 **	7.46	11.28	9.98	9.80	8.77
Earnings before interest, tax, depre. and amort. (EBITDA) interest coverage (times)	n.m.	n.m.	84.12	21.91	19.54	21.18
FFO/total debt (%)	n.m.	n.m.	n.m.	132.97	153.69	141.68
FFO/total debt (%)*	157.85 **	142.15	118.38	54.41	62.47	46.86
Total debt/capitalization (%)	-	-	-	6.13	6.44	6.99
Total debt/capitalization (%)*	4.46	5.31	6.49	13.76	14.49	18.51

Note: Since 2001, adjusted revenue recognition on sales to comply with accounting standards
n.m. Not materialized
* Including contingent liabilities of guarantees to related companies
** Non-annualized

Rating Symbols and Definitions

TRIS Rating uses letter rating symbols for announcing long-term credit ratings. Ratings range from AAA, the highest rating, to D, the lowest rating. 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.

The 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 longer term. In formulating the outlook, TRIS Rating will consider the prospects for the rated company's industry, as well as business conditions that might have an impact on its fundamental creditworthiness. The rating outlook will be announced in conjunction with the credit rating. In all cases, the outlook assigned to a company will apply to all debt obligations issued by the company.

The categories for *"Rating Outlooks"* 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

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 10550, Thailand, http://www.trisrating.com