

## Charoen Pokphand Foods Public Company Limited

<b>Company Rating:</b>	A+
<b>Issue Ratings:</b>	
CPF106A: Bt2,000 million senior debentures due 2010	A+
CPF100A: Bt3,500 million senior debentures due 2010	A+
CPF117A: Bt3,800 million senior debentures due 2011	A+
CPF118A: Bt3,000 million senior debentures due 2011	A+
CPF120A: Bt2,500 million senior debentures due 2012	A+
CPF138A: Bt3,000 million senior debentures due 2013	A+
CPF13NA: Bt2,200 million senior debentures due 2013	A+
CPF14NA: Bt3,200 million senior debentures due 2014	A+
CPF15NA: Bt3,000 million senior debentures due 2015	A+
<b>Rating Outlook:</b>	Positive

Rating History:	Company Rating	Issue Rating	
		Secured	Unsecured
22 Jun 2006	A+/Stable	-	A+
20 May 2005	A/Positive	-	A
12 Jul 2004	A/Stable	-	A
28 May 2004	A	-	A
1 Mar 2001	A+	-	A+

### Rating Rationale

TRIS Rating affirms the company and issue ratings of Charoen Pokphand Foods PLC (CPF) at “A+”. The ratings reflect the company’s leading position in the Thai agribusiness and food industry, its product and market diversification, strong overseas expansion, increasing penetration in the packaged food segment with CP brand products, and reduced costs through operational improvements. The ratings also take into consideration the relatively low operating profit margins, volatile commodity prices, and exposure to disease outbreaks.

CPF is the largest agribusiness and food company in Thailand and is the flagship company of the CP Group in Thailand. As of March 2010, Charoen Pokphand Group Co., Ltd. (CPG) and related companies held 41% 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 United States (US), Japan, and the countries of the European Union (EU).

In 2009, revenue from farm products contributed 43% of total sales, followed by animal feed (37%), and food products (20%). To reduce the commoditized nature of its products and stabilize cash flow, CPF continues to focus on building branded and value-added products and developing distributional channels for both the domestic and export markets. CPF aims to increase the contribution from food products to one-third of total sales within five years, while reducing the proportion of sales from the commodity-oriented farm products. In addition to product diversification, the company has increasingly expanded its operations to many countries. The contribution from overseas operations has continuously increased from 6% of total sales in 2003 to 19% in 2009. The rise largely came from chicken operations in Turkey.

CPF's financial profile remains healthy. The total debt to capitalization ratio improved from 51.04% in 2008 to 43.77% in 2009. Sales grew by 5.6% to Bt165,063 million in 2009, while net profit increased sharply by 225.7% to Bt10,190 million. The rise in profit in 2009 came mainly from a recovery in the operations in Turkey and an improvement in the aquaculture businesses in both domestic and overseas markets. Better control of expenses by improving cash conversion cycle also supported the strong rebound in profitability. Although grain costs increased in early 2010, CPF already purchased forward agreements for most of its major raw materials to lock in prices until October 2010. The focus on value-added products should alleviate the fluctuations in commodity prices and sustain profit margins.

#### **Rating Outlook**

TRIS Rating revises the outlook of CPF to "positive" from "stable". The "positive" outlook reflects the success in development of CPF's business structure towards branded and value-added products and overseas expansion. The company is expected to maintain its leading position in the dynamic global food market. The diversified base of products and markets along with economies of scale are expected to help improve credit protection and generate more stable profits in the medium term.

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