

## Charoen Pokphand Foods Public Company Limited

<b>Company Rating:</b>	A+
<b>Issue Ratings:</b>	
CPF09NA: Bt3,500 million senior debentures due 2009	A+
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+
Up to Bt8,000 million senior debentures due within 2015	A+
<b>Rating Outlook:</b>	Stable

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 rating and the ratings of Charoen Pokphand Foods PLC's (CPF) debentures at "A+". At the same time, TRIS Rating assigns the rating of "A+" to CPF's proposed issue of up to Bt8,000 million in senior debentures. The ratings reflect the company's leading position in the Thai agribusiness industry, product and market diversification, expanding overseas operations, and improving position in the packaged food industry. The ratings also take into consideration the company's low operating profit margins, volatile commodity prices, and exposure to disease outbreaks.

CPF is the largest agribusiness company in Thailand and is the flagship agribusiness company of the CP Group in Thailand. As of April 2009, Charoen Pokphand Group Co., Ltd. (CPG) and related companies held 41% of the company's shares. The company's business is divided into two major categories, livestock and aquaculture, each of which comprises feed, farm, and food. Fully-integrated operations help the products meet safety and traceability standards, which qualify the products for export to major importing countries, including the United States (US), Japan, and the European Union (EU).

For the first six months of 2009, revenue from the farm business, including breeding stock, live animals, and raw meat, contributed 47% of total sales, followed by animal feed (34%), and food products (19%). To reduce the commoditized nature of the products and stabilize cash flow, CPF focuses on building the CP brand and developing value-added products for both the domestic and export markets. CPF aims to increase the contribution from cooked and ready meal products to one-third of total sales within the next five years, while reducing the proportion of sales from the farm business. In addition to

*CreditUpdate* reviews ratings of companies or debt issues that have already been rated by TRIS Rating. The *CreditUpdate* occurs when new debt instruments are issued or if significant events have taken place that may impact a company's current ratings or when current ratings are cancelled. The *CreditUpdate* announces whether a rating has been "upgraded," "downgraded," "affirmed" or "cancelled." The update includes information to supplement the previously published ratings.

*CreditUpdates* are part of TRIS Rating's monitoring process. TRIS Rating monitors every rating it assigns until either the debt instrument matures or the rating contract ends. To keep the public informed of changing situations, TRIS Rating periodically issues announcements about the credit ratings it monitors.

product diversification, the company has increasingly diversified its operations into many countries. The contribution from overseas operations has continuously increased from 8% of total sales in 2003 to 16.7% for the first six months of 2009. Contributions from operations in Taiwan will be realized from October 2009 onwards.

CPF's financial profile remains healthy. Sales increased to Bt75,393 million for the first six months of 2009, up by 3.4% from the same period of 2008, while net profit increased sharply by 176% to Bt3,964 million. Rise in profit came mainly from the recovery in its aquaculture business both domestic and overseas markets. Low grain and energy costs, better control of expenses, and the focus on value-added products also supported the strong rebound in profitability. The proceeds from the new debentures will be used to repay its matured debentures and for business expansion. The total debt to capitalization ratio will slightly increase from 45.40% in June 2009 to 46%-50% by the end of 2009.

#### **Rating Outlook**

The "stable" outlook reflects the expectation that CPF will be able to maintain its leading position in the dynamic global food industry. The decision to brand most products with the CP name is strategically important and should partially insulate the company from the cyclicity of prices for its basic products.

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 10500, Thailand, [www.trisrating.com](http://www.trisrating.com)

© Copyright 2009, TRIS Rating Co., Ltd. All rights reserved. Any unauthorized use, disclosure, copying, republication, further transmission, dissemination, redistribution or storing for subsequent use for any purpose, in whole or in part, in any form or manner or by any means whatsoever, by any person, of the credit rating reports or information is prohibited. The credit rating is not a statement of fact or a recommendation to buy, sell or hold any debt instruments. It is an expression of opinion regarding credit risks for that instrument or particular company. The opinion expressed in the credit rating does not represent investment or other advice and should therefore not be construed as such. Any rating and information contained in any report written or published by TRIS Rating has been prepared without taking into account any recipient's particular financial needs, circumstances, knowledge and objectives. Therefore, a recipient should assess the appropriateness of such information before making an investment decision based on this information. Information used for the rating has been obtained by TRIS Rating from the company and other sources believed to be reliable. Therefore, TRIS Rating does not guarantee the accuracy, adequacy, or completeness of any such information and will accept no liability for any loss or damage arising from any inaccuracy, inadequacy or incompleteness. Also, TRIS Rating is not responsible for any errors or omissions, the result obtained from, or any actions taken in reliance upon such information.