

**RELATIVES VALUATION OF
SPCG PUBLIC COMPANY LIMITED**



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RELATIVES VALUATION OF SPCG PUBLIC COMPANY LIMITED

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M.M. (FINANCIAL MANAGEMENT)

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VASAN SIRAPRAPASIRI, M.Sc., KAIPICHIT RUENGRICHAIYA, Ph.D.**ABSTRACT**

The purpose of this thematic paper is to value the company and investment decision making on SPCG Public Company Limited. I value the Company's price by using multiple valuation while consider using Price/Earnings Ratio (P/E), Price/Book Value Ratio (P/BV) and EV/EBITDA. As I believe that it will reflect the most appropriated price of the Company. And the result show that the price of SPCG (Current price at 31 October 2014) is undervalue so I recommend to "Buy".

KEY WORDS: valuation, P/E, P/BV, EV/EBITDA, alternative energy

32 page

CONTENTS

	Page
ACKNOWLEDGEMENTS	ii
ABSTRACT	iii
LIST OF TABLES	vi
LIST OF FIGURES	vii
LIST OF ABBREVIATIONS	viii
CHAPTER I VALUATION	1
1.1 Highlights	1
1.2 Business Description	3
1.2.1 Company Background	3
1.2.2 Overall Business Operations	5
1.3 Macro-Economic Analysis and Industry Analysis	6
1.4 Competition Analysis	7
1.4.1 Competition Analysis	7
1.4.2 Competition Opportunities	8
1.5 Investment Summary	9
1.6 Valuation	10
1.6.1 Trailing Multiple Valuation (P/E and P/BV)	10
1.6.2 Forward Multiple Valuation (P/E, P/BV and EV/EBITDA)	12
1.7 Financial Analysis	15
1.7.1 Size Analysis	15
1.7.2 Common Size Analysis	15
1.7.3 Trend Analysis	19
1.7.4 Financial Ratios	20
1.8 Investment Risks	22

CONTENTS (cont.)

	Page
CHAPTER II DATA	25
2.1 Income Statement	25
2.2 Balance Sheet	26
2.3 Statement of Cash Flow	27
2.4 Common Size	28
2.5 Trend Analysis	29
2.6 Financial Ratio	30
REFERENCES	31
BIOGRAPHY	32



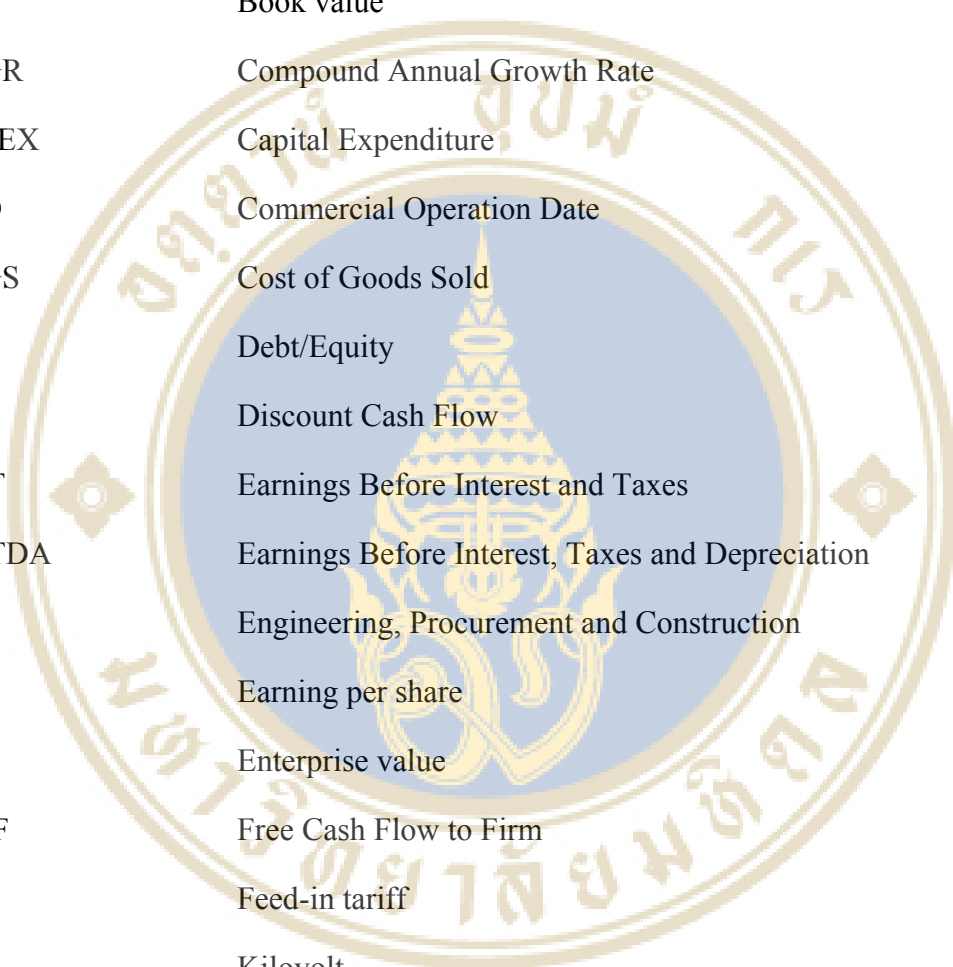
LIST OF TABLES

Table		Page
1.1	Financial Highlights	2
1.2	SPCG's solar power project summary	6
1.3	Competitors information	8
1.4	Competitor information	15
2.1	Income statement	25
2.2	Balance sheet	26
2.3	Statement of Cash Flow	27
2.4	Common size	28
2.5	Trend Analysis	29
2.6	Financial Ratio	30

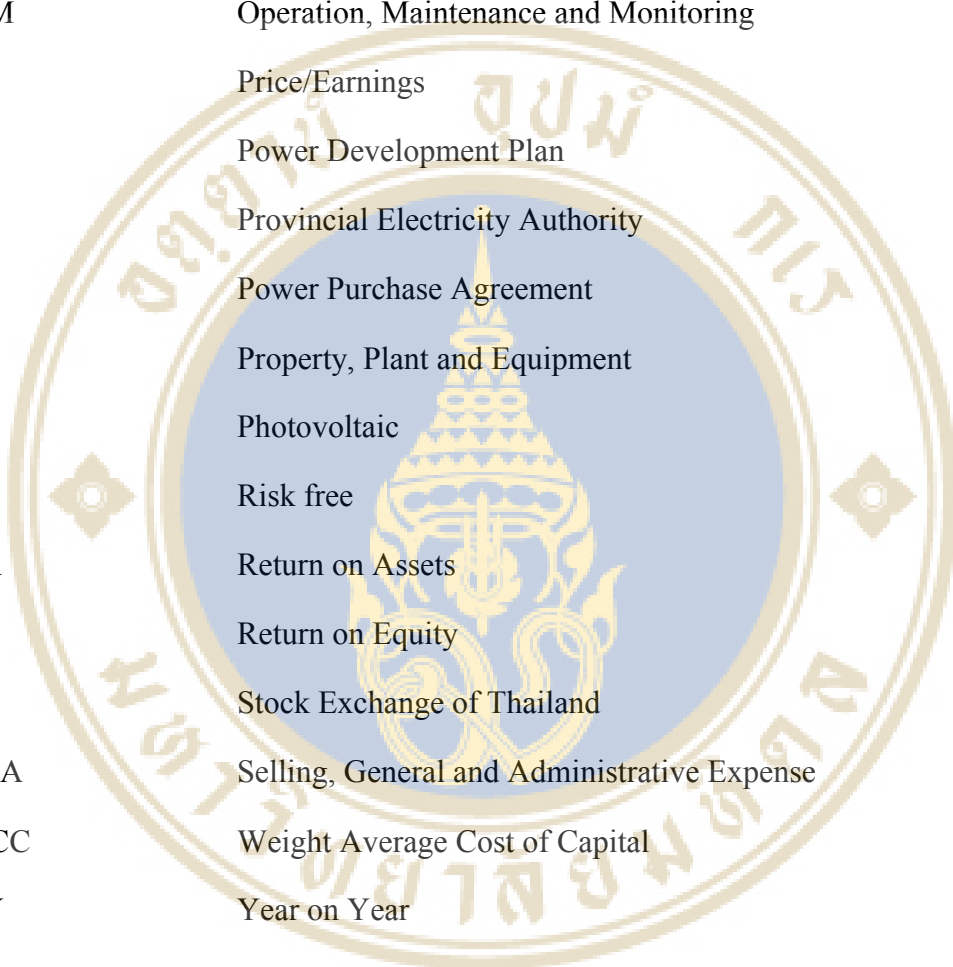
LIST OF FIGURES

Figure	Page
1.1 SPCG's business structure	3
1.2 Peer comparison with competitors	11
1.3 SPCG's P/E	11
1.4 Peer comparison with competitors	12
1.5 SPCG's P/BV	12
1.6 Forward P/E of peer group from Bloomberg	13
1.7 Forward P/BV of peer group from Bloomberg	14
1.8 Forward EV/EBITDA of peer group from Bloomberg	14
1.9 SPCG's revenue and competitors' comparison	15
1.10 SPCG's expense and competitors' comparison	16
1.11 SPCG's assets and competitors' comparison	17
1.12 SPCG's liabilities & equity and competitors' comparison	18
1.13 SPCG's trend analysis	19
1.14 Profitability Ratio	20
1.15 Efficiency Ratio	20
1.16 Solvency Ratios	22
1.17 SPCG and GUNKUL total debt	22
1.18 Risk Matrix	24

LIST OF ABBREVIATIONS



AEDP	Alternative Energy Development Plan
BV	Book value
CAGR	Compound Annual Growth Rate
CAPEX	Capital Expenditure
COD	Commercial Operation Date
COGS	Cost of Goods Sold
D/E	Debt/Equity
DCF	Discount Cash Flow
EBIT	Earnings Before Interest and Taxes
EBITDA	Earnings Before Interest, Taxes and Depreciation
EPC	Engineering, Procurement and Construction
EPS	Earning per share
EV	Enterprise value
FCFF	Free Cash Flow to Firm
FIT	Feed-in tariff
KV	Kilovolt
MDB	Main Distribution Board
MEA	Metropolitan Electricity Authority
MOU	Memorandum of Understanding
MW	Megawatt
MWp	Megawatt peak
NOPAT	Net Operating Profit after Taxes

LIST OF ABBREVIATIONS (cont.)

