MITR PHOL SUGAR CORPORATION LTD.

No. 56/2014 17 September 2014

Company Rating: A+

Issue Rating:
Senior unsecured A+

Outlook: Stable

Company Rating History:

Date	Rating	Outlook/Alert
24/12/10	A+	Stable
02/11/07	A	Stable

Contacts:
Rungrat Suntornpagasit
rungrat@trisrating.com

Nauwarat Temwattanangkul
nauwarat@trisrating.com

Wiyada Pratoomsuwan, CFA
wiyada@trisrating.com

WWW.TRISRATING.COM

Rating Rationale

TRIS Rating affirms the company and current senior unsecured debenture ratings of Mitr Phol Sugar Corporation Ltd. (MPSC) at "A+". At the same time, TRIS Rating assigns the rating of "A+" to MPSC's proposed issue of up to Bt6,100 million in senior unsecured debentures. The proceeds from the new debentures will be used for planned capital expenditures. The "A+" ratings reflect the company's leading market position in the sugar industry within the Asia-Pacific region, well-accepted brand name, efficient sugar mill operations, and its diversification into sugar-related businesses. The ratings also take into consideration the currently low sugar prices, the regulatory risks and operational risks facing in its overseas sugar operations, as well as the volatility of the supply of sugarcane.

MPSC was established in 1946 by the Vongkusolkit family. The Vongkusolkit family collectively holds 100% of the company's shares through Mid-Siam Sugar Co., Ltd. MPSC owns and operates sugar mills in Thailand, China, the Lao PDR, and Australia. For the 2013/2014 growing season, MPSC produced in total 4.04 million tonnes of sugar.

MPSC has long been the leader in the Thai sugar and sugarcane industry. In the 2013/2014 growing season, six sugar mills of MPSC in Thailand produced 2.3 million tonnes of sugar, earning MPSC the highest market share (20.3%) in the industry, based on production volume. Behind MPSC was the Thai Roong Ruang Group (15.5% market share), the Thai Ekkalak Group (9.3%), the KSL Group (8.0%), and the Wangkanai Group (6.2%). MPSC's cane crushing yield was relatively healthy at 114.4 kilograms (kg.) per cane tonne in the 2013/2014 growing season, compared with the industry average of 109.3 kg. per cane tonne.

In China, MPSC currently owns and operates seven sugar mills, which collectively produced 1.17 million tonnes of sugar in the 2013/2014 season. The company is currently the second-largest sugar producer in China, with an 8.7% market share and a crushing yield of 126.8 kg. per cane tonne in the 2013/2014 period. MPSC's sugar mill in the Lao PDR produced 0.04 million tonnes of sugar in 2013/2014 while its sugar mill in Australia, MSF Sugar (MSF), produced 0.56 million tonnes.

The sugar segment contributed the highest portion of MPSC's revenues. In 2013, MPSC's total sales were Bt84,331 million. The sugar segment accounted for 81% of total MPSC's revenues. Sugar production in China contributed 33% of total revenues while sugar production in Thailand contributed 41%. Operations in the Lao PDR and Australia made marginal contributions to MPSC's earnings. Revenues from Mitr Lao accounted for 1% of total MPSC's revenues in 2013 while MSF contributed 6%.

Apart from sugar production, MPSC has expanded along the sugar value chain to maximize the utilization of sugarcane. MPSC's related businesses include generating electricity, producing ethanol, as well as producing wood substitute materials and paper. As of June 2014, MPSC's ethanol plants in Thailand had a combined production capacity of 960,000 liters per day. MPSC owns a number of electricity generating plants with a combined capacity of 375.8 megawatts (MW).

Despite falling sugar prices worldwide, MPSC's revenue was satisfactory in the first six months of 2014. Total revenue declined by 5.5% over the same period last year (y-o-y) to Bt44,788 million during the first six months of 2014. The volume of sugar produced and sold from Thai operations rose by 12.3% y-o-y, while combined sales in ethanol and power segments also increased by 33% over the same period of the prior year to Bt6,598 million. These factors partly helped offset the drop in revenue of sugar operations in China. However, the profitability of the

sugar operations has weakened because sugar prices remain low. In addition, MPSC's sugar operations in China suffered because of the relatively high cost of cane set by the Chinese government in order to benefit cane growers. MPSC's ratio of operating income before depreciation and amortization to sales, including gains from the futures contracts, declined to 19.2% in the first six months of 2014, compared with 22.5% in the same period last year. Earnings before interest, tax, depreciation, and amortization (EBITDA) declined to Bt9,544 million in the first six months of 2014, down 15.8% from Bt11,333 million in the same period last year. The combined operating profit from the electricity segment and the ethanol segment rose by 33% y-o-y, partly offsetting a 67% drop in the operating profit of the sugar segment. The EBITDA interest coverage ratio in the first six months of 2014 remained good at 7.8 times, despite low sugar prices. MPSC's financial leverage remained at a moderate level. The total debt to capitalization ratio increased to 53.9% as of June 2014, from 49.0% as of December 2013 due to higher working capital needs during the sugar production period. MPSC has currently completed most of its major expansion projects. As a result, total capital expenditures will be set at Bt5,000-Bt6,000 million per year during 2014 and 2015. This level is much lower than in the recent past. MPSC spent approximately Bt10,000-20,000 million per annum during 2011-2013. MPSC's financial performances would be soft as long as the current downturn of the sugar industry continues. However, lower capital expenditures would help MPSC maintain its financial leverage and cash flow protection at acceptable levels.

