

CHAROEN POKPHAND FOODS PLC

No. 62/2011

14 December 2011

Company Rating: AA-

Outlook: Stable

New Issue Rating: AA-

Rating History:

Date	Company	Issue (Secured/ Unsecured)
19/05/11	AA-/Sta	-/AA-
30/04/10	A+/Pos	-/A+
22/06/06	A+/Sta	-/A+
20/05/05	A/Pos	-/A
12/07/04	A/Sta	-/A
28/05/04	A	-/A
01/03/01	A+	-/A+

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Rating Rationale

TRIS Rating affirms the company and current issue ratings of Charoen Pokphand Foods PLC (CPF) at "AA-". At the same time, TRIS Rating assigns the rating of "AA-" to CPF's proposed issue of up to Bt6,000 million in senior debentures. The proceeds from the new debentures will be used for the company's planned capital expenditures. The ratings reflect the company's leading position in the Thai agribusiness and food industry, its product and market diversification, successful strategic shift towards branded food products, overseas expansion efforts, and strengthened operating performance. The ratings also take into consideration CPF's relatively low operating profit margins, the inherent volatility of commodity products, and exposure to climate change.

CPF is the largest agribusiness and food conglomerate in Thailand. As of March 2011, Charoen Pokphand Group Co., Ltd. (CPG) and related companies held 42.14% of CPF's shares. The company's business is divided into two major categories, livestock and aquaculture, each of which comprises feed, farm, and food products. Fully-integrated operations help its products meet safety and traceability standards, which qualify the products for export to major importing countries, including the countries of the European Union (EU), Asian countries, and the United States (US).

For the first nine months of 2011, revenue from farm products contributed 43% of the company's total sales, followed by animal feed (38%), and food products (19%). To reduce the commodity-like nature of its products and stabilize operating cash flow, CPF focuses on creating its own branded and value-added products and developing distribution channels for both the domestic and export markets. CPF aims to increase the contribution from food products to 20% of total sales by 2015, while reducing the proportion of sales from its commodity-like farm products. In addition to diversifying its product lines, the company aims to expand its operations into many countries. Revenue from overseas operations is planned to rise to 63% of total sales by 2015, compared with 26% in 2010. To achieve this mission, CPF recently announced the plan to acquire 74.18% of C.P. Pokphand Co., Ltd. (CPP), a leading livestock and aquaculture feed producer in China and Vietnam, for a total consideration of US\$2,174 million. Revenue from overseas operation will increase from 26% of total sales in 2010 to more than 50% after the acquisition.

CPF's operating performance in the first nine months of 2011 was strong. Sales grew to Bt153,420 million, up by 8.2% from the same period in 2010. The gross margin remained healthy at 17.5% for the first nine months of 2011. Net profit, excluding gains on the sale of investments, was favorable at Bt12,574 million, rising by 11.3% from the same period in 2010, due mainly to relatively high meat prices and efficient control of grain costs. CPF stocked up on major raw materials and purchased forward agreements to help control costs. As of September 2011, CPF's total debt to capitalization ratio was relatively healthy at 45.0%. CPF plans to finance approximately 60% of the acquisition cost by new debt. The debt to capitalization ratio will increase to 50%-55% after the

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acquisition. Nevertheless, the total debt to capitalization ratio is expected to improve after the full realization of CPP's contribution.

Rating Outlook

The "stable" outlook reflects the expectation that CPF will be able to maintain its leading position in the dynamic global food market. The company's diverse range of products and markets, along with economies of scale, are expected to help improve credit protection and stabilize profits. The focus on food products should offset the fluctuations in the prices of its commodity-like farm products.

Charoen Pokphand Foods PLC (CPF)

Company Rating:	AA-
Issue Ratings:	
CPF120A: Bt2,500 million senior debentures due 2012	AA-
CPF138A: Bt3,000 million senior debentures due 2013	AA-
CPF13NA: Bt2,200 million senior debentures due 2013	AA-
CPF14NA: Bt3,200 million senior debentures due 2014	AA-
CPF14NB: Bt3,000 million senior debentures due 2014	AA-
CPF15NA: Bt3,000 million senior debentures due 2015	AA-
CPF17NA: Bt5,000 million senior debentures due 2017	AA-
CPF188A: Bt3,000 million senior debentures due 2018	AA-
CPF218A: Bt3,000 million senior debentures due 2021	AA-
CPF418A: Bt4,000 million senior debentures due 2041	AA-
Up to Bt6,000 million senior debentures due within 2041	AA-
Rating Outlook:	Stable

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