NOWC	Net Operating Working Capital
OMM	Operation, Maintenance and Monitoring
P/E	Price/Earnings
PDP	Power Development Plan
PEA	Provincial Electricity Authority
PPA	Power Purchase Agreement
PPE	Property, Plant and Equipment
PV	Photovoltaic
R _f	Risk free
ROA	Return on Assets
ROE	Return on Equity
SET	Stock Exchange of Thailand
SG&A	Selling, General and Administrative Expense
WACC	Weight Average Cost of Capital
YOY	Year on Year

CHAPTER I

VALUATION

1.1 Highlights

Opportunities from New PDP:

Under the draft of Thailand's Power Development Plan 2015 (PDP 2015), alternative energy reveal to contribute more 25% from 2014 (increase 17%) of total national power generating capacity. It is a big investment opportunities for SPCG business.

New Distribution Channel at HomePro:

SPCG announced to expand its EPC solar-roof distribution channel with Home Product Center Public Company Limited ("HMPRO") under a program called "SPR Solar Roof, the Best Quality Roof by HomePro" to attract the customer who interested on saving the electricity cost. At the first-stage of entering this program with HMPRO, would not make a significantly revenue growth in the near turn, but it will help creating the new awareness of green customer in a long-run.

New Investments in Japan:

Memorandum of Understanding (MOU) sealed with Thailand Factory Development Public Company Limited ("TFD") to develop Solar Roof Top about 5MW with total capital investment of 300 million Baht SPCG will get adder income of 6 Baht/MW, which expected to start recognize its revenue in Q3'2015. Additionally, SPCG announced to invest with Japan's Kyocera Corp to build solar photovoltaic (PV) panel manufacturing facility in Thailand to respond with the future demand on increasing of solar power business in Asia also give the brighten path of the SPCG's business.

Valuation and Recommendation

Based on the DCF valuation with WACC at 6.01% and multiple valuations, we recommended to "BUY" at target price of 28.45 Baht. Benefit from debt refinancing from 10 years bridging-loan to 5 years debentures with the lower

interest rate, it significantly leads to lower finance cost of SPCG in 2014. Together with the completion of starting commercial electricity distribution of 36 solar farm projects in 2Q'2014 lead to more efficiency operating cost and SG&A, then the major factor of driving higher revenue in our number. The forecasted revenue aims to increase about 165% YOY from Y2013. Moreover, the plenty opportunities aforementioned are the main reason to support SPCG's brighten future in solar power business and future sustainable earn.

Table 1.1 Financial Highlights

				Recommendation	BUY	
Current Price (31 Oct 2014)	25.25 Baht			Target Price	28.45 Baht	
FY Ended 31 Dec	2011A	2012A	2013A	2014F	2105F	2016F
<u>Company Financial</u>						
Revenue (Btm)	586	1,277	2,523	4,162	4,452	4,510
EBITDA (Btm)	225	602	1,661	3,115	3,392	3,438
Net Profit (Btm)	14	166	644	2,016	2,415	2,456
EPS (Bt)	0.03	0.30	0.77	2.18	2.61	2.66
Dividend Yield (%)	0.20%	0.40%	0.49%	2.59%	3.10%	3.16%
ROA (%)	4.29%	3.85%	5.91%	7.38%	8.38%	8.70%
ROE (%)	9.94%	13.56%	29.92%	31.61%	26.47%	20.62%
Gearing (x)	3.50	4.04	5.40	3.70	2.33	1.56
<u>Valuation</u>						
P/E (x)	-	182.65	20.39	9.76	9.59	9.38
EV/EBITDA (x)	49.13	34.62	24.90	105.53	114.94	116.48

1.2 Business Description

1.2.1 Company Background

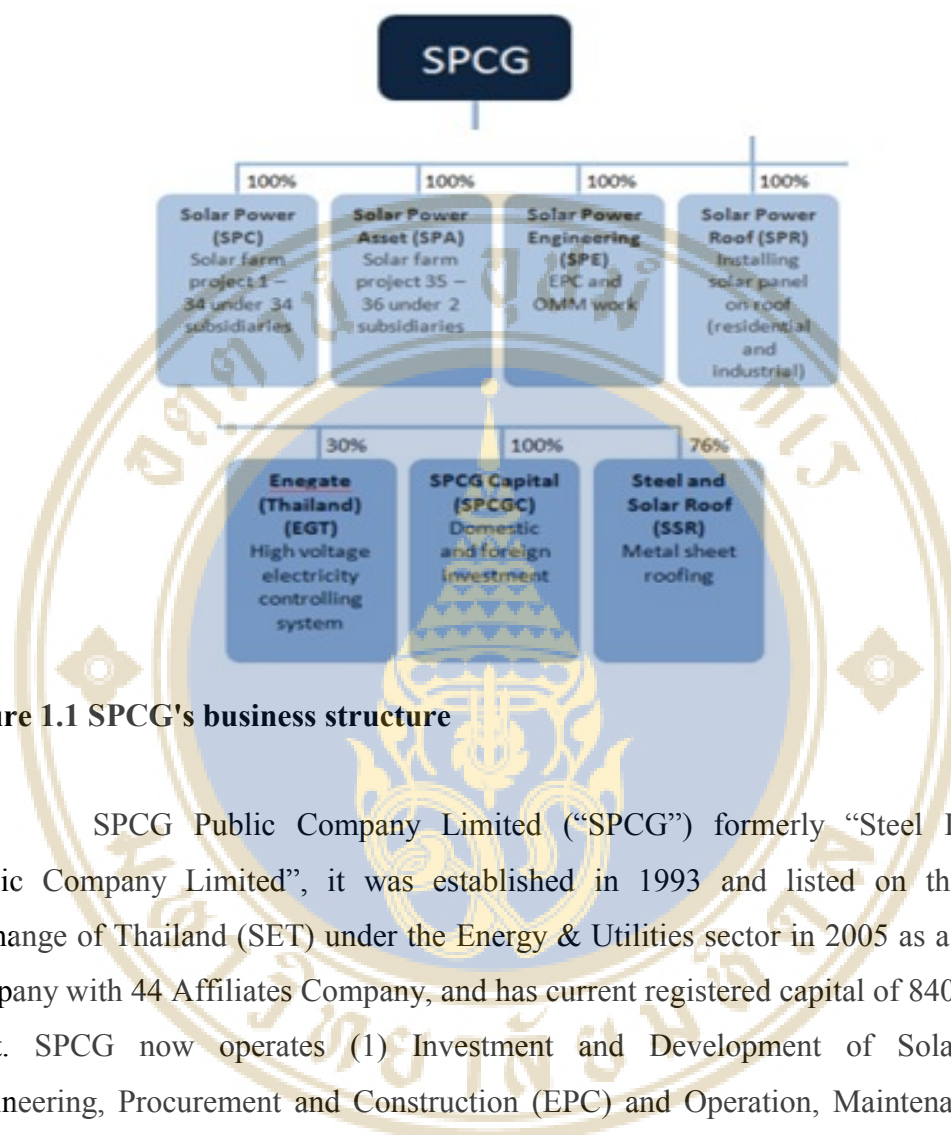


Figure 1.1 SPCG's business structure

SPCG Public Company Limited (“SPCG”) formerly “Steel Intertech Public Company Limited”, it was established in 1993 and listed on the Stock Exchange of Thailand (SET) under the Energy & Utilities sector in 2005 as a holding company with 44 Affiliates Company, and has current registered capital of 840 million Baht. SPCG now operates (1) Investment and Development of Solar Farm Engineering, Procurement and Construction (EPC) and Operation, Maintenance and Monitoring (OMM) (2) Manufacturing, distribute and installation of Roll forming Metal Sheet including other related roof and wall cladding materials and (3) Supply and installation of Solar Rooftop for residence, small building and medium and large building.