Sugar prices are expected to remain low for the next 12 months because sugar inventories remain high around the world. The United States Department of Agriculture (USDA) estimated that world sugar supply exceeded demand by 1.5 million tonnes in 2013/2014, the fourth consecutive year surplus. For the 2014/2015 growing season, the USDA forecasted that worldwide production would be flat at 175.6 million tones. Production drops in Brazil, China, Pakistan, and Thailand are expected to outpace rising production in India, the Former Soviet Union, and the European Union while global consumption is forecasted to rise, driven by China and India. USDA projected demand for sugar would be 1.1 million tonnes higher than supply in the 2014/2015. If true, this would be the first time in five years that sugar balance would be deficit. However, abundant sugar inventories, which were estimated at about 45.5 million tonnes by USDA, would keep sugar prices low for the foreseeable future.

Rating Outlook

The "stable" outlook reflects TRIS Rating's expectation that MPSC will maintain its leading position in both the Thai and Chinese sugar industries. The revenue sharing arrangement established for the Thai sugar industry, on top of solid demand for gasohol and ethanol, will help support MPSC's operations while sugar prices remain low.

Mitr Phol Sugar Corporation Ltd. (MPSC)

Company Rating:	A+
Issue Ratings:	
MPSC14OA: Bt1,000 million senior unsecured debentures due 2014	A+
MPSC155B: Bt500 million senior unsecured debentures due 2015	A+
MPSC156A: Bt600 million senior unsecured debentures due 2015	A+
MPSC15OA: Bt1,000 million senior unsecured debentures due 2015	A+
MPSC165A: Bt600 million senior unsecured debentures due 2016	A+
MPSC16OA: Bt1,000 million senior unsecured debentures due 2016	A+
MPSC16OB: Bt3,500 million senior unsecured debentures due 2016	A+
MPSC175A: Bt600 million senior unsecured debentures due 2017	A+
MPSC185A: Bt700 million senior unsecured debentures due 2018	A+
MPSC18OA: Bt2,150 million senior unsecured debentures due 2018	A+
MPSC20OA: Bt1,000 million senior unsecured debentures due 2020	A+
MPSC20OB: Bt1,850 million senior unsecured debentures due 2020	A+
MPSC21OA: Bt2,000 million senior unsecured debentures due 2021	A+
MPSC22OA: Bt2,000 million senior unsecured debentures due 2022	A+
MPSC233A: Bt2,500 million senior unsecured debentures due 2023	A+
MPSC256A: Bt2,400 million senior unsecured debentures due 2025	A+
Up to Bt6,100 million senior unsecured debentures due within 2024	A+
Rating Outlook:	Stable

Financial Statistics and Key Financial Ratios*

Unit: Bt million

		--------Year Ended 31 December-------			--Year Ended 31 October--	
	Jan-Jun 2014	2013	2012	Nov-Dec 2011	2011	2010
Sales	44,788	84,331	89,572	8,123	74,261	55,060
Gross interest expense	1,218	2,356	2,054	193	1,394	1,331
Net income from operations	2,746	4,505	7,554	911	7,496	4,650
Funds from operations (FFO)	7,090	10,399	12,838	1,777	14,313	9,632
Earnings before interest, tax, depreciation, and amortization (EBITDA)	9,544	15,565	18,926	2,411	17,542	11,686
Capital expenditures	2,836	9,773	13,334	2,480	9,774	4,767
Total assets	136,724	124,726	119,032	89,790	82,794	67,137
Total debt	64,614	51,699	45,559	33,070	28,214	23,335
Shareholders' equity	55,148	53,862	49,141	42,182	43,447	36,566
Operating income before depreciation and amortization as % of sales	19.24	17.01	19.76	24.42	22.34	20.00
Pretax return on permanent capital (%)	7.23 **	10.48	16.99	2.52	22.77	15.90
Earnings before interest, tax, depreciation, and amortization (EBITDA) interest coverage (times)	7.84	6.61	9.21	12.48	12.59	8.78
FFO/total debt (%)	13.82 **	20.11	28.18	5.37	50.73	41.28
Total debt/capitalization (%)	53.95	48.98	48.11	43.95	39.37	38.96

** Consolidated financial statements*
*** Annualized with trailing 12 months*
Note: MPSC has changed fiscal year from November-October to January-December since 2012

TRIS Rating Co., Ltd.
Tel: 0-2231-3011 ext 500 / Silom Complex Building, 24th Floor, 191 Silom Road, Bangkok 10500, Thailand www.trisrating.com