Regarding the Ministry of Energy announced the supporting on Renewable energy and Substitute energy policy, then SPCG merged with Solar Power Company Limited (“SPC”) in 2011, aim to develop its existing 34 solar farm projects under the Power Purchase Agreement (PPAs) with Provincial Electricity Authority

(“PEA”). And Solar Power Asset Company Limited (“SPA”) as a developer of additional 2 solar farm projects. SPCG currently has totally 36 solar farm projects in Thailand in total of about 261 MW in 10 provinces throughout the Northeast of Thailand and Lopburi provinces with total land area about 5000 Rais (2000 Acres). Continue being a full-services provides of solar farm business, SPCG also has Solar Power Engineering Company Limited (“SPE”), aim to provide Engineering, Procurement and Construction (EPC) Service as well as provides Operation, Maintenance and Monitoring (OMM) Service of solar farms both domestically and internationally. And also has SPCG Capital Company Limited (“SPCGC”) is a vehicle to invest in Solar Power projects and other related business.

For steel business, SPCG has Steel and Solar Roof Company Limited (“SSR”) provides manufacturing, distribution and installation services for steel or metal roofing sheets. The products have been designed under research and development in order to be easy to use, save and prompt installing, and also has ENEGATE (THAILAND) Company Limited (“ENEGATE”), which is a joint venture company among SPCG Public Company Limited, ENEGATE Co., Ltd. (sub-business of Kansai Electric Power Co., Inc. (KANSAI)), and Thai Aichi Denki Co., Ltd. to manufacture High Voltage Electricity products such as High Voltage Cubicles under 33kV and Main Distribution Boards (MDBs) to be used in solar farms and other projects, and also develop Smart Grid Systems.

For solar roof business, SPCG has Solar Power Roof Company Limited (“SPR”) is the pioneer in Solar Roof developer in Thailand and ASEAN as well as the leading solar roof developer for residence, small building and medium-large building.

SPCG is Thailand’s and ASEAN’s pioneer in solar power generation. As its solar farm projects located in rural of Thailand which it helped enhancing skills, knowledge and the quality of life of rural Thais and helped boost up Thailand’s economy during past 5 years. Additionally, SPCG has implementing to be Solar Roof Brand Ambassador in pioneering the solar roof business in Thailand in May 2013.

SPCG is not only focus on well-operating on solar power business, it also well aware of social responsibilities. It continues explore on solar farm’s operations to operate its solar farm as clean energy which produces zero pollutions, zero noises,

zero dust and zero fuel costs in electricity generation, as well as help reduce global warming from climate change.

Based on SPCG's continuously success earned, SPCG continues being solar power generation leadership and aim to expand its business overseas: ASEAN, the Middle East, as well as other regions that offer business opportunities.

1.2.2 Overall Business Operations

SPCG operates in 3 main businesses 1) Investment and Development of Solar Farm Engineering, Procurement and Construction (EPC) and Operation, Maintenance and Monitoring (OMM) 2) Manufacturing, distribute and installation of Roll forming Metal Sheet including other related roof and wall cladding materials and 3) Supply and installation of Solar Rooftop for residence, small building and medium and large building.

In terms of the financial performance, the revenue breakdown are 1) electricity distribution which derived from its solar farm projects and solar roof business, 2) sales and services on solar roof and steel business and 3) other income i.e. interest income from LI deposits at financial institutions, which contribute 90%, 8% and 2% of its total revenue respectively.

Since the consolidation with SPC in 2011, SPCG started earn 586 million Baht, arising to 1,277 million Baht and 2,523 million Baht in 2012 and 2013 respectively. The SPCG's CAGR for 2011-2013 is 62.66%. According the aforementioned of SPCG's revenue breakdown, SPCG's main revenue comes from the electricity distribution which SPCG earn from its completed 23 solar farm projects.

Table 1.2 SPCG's solar power project summary

<u>Projects</u>	<u>Installed capacity/farm (MW)</u>	<u>Total Installed capacity (MW)</u>	<u>COD</u>	<u>Location</u>
Project 1	7.46	7.46	2010	Korat
Project 2-5	7.46	29.84	2011	Sakon Nakorn, Nakorn Panom, Korat, Loei
Project 6-9	7.46	29.84	2012	Khon Kaen, Korat
Project 10-16	7.46	52.22	Jan 2013	Khon Kaen, Korat
Project 17-19	7.46	22.38	Jun 2013	Khon Kaen, Korat
Project 20	7.46	7.46	Jul 2013	Khon Kaen
Project 21	7.46	7.46	Oct 2013	Khon Kaen
Project 22-23	7.46	14.92	Feb 2014	Surin
Project 24-26	7.46	22.38	Mar 2014	Surin, Buriram
Project 27-34	7.46	59.68	Apr 2014	Buriram, Nakhon Panom
Project 35-36	3.73	7.46	Jun 2013	Lopburi
Total		261.10		

Notes: SPCG completed COD of 23 solar farms or 132.8MW in Dec 2013

Based on the revenue recognition of its solar farm, solar roof and steel business, we noted that the revenue of 2014F arise 66.17% from FY2013, will increase from the addition completed solar farm project which will fully completed in Q2' 2014.

1.3 Macro-Economic Analysis and Industry Analysis

Recently updated on the resolutions made at the National Energy Policy Office meeting, the new Power Development Plan 2015–2036 (PDP 2015) will be finished in the next three months. The new plan includes a revision of the energy source goals, reducing the portion of natural gas used while raising the contributions

from coal and alternative energy. Further, the Alternative Energy Development Plan 2015-36 will be implemented in parallel with the new PDP policy.

Under new PDP 2015, the alternative energy portion is expected to increase 25% of the country's total capacity by 2013, which attract the alternative energy sector to invest. Based on the increasing 25% of alternative energy portion, we estimate new solar capacity will rise to 4,600MW (up 17%) assuming it accounts for 27% of total forecast capacity of alternative energy in 2030. Besides the big opportunities aforementioned, noted the new solar-farm projects; Power Purchase Agreement (PPA) will change from of the "Adder" subsidy scheme and change to "Feed-in-tariff (Fit)".

And under the adjusted Alternative Energy Development Plan (AEDP) after the new PDP 2015, we noted that the solar power capacity expected to increase to 3,000MW by 2021. From the original solar power target of 2,000MW, only 1,493MW in solar farm capacity has been granted PPA. The remaining 500MW+ of capacity will need to be added to meet the AEDP's target.

1.4 Competition Analysis

1.4.1 Competition Analysis

In the alternative energy generating sector, especially solar power sector, we count SPCG Public Company Limited (SPCG), Gunkul Engineering Public Company Limited (GUNKUL) and Energy Absolutes Public Company Limited (EA) as big player in solar industry. While EGCO, RATCH and DEMCO, they operate many type of alternative energy e.g. wind, biomass etc.

Comparing from the capacity size, SPCG is grouped in the same rank with GUNKUL, EA and DEMCO, which are 56.90MW, 278MW and 60MW. While RATCH and EGCO are a lot larger capacity as compare with SPCG. Therefore, in terms of revenue recognition and CAGR, comparing the same ranking, SPCG, EA and DEMCO, we noted that SPCG has CAGR 62.66% which is higher than others in the same rank.

Table 1.3 Competitors information

Company	Revenue 2013 (MB)	CAGR (2011-2013)	Total Capacity (MW)
SPCG	2,523.30	62.66%	261.10
GUNKUL	3,005.73	4.04%	56.90
RATCH	54,197.91	5.83%	6,500
EGCO	26,054.32	25.02%	32,629
EA	3,786.92	-11.34%	278
DEMCO	5,717.63	19.77%	60
IFEC	626.50	0.07%	10.39

1.4.2 Competition Opportunities

EA is a company which manufacturer and distributor of biodiesel (B100), diesel fuel, pure glycerin and raw materials and by-products. The company also has a business that production and distribution of electricity from solar energy as biodiesel business and renewable energy business. GUNKUL is a manufacturer for Electrical Power System and Renewable Energy System which has variety of products. Company's customers are both government and public. They provide Electrical Generating Plant, Transmission Line System, Substation System, Distribution Line System and Low Voltage Line System. Company also provides solar farm and solar roof.

Both EA and GUNKUL is counted as SPCG's direct competitors, as they both manufacturer and distributor of solar power. Comparing its solar power capacity of each company owned, we noted that EA is the biggest player in solar industry, then SPCG and GUNKUL respectively. In order to increase its solar power capacity as the opportunity opens under PDP 2015, SPCG expected to be the first ranking of the beneficiaries who gain most experience under solar farm operator, solar rooftop installation as SPCG is the pioneer in solar roof business guarantees. While EA will also gain solar farm operation sector as well as SPCG does. Meanwhile GUNKUL will get most benefit from EPC tasks from its most experience as compare with others. The bidding to continue will be the key assumption of revenue growth among three of them.

1.5 Investment Summary

Opportunities from New PDP:

The benefit from revised Power Development Plan 2015-2036 (PDP2015), the energy source goal aims to reduce the portion of natural gas used while raising the contributions from coal and alternative energy. They decrease gas energy source by 40% and increase alternative energy source by 25%.

The maximum capacity was also raised to not more than 5MW per farm from 1MW while the commercial operation date should be within December 2015. A feed-in tariff (FIT) will be applied to solar power generation during 2015-2016 to reflect the actual operation cost.

From the increasing 25% on alternative energy source, the allocation to solar energy will be 3,000MW. And with the current granted PPA, there will be 1,500MW available on solar energy, which it would take as the beneficial to SPCG.

New Distribution Channel at HomePro:

SPCG announced it was partnering with HMPRO to expand its EPC solar-roof distribution network (residential type) under a program called "SPR Solar Roof, the Best Quality Solar Roof by HomePro". Customers interested in saving on their energy costs can contact their nearest HMPRO branch to apply for the service. Then SPCG will then provide a full service including design, obtaining the operating license process (only needed for electricity sales), and installation with high quality solar modules made by Kyocera and 2-years after-sale service.

New Investments in Japan

Memorandum of Understanding (MOU) sealed with TFD to develop Solar Roof Top about 5MW with total capital investment of 300 million Baht. SPCG will get adder income of 6 Baht/MW, which expected to recognize in Q3'2015.

SPCG also announced it would invest in a 150MW solar farm project in Japan with its partner, Kyocera. Under the plan, SPCG will invest around 1.0-1.5 billion Baht in exchange for a 10% stake in the project, or equivalent to 15MW. Construction is expected to start in early 2015. In addition, SPCG plans to invest in a new solar module manufacturing plant with Kyocera, taking a 10% stake. The total investment cost of the factory is expected to be around 1.0 billion Baht (or 100 million

Baht for SPCG's portion). In the initial stage, the factory will be able to produce up to 1MW of solar modules per year but the capacity can be increased to 5MW per year in the future. SPCG expects to start the production of 1MW of solar modules in the beginning of 2015.

With these announcements as positive for SPCG as they will add value and increase future cash flow to the company. Even though the expected return from the solar farm project in Japan is not particularly attractive compared to the company's projects in Thailand, because of the higher investment cost (mainly due to higher land prices) and lower availability of sunlight, we believe this move will open a new investment channel for SPCG internationally. As for the investment in the solar module manufacturing factory, we expect it will create cost savings for future solar projects and also create small additional cash flow for the company.

1.6 Valuation

According to SPCG's operation relies on its huge amount of operating assets, thus to value the Company's price by using multiple valuation we consider using Price/Earnings Ratio (P/E), Price/Book Value Ratio (P/BV) and EV/EBITDA. As we believe that it will reflect the most appropriated price of the Company.

1.6.1 Trailing Multiple Valuation (P/E and P/BV)

The trailing multiple indicators will determine whether the Company's price is over/under when comparing with its SET, industry sector, peer's competitors and historical data.

Price/Earnings Ratio (P/E)

As of 30 December 2014, SPCG's trailing P/E was 18.50 times which means the market perception toward SPCG's price is 18.50 times of its earnings per share. Among the peer's competitors, we noted that SPCG was ranked at 4th in energy sector. Comparing with SET's P/E and Energy's sector's P/E which is 17.81 times and 13.69 times respectively, we noted that SPCG's P/E was higher than both SET and

Energy's P/E. Thus, we conclusively consider SPCG is a bit expensive as comparing with its energy sector.

Price/Earning (P/E)			P/E (times)	
Rank	Company	P/E (times)		P/E (times)
1	EA	69.30	SET	17.81
2	GUNKUL	20.52	ENERGY	13.69
3	DEMCO	19.15	SPCG	18.50
4	SPCG	18.50		
5	RATCH	13.06		
6	EGCO	11.02		

* Information as of 31 December 2014

Source: Bloomberg/SETSMART

Figure 1.2 Peer comparison with competitors

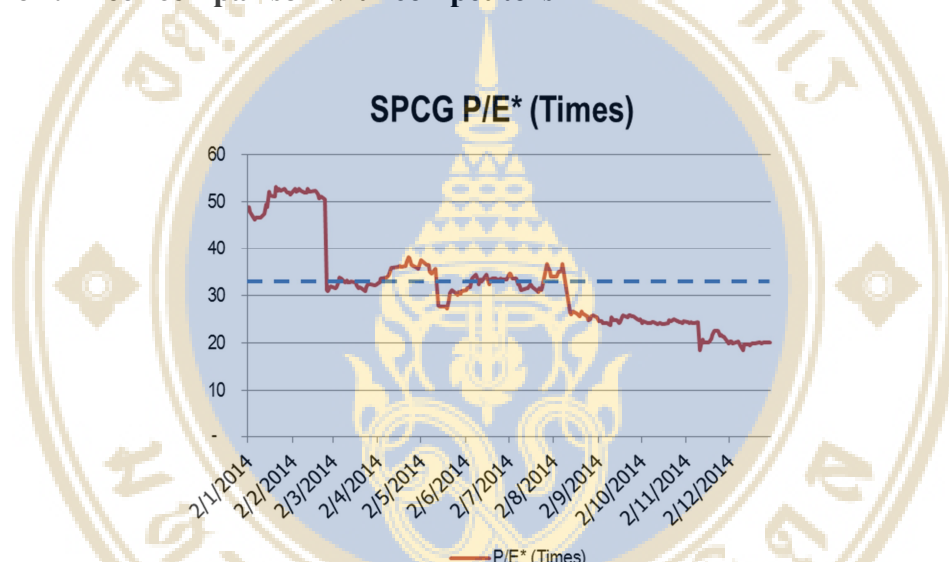


Figure 1.3 SPCG's P/E

Price/Book Value Ratio (P/BV)

The P/BV ratio indicates the market price of the company over its equity value. SPCG's P/BV as of 30 December 2014 was 4.78 times, which was ranked at 3rd among its peers. While the peer's P/BV is around 1.17 times to 16.60 times. Additionally, comparing with SET's P/BV and Energy sector's P/BV which were 2.13 times and 1.32 times, we could conclusively say that SPCG's is quite overvalued as compare with its competitors' peer, industry sector and SET.

Price/Book Value (P/BV)

Rank	Company	P/BV(times)		P/BV(times)
1	EA	16.60	SET	2.13
2	GUNKUL	6.37	ENERGY	1.32
3	SPCG	4.78	SPCG	4.78
4	DEMCO	2.91		
5	RATCH	1.39		
6	EGCO	1.17		

* Information as of 31 December 2014

Source: Bloomberg/SETSMART

Figure 1.4 Peer comparison with competitors

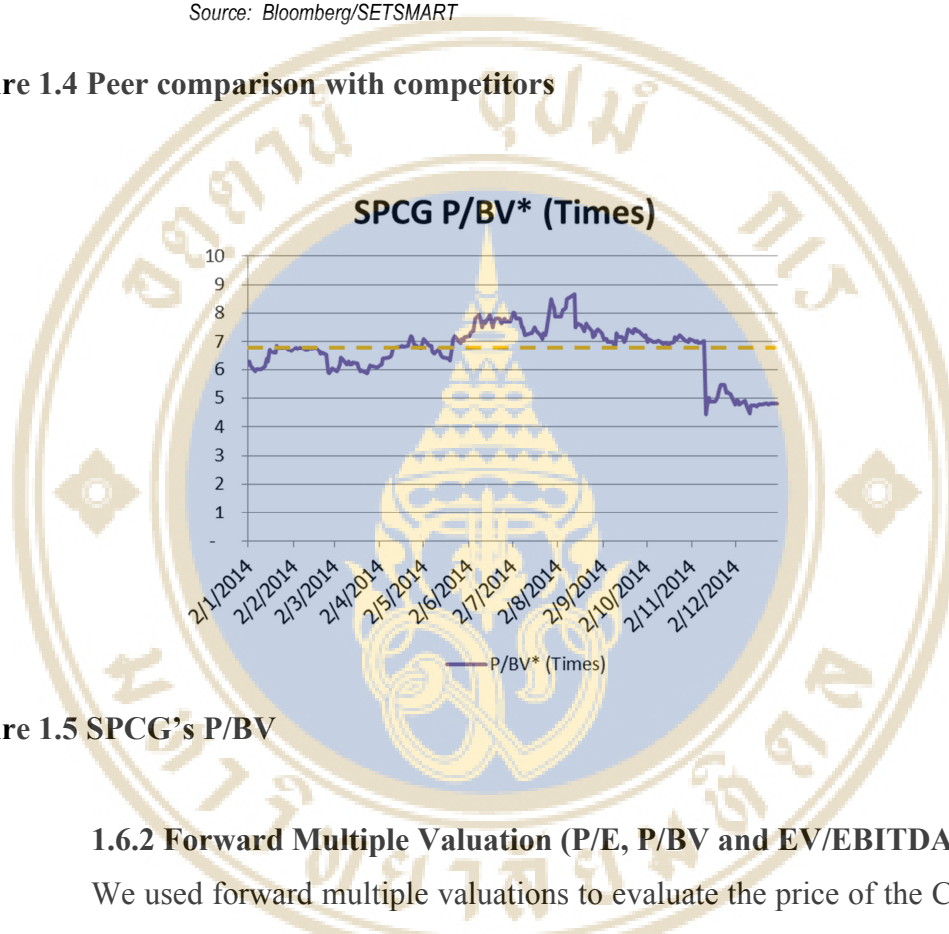


Figure 1.5 SPCG's P/BV

1.6.2 Forward Multiple Valuation (P/E, P/BV and EV/EBITDA)

We used forward multiple valuations to evaluate the price of the Company by using the 2014 forecasted earnings per share (EPS), book value (BV) and earnings before interest, taxes, depreciation and amortization (EBITDA). We consider GUNKUL, EA and DEMCO as SPCG's peers as we consider they have similar size and product among the same industry.

Forward Price/Earnings Ratio (P/E)

As it the measurement of the Company's forward looking-focus in the next 12 month, then we use the 2014 forecasted earnings to calculated forward P/E. We calculated the P/E of peer group, which comprises of GUNKUL, EA and DEMCO by taking the forecasted earning of such peer group, which to get the average forward P/E among peer group then multiply with 2014 forecasted earnings of SPCG to get the target price of the Company.

Forward P/E			
Group Peer	Minimum	Maximum	Median
	Forward P/E	Forward P/E	Forward P/E
GUNKUL	9.22	36.89	23.05
EA	16.59	62.50	39.55
DEMCO	13.82	38.57	26.20
Average Forward P/E Peer Group			29.60
SPCG's 2014 Forecasted EPS			2.18
Target Price SPCG			64.58

Figure 1.6 Forward P/E of peer group from Bloomberg

From the calculation by using forward P/E of SPCG's peer group, we noted that the target price of SPCG states at 64.58 Baht.

Price/Book Value Ratio (P/BV)

P/BV ratio is used to compare the stock market value to its book value, to see whether what investor paying too much for what would be left if the company went bankrupt immediately. We calculate P/BV of peer group to get the average forward book value among peer group, then taking the forecast 2014 book value per share of SPCG to get the target price of the Company.

Forward P/BV

Group Peer	Minimum	Maximum	Median
	Forward P/BV	Forward P/BV	Forward P/BV
GUNKUL	1.98	7.94	4.96
EA	5.70	21.48	13.59
DEMCO	1.39	3.88	2.63
Average Forward P/BV Peer Group			7.06
SPCG's 2014 Forecasted Book Value			3,897.03
SPCG's number of share (million shares)			840.00
Target Price SPCG			32.77

Figure 1.7 Forward P/BV of peer group from Bloomberg

From the calculation by using forward P/BV of SPCG's peer group, we noted that the target price of SPCG states at 32.77 Baht.

EV/EBITDA Ratio

EV/EBITDA ratio is used to measure value of the company, which will determine the cash of return on investments to investors. We calculate EV/EBITDA of peer group to get the average forward EV/EBITDA among peer group, then taking the forecast 2014 EBITDA of SPCG to get the target price of the Company.

Forward EV/EBITDA

Group Peer	Minimum	Maximum	Median
	Forward EV/EBITDA	Forward EV/EBITDA	Forward EV/EBITDA
GUNKUL	4.22	16.89	10.55
EA	39.44	148.59	94.02
DEMCO	4.86	13.56	9.21
Average Forward P/BV Peer Group			37.93
SPCG's 2014 Forecasted EBITDA (million Baht)			3,114.72
SPCG's 2014 EV (million Baht)			118,136.23
<u>Add</u> SPCG's 2014 Value of cash (million Baht)			300.00
<u>Less</u> SPCG's 2014 Value of debt (million Baht)			17,586.51
Value of Equity			100,849.72
SPCG's number of share (million shares)			924.00
Target Price SPCG			109.14

Figure 1.8 Forward EV/EBITDA of peer group from Bloomberg

From the calculation by using forward EV/EBITDA of SPCG's peer group, we noted that the target price of SPCG states at 109.14 Baht.

1.7 Financial Analysis

1.7.1 Size Analysis

Table 1.4 Competitor information

	SPCG	GUNKUL	EA	RATCH	EGCO	DEMCO
Revenue 2013 (MB)	2,523.30	3,005.73	3,786.92	54,197.91	26,054.32	5,717.63
CAGR (2011-2013) (%)	62.66%	4.04%	-11.34%	5.83%	25.02%	19.77%
Total Capacity (MW)	261.10	56.90	278	6,500	32,629	60

Comparing among peers, we noted that SPCG earns 2,523 million Baht and its CAGR during 2011-2013 of 62.66% with its total capacity of 261.10MW.

1.7.2 Common Size Analysis

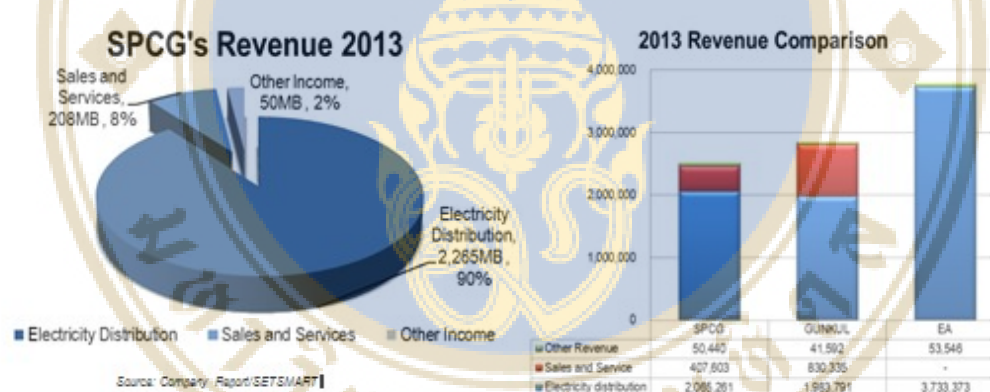


Figure 1.9 SPCG's revenue and competitors' comparison

SPCG breaks down its revenue into 1) electricity distribution income, 2) sales and services income and 3) other income. Firstly, the electricity distribution income is derived from solar power generating from its completed solar farm projects which distribute to PEA/MEA under the Power Purchase Agreement. Secondly, the sales and services income is derived from selling the steel products including the related services. Lastly, other income is mainly derived from interest income from deposit.

As of 31 December 2013, SPCG stated its electricity distribution income of 2,065 million Baht, sales and services income of 407 million Baht and other income of 50 million Baht, which are 90%, 8% and 2% respectively. Comparing with its direct competitors, GUNKUL and EA, we noted that EA is ranked number one on earnings from its electricity distribution. It is the result of EA has highest electricity generation among these three companies, follow by SPCG and GUNKUL. Their total capacity is 278MW/hour, 261MW/hour and 57MW/hour, respectively.

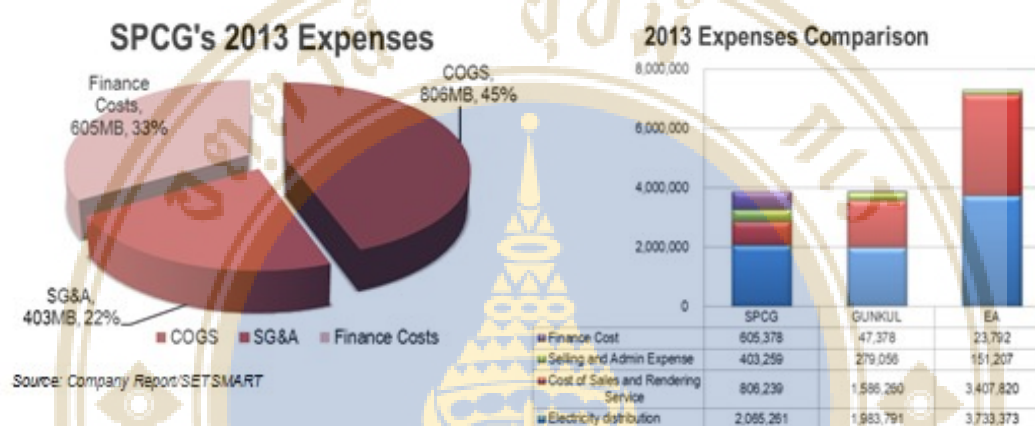


Figure 1.10 SPCG's expense and competitors' comparison

For expenses structures, SPCG breaks down expenses into 4 mains of cost of electricity distribution, cost of goods sold (“COGS”), selling and general administration expenses (“SG&A”) and finance cost. Its cost of electricity distribution mainly derives from the depreciation charge from the solar farm projects. Its COGS mainly derives from the cost of steel manufacturing and its solar farm construction business. Its SG&A mainly drives from the related expense of steel business finished goods, management and affiliated fee, consultant fee including employee expenses. While its finance cost drives from its debt financing.

As of 31 December 2013, SPCG stated its COGS of 806 million Baht, finance cost of 605 million Baht and SG&A of 403 million Baht, which are 45%, 33% and 22% respectively. Comparing with its direct competitors, we noted that EA has highest cost from electricity distribution, follow by SPCG and GUNKUL, due to the different proportion of total capacity the Company could produce. For the COGS, as comparing the size of solar farm construction business they have, we noted that EA

ranked no.1 among these three companies follow by GUNKUL and SPCG, then COGS of them are in lines with such business.

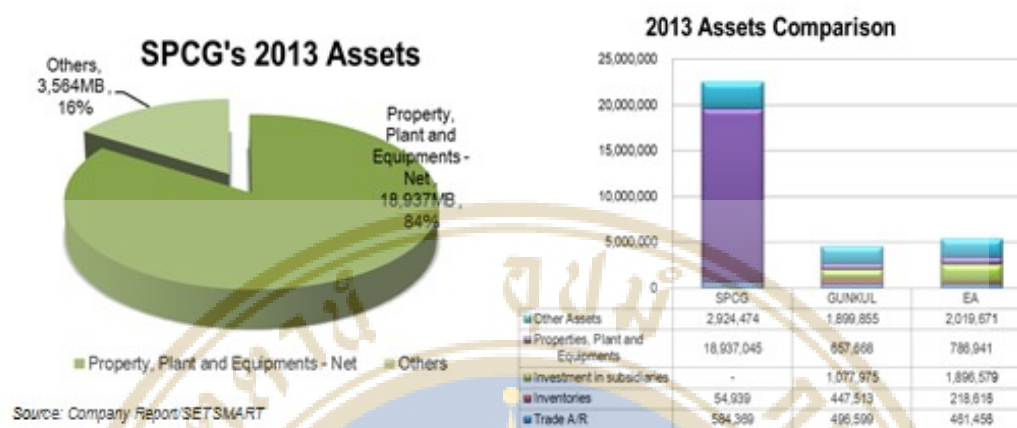


Figure 1.11 SPCG's assets and competitors' comparison

SPCG's proportion on its assets presents property, plant and equipment ("PPE") which it invests in its 36 solar farm projects and the rest proportion on its assets show inventories and account receivables from selling its steel products.

As of 31 December 2013, SPCG presented PPE amount of 18,937 million baht and others amount of 3,564 million Baht. Comparing with its direct competitors, SCPG has most portions on PPE which 18.93 million Baht, while GUNKUL has PPE of 657 million Baht and EA has PPE 0.78 million Baht, respectively. The result of having high portion of PPE than its direct competitors due to SPCG has more solar farm project than others (36 solar farm projects).

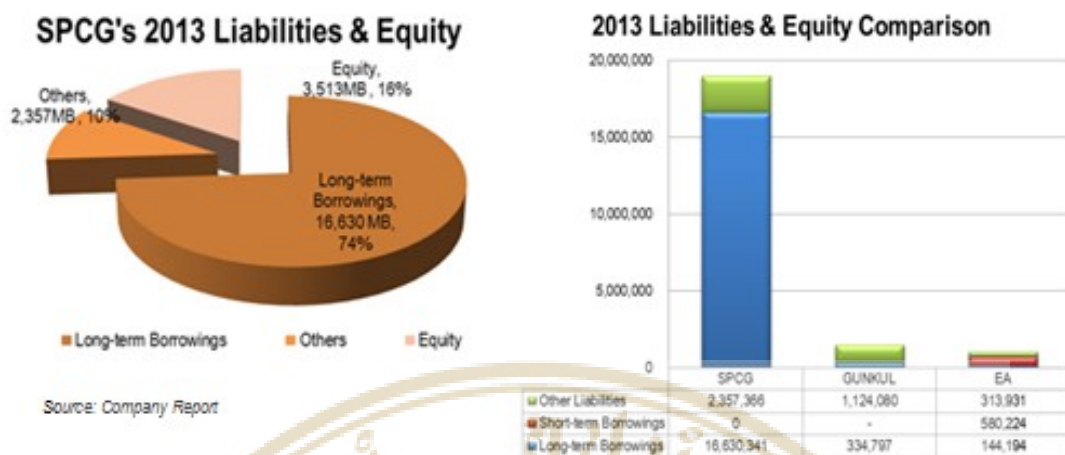


Figure 1.12 SPCG's liabilities & equity and competitors' comparison

SPCG's liability side mainly is long-term borrowing, regarding to the Company's financing policy which will finance 75% debt and 25% equity on investing in its solar farm project.

As of 31 December 2013, SPCG presented its long-term borrowing amount of 16,630 million Baht or approximately 74% of its liabilities. Comparing with its direct competitors, we noted that SPCG has the highest portion on long-term borrowing as comparing with its competitors, which is 74%, while GUNKUL has 0.33 million Baht or approximately 7.31% and EA has 0.14 million Baht 2.68% on long-term borrowing. Note: GUNKUL and EA using short-term borrowing for their financing while SPCG only uses long-term borrowing.

In terms of equity side, SPCG has less equity portion as compare with its competitors; it has 15.61% on equity. While GUNKUL has 68.14% and EA has 80.71% on equity, respectively. It supports the rational on their different financing structure model between SPCG and its competitors, as its competitors will finance by its equity than debt.

1.7.3 Trend Analysis

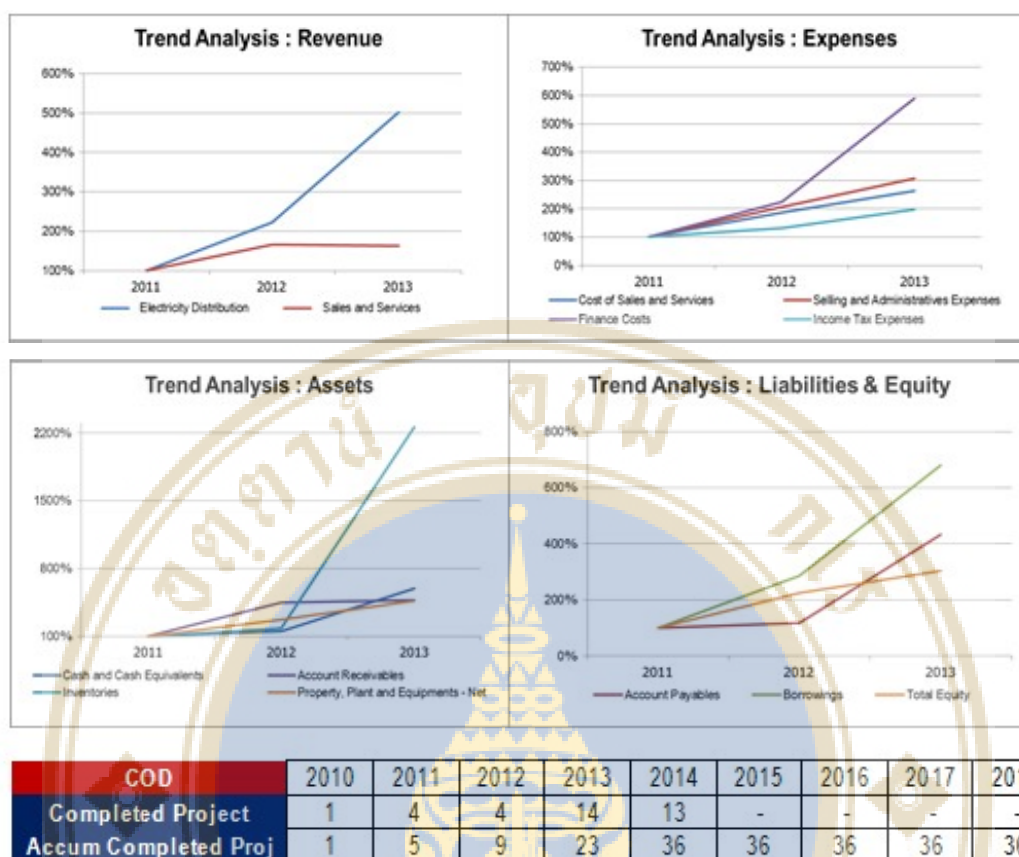


Figure 1.13 SPCG's trend analysis

Consider since 2011 which is the year that SPCG conglomerated with SPC, it leads SPCG has 34 solar farm projects. And according to the gradually completion of solar farm projects since 2011 to 2013, SPCG shows increasing trend on its revenue on electricity distribution and also its steel sales and services. In line with the cost of sales and services which also increase in order of the number of completed solar farm projects.

In terms of assets and liabilities side, it also increases in line with the number of solar farm projects that the company invested.

1.7.4 Financial Ratios

Profitability Ratio

In term of seeing how well SPCG performs, we will look through its efficiency ratio and its profitability ratio. According the main assets which will generate income for the company is its solar farm projects, the efficiency ratio since 2011A to 2018F show increasing trends. Even the Company has no addition invest in its plants (according to no additional success bidding) but its existing plants still can generate income from it, in order of power distribution under PPA for 25 years after COD.

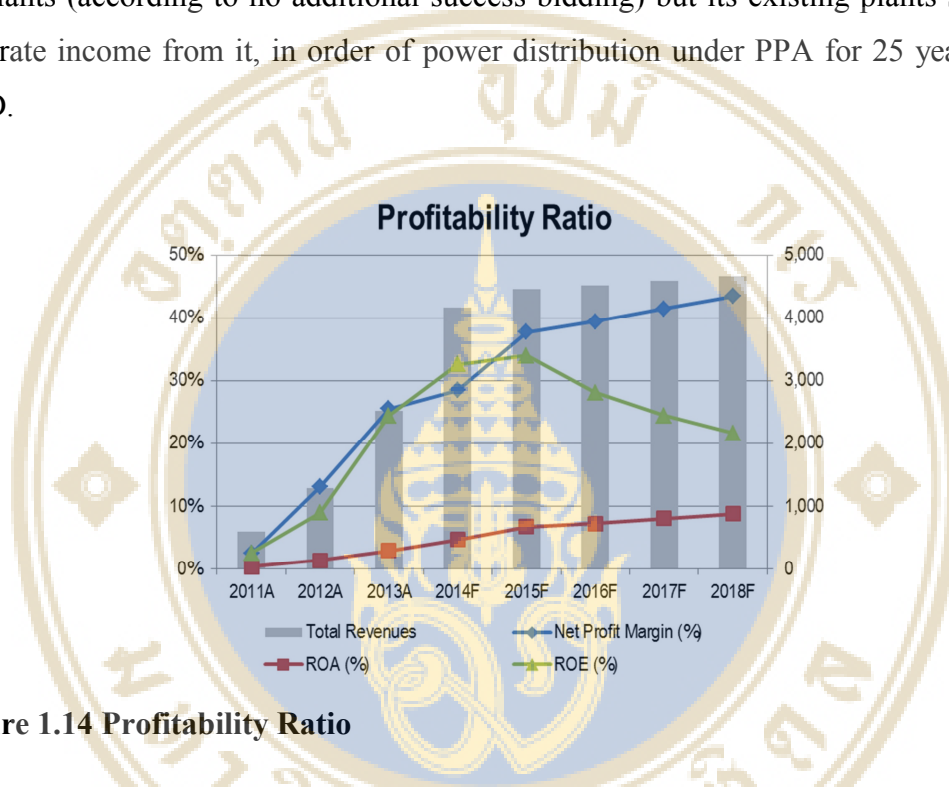


Figure 1.14 Profitability Ratio

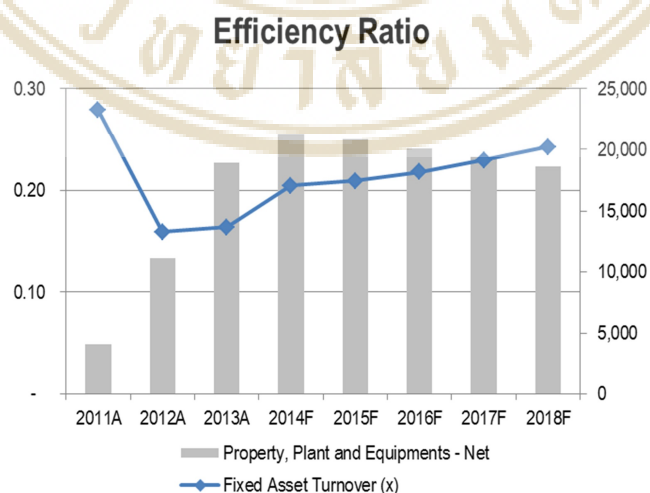


Figure 1.15 Efficiency Ratio

To support the Company's brighten performance, its profitability ratio still show increasing trend of its total revenue, its net profit margin, its ROA and its ROE throughout the forecasting period (2014 – 2018) which will be good rational of saying the Company can guarantee its well performance at least over 25 years according to the PPA sustainably. Moreover, the Company still have chance to get additional project in the future according to the available opportunities open from AEDP, which the Company can take it as its benefit of earning the sustainable profit and also could satisfy its stakeholders' expectation.

Comparing with its direct competitors' performance as of 31 December 2013, SPCG shows its net profit margin at 25.25% while DEMCO shows its net profit margin at 4.22%. According to the comparison number, SPCG outperforms DEMCO according to the net profit taken.

Liquidity Ratio

In terms of the liquidity concern of the company, SPCG shows its current ratio at 0.12 times, comparing with DEMCO states at 1.2 times. The interpretation of current ratio demonstrates how capable the Company could its obligation over 12 months. From this comparison between SPCG and DEMCO, we noted that SPCG may face the problem of paying its obligation as comparing with DEMCO.

In order of measuring how liquid of asset the Company could turn to repay its current liabilities, SPCG's quick ratio show at 0.42 times and DEMCO shows at 0.48 which mean SPCG has 0.42 Baht to cover its 1 Baht of its current liabilities while DEMCO has 0.48 Baht. It is insignificantly different in terms of comparing who has more liquid assets.

Solvency Ratio

Consider the solvency risk itself on SPCG, we noted that the Company has high risk regarding to its financing policy which will use 75:25. Comparing the D/E ratio of SPCG and GUNKUL, we noted that D/E ratio at 5.40 times and 0.88 times, respectively. The higher D/E ratio indicates that higher leverage and also indicated the higher financial risk of the company.

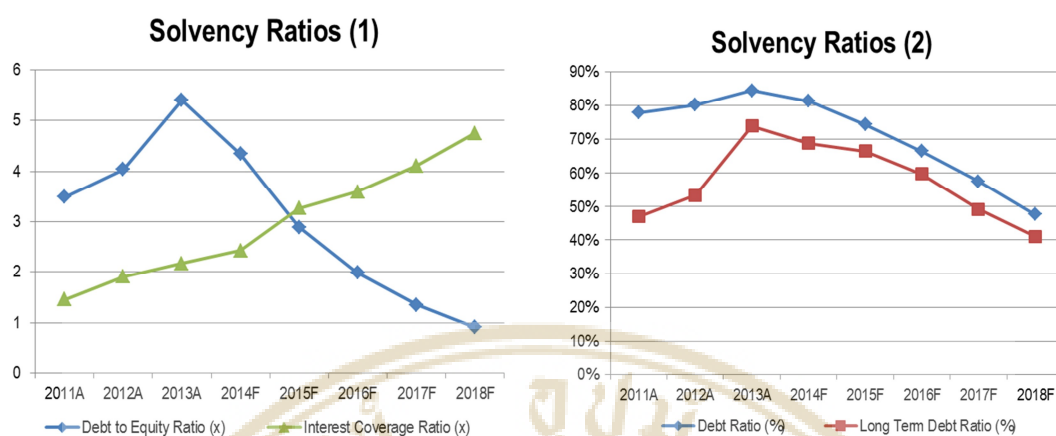


Figure 1.16 Solvency Ratios



Figure 1.17 SPCG and GUNKUL total debt

However, although SPCG has higher D/E ratio than GUNKUL but we have no concern much as the Company still show its ability to pay its interest including its principal of debt. Those could demonstrate the company well-management on its solvency risk. Additionally, the Company concerns refinancing debt which could lower its interest on the company leverage and in a long-run management.

1.8 Investment Risks

National Resources and National Disaster

Operating solar power business depends on the sunlight. In case the intensity of solar radiation is lower than average or there are more clouds in some

years, these will affect the company's solar farm, as it will be unable to produce electricity at full capacity and may have an impact on the income from the sale of generating electricity.

The solar farm project locations chosen also considered, as the location risky on having the effects of natural disasters will lead to higher construction and maintenance costs, then reflect the company's profit eventually.

Uncertainly of Government Regulations and Policies

Thailand is considered as country of instability political systems, which has influence to Thailand's financial market and the investor's attractiveness. Additionally, operating the alternative energy business need to comply all requirements set and the National Energy Policy released by the Ministry of Energy. Hence, the political instability will reflect to the instability of the Governments and the Cabinets to responsible on completing the Power Purchase Agreement ("PPA") and Commercial Operation Date ("COD") of the energy company.

Since the National Energy Policy given by the Ministry of Energy will announce the current Thailand's Energy Production and the expected energy demand. In order to support the National Energy Policy given, the 10 years Power Development Plan (PDP) is released to development and promote the energy production to be more achievable. Therefore, the PDP direction is much important to the energy company. The risk of instability announced policy and unclear of the rules and regulations will be concerned.

Relying on a Single Manufacturer of Solar Photovoltaic (PV) Panels and Inverters

Due to Solar Farm project, each of SPC and SPA's projects is ordered solar PV panels from Kyocera Asia Pacific Pte., Ltd. (Kyocera) and inverters from SMA Solar Technology AG (SMA) only. In the event that Kyocera and SMA discontinue their operations, this will effect on the construction of each remaining Solar Farm project.

The Early Degradation of Solar Panels

The amount of electricity produced by solar farms depends on several factors. One of those factors resulting in the amount of electricity is the degradation of solar panels. If the degradation is earlier than usual, it may have the effect on the amount of electricity which is less generated and the income is less than expected.

Reinvestment Risk

According to the energy project is normally used leverage financing, which SPCG refinanced its 10-years long-term borrowing to 5-years debentures to take benefit from low interest rate from the current situation. In terms of repay its long-term debt, SPCG still facing the reinvestment risk of its remaining 5 years long-term borrowings due to the fluctuation of the future interest rate.

Risk Matrix

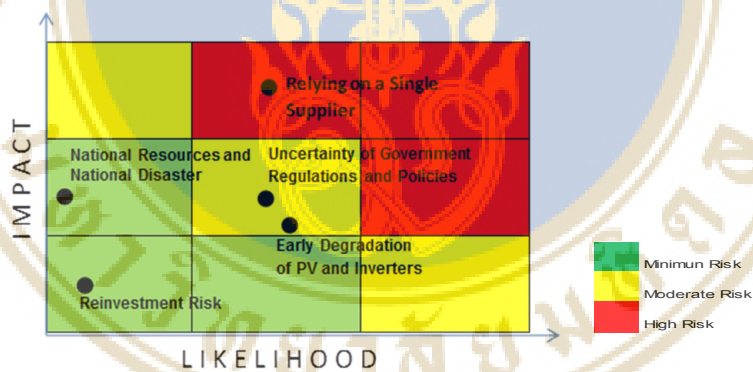


Figure 1.18 Risk Matrix

CHAPTER II

DATA

2.1 Income Statement

Table 2.1 Income statement

SPCG PUBLIC COMPANY LIMITED ("SPCG")										
STATEMENT OF COMPREHENSIVE INCOME										
(Unit : Million Baht)										
Item	2009A	2010A	2011A	2012A	2013A	2014F	2015F	2016F	2017F	2018F
Revenue										
Electricity Distribution	148	145	451	1,001	2,265	3,876	4,141	4,167	4,199	4,232
Sales and Services	145	166	128	213	208	233	262	294	331	372
	293	311	579	1,214	2,473	4,109	4,403	4,462	4,530	4,604
Other Income	3	5	8	63	50	53	49	48	55	53
Total Revenues	296	316	586	1,277	2,523	4,162	4,452	4,510	4,585	4,657
Cost of Sales and Rendering Services	249	255	305	568	806	1,089	879	879	879	879
Selling and Administratives Expenses	40	47	131	271	403	855	916	928	943	958
Total Expenses	289	302	437	838	1,209	1,944	1,795	1,808	1,822	1,837
Profit (Loss) before Finance Costs and Income Expenses	7	14	149	439	1,314	2,218	2,656	2,702	2,763	2,820
Finance Costs	2	1	103	230	605	915	812	750	672	593
Income Tax Expenses	2	4	33	43	64	119	168	178	190	203
Net Profit (Loss)	4	9	14	166	644	1,185	1,677	1,774	1,901	2,024

2.2 Balance Sheet

Table 2.2 Balance sheet

SPCG PUBLIC COMPANY LIMITED ("SPCG")										
STATEMENT OF FINANCIAL POSITION										
(Unit : Million Baht)										
Item	2009A	2010A	2011A	2012A	2013A	2014F	2015F	2016F	2017F	2018F
Cash and Cash Equivalents	5	11	48	72	289	300	350	400	450	500
Investments	-	-	264	-	-	-	-	-	-	-
Trade Account Receivables	38	32	130	584	621	1,001	869	948	922	950
Unbilled Receivables	20	11	24	-	-	-	-	-	-	-
Short-term loan to Related Parties	-	-	-	50	-	-	-	-	-	-
Inventories	41	20	30	55	667	488	466	477	472	474
Other Current Assets	4	3	127	269	415	415	415	415	415	415
Total Current Assets	107	77	623	1,030	1,991	2,204	2,100	2,239	2,258	2,339
Restricted Cash	-	-	-	558	857	1,425	1,527	1,547	1,571	1,596
Investment in Associates Joint Ventures and/or Jointly-Control Entities, Equity Method	-	-	-	108	5	5	5	5	5	5
Investment Properties - Net	-	-	-	-	3	-	-	-	-	-
Property, Plant and Equipments - Net	81	81	4,071	11,148	18,937	21,241	20,815	20,089	19,363	18,637
Assets in Transit	-	-	206	-	-	-	-	-	-	-
Advance Payment for Land and Construction	-	-	57	-	-	-	-	-	-	-
Goodwill - Net	-	-	11	11	11	11	11	11	11	11
Intangible Assets - Net	0.48	0.35	1	5	71	64	57	50	43	36
Other Non-Current Assets	3	5	232	191	625	625	625	625	625	625
Total Non-Current Assets	85	86	4,579	12,022	20,510	23,371	23,040	22,327	21,618	20,910
Total Assets	192	163	5,201	13,052	22,501	25,574	25,139	24,566	23,876	23,249
Bank Overdrafts and Short-term Borrowings	10	-	493	1,198	-	-	-	-	-	-
Trade Account and Payables	50	42	178	208	767	1,801	746	607	1,143	883
Account Payables for Assets	-	-	621	1,628	920	736	552	368	184	0
Other Current Liabilities	28	5	108	284	486	486	486	486	486	486
Total Current Liabilities	88	47	1,401	3,318	2,172	3,022	1,783	1,461	1,812	1,369
Long-term Borrowings	14	8	2,445	6,967	16,630	13,587	12,714	10,690	7,747	5,540
Debentures	-	-	-	-	-	4,000	4,000	4,000	4,000	4,000
Finance Lease Agreements	3	6	10	6	16	15	15	14	13	13
Employee Benefit Obligations	-	-	4	5	5	5	5	5	5	5
Other Non-Current Liabilities	-	10	185	167	164	164	164	164	164	164
Total Non-Current Liabilities	17	23	2,644	7,145	16,815	17,771	16,898	14,873	11,929	9,722
Total Liabilities	105	70	4,045	10,463	18,988	20,793	18,681	16,333	13,742	11,091
Authorized Share Capital	50	500	840	840	840	840	840	840	840	840
Issued and Fully Paid-up Share Capital	50	50	500	560	840	924	924	924	924	924
Premium (Discount) on Share Capital	26	26	-	1,252	1,163	1,163	1,163	1,163	1,163	1,163
Retained Earnings (Deficit)	11	17	(12)	53	548	1,466	2,766	4,142	5,617	7,186
Other Components of Equity	-	-	80	-	89	89	89	89	89	89
Total Equity	87	93	569	1,865	2,639	3,642	4,942	6,318	7,792	9,362
Equity Attributable to Equity Shareholder of Parent	87	93	569	1,865	2,639	3,642	4,942	6,318	7,792	9,362
Non-Controlling Interests	-	-	588	724	874	1,140	1,516	1,915	2,342	2,796
Total Liabilities and Equity	192	163	5,201	13,052	22,501	25,574	25,139	24,566	23,876	23,249

2.3 Statement of Cash Flow

Table 2.3 Statement of Cash Flow

SPCG PUBLIC COMPANY LIMITED ("SPCG")										
STATEMENT OF CASHFLOW										
(Unit: Million Baht)										
Item	2009A	2010A	2011A	2012A	2013A	2014F	2015F	2016F	2017F	2018F
Profit (Loss) before Income Tax Expenses	5	13	47	209	708	1,303	1,845	1,952	2,092	2,227
Depreciation and Amortization	8	8	76	163	347	897	736	736	736	736
Bad Debt and Doubtful Account (Reversal)	2	2	0	(14)	3	-	-	-	-	-
Loss on Obsolescence (Reversal)	0.10	-	2	-	-	-	-	-	-	-
Loss on Diminution in Value of Inventories (Reversal)	-	-	0.05	-	1	-	-	-	-	-
Share of (Profit) Loss from Investments Accounted for using the Equity Method	-	-	-	2	(19)	-	-	-	-	-
Unrealised (Gain) Loss on Foreign Currency Exchange	0.22	-	19	(35)	26	-	-	-	-	-
(Gain) Loss on Disposal of Other Investments	-	-	(2)	0	0	-	-	-	-	-
(Gain) Loss on Disposal of Fixed Assets	(0)	(2)	(1)	0	(0)	-	-	-	-	-
Loss on Write-Off Fixed Assets	0.02	0.02	0	5	3	-	-	-	-	-
Loss on Write-Off Other Assets	-	-	1	0	0	-	-	-	-	-
Finance Costs	1	-	102	440	605	915	812	750	672	593
Income Tax	-	2	-	-	-	119	168	178	190	203
Other Reconciliation Items	-	1	2	(18)	(23)	-	-	-	-	-
Cash Flows from (Used In) Operations before Changes in Operating Assets and Liabilities	17	25	245	750	1,651	3,233	3,560	3,616	3,690	3,758
(Increase) Decrease in Operating Assets	(5)	32	(413)	(618)	(1,160)	(201)	154	(89)	31	(31)
Increase (Decrease) in Operating Liabilities	(3)	(12)	(20)	288	646	850	(1,239)	(323)	352	(443)
Cash Generated from Operations	9	44	(187)	420	1,138	3,882	2,475	3,204	4,072	3,285
Income Tax Paid	(4)	(4)	(31)	(54)	(57)	(57)	(57)	(57)	(57)	(57)
Net Cash Provided by (Used In) Operating Activities	5	40	(219)	366	1,080	3,824	2,418	3,146	4,015	3,227
(Increase) Decrease in Long-term Investments	-	-	13	-	-	-	-	-	-	-
(Increase) Decrease in Investment in Subsidiaries and Associates	-	-	-	(98)	(86)	-	-	-	-	-
(Increase) Decrease in Advances and Short-term Loans - Related Parties	-	-	-	(50)	50	-	-	-	-	-
(Increase) Decrease in Property, Plant and Equipments	(1)	0.43	(1,771)	(6,053)	(8,336)	(3,200)	(310)	(10)	(10)	(10)
(Increase) Decrease in Intangible Assets	0.09	-	0.32	(5)	(1)	-	-	-	-	-
(Increase) Decrease in Restricted Deposits at Financial Institutions	-	-	(49)	0	(231)	(567)	(102)	(20)	(24)	(25)
Interest Received	-	-	1	8	10	16	15	14	16	16
Other Items	-	-	(46)	-	-	-	-	-	-	-
Net Cash Provided by (Used In) Investing Activities	(1)	(0)	(1,852)	(6,198)	(8,595)	(3,752)	(397)	(16)	(17)	(20)
Increase (Decrease) in Borrowing	(1)	(16)	2,561	4,995	7,455	(705)	(2,280)	(3,298)	(4,049)	(3,145)
Increase (Decrease) in Financial Lease Contract Liabilities	(2)	(4)	(5)	(4)	(3)	1	1	1	1	1
Proceeds from Issuance of Share Capital	-	-	-	25	366	84	-	-	-	-
Proceeds in Advance from Share Subscription	-	-	-	-	45	-	-	-	-	-
Purchase of Treasury Shares	-	-	-	(20)	-	-	-	-	-	-
Dividend Paid	(9)	(1)	-	-	(105)	(355)	(503)	(532)	(570)	(607)
Interest Paid	(1)	(12)	(71)	(238)	(11)	915	812	750	672	593
Other Items	-	-	(432)	833	(17)	-	-	-	-	-
Net Cash Provided by (Used In) Financing Activities	(12)	(34)	2,054	5,592	7,732	(61)	(1,971)	(3,080)	(3,947)	(3,158)
Net Increase (Decrease) in Cash and Cash Equivalent	(8)	6	(17)	(240)	216	11	50	50	50	50
Cash and Cash Equivalents, Beginning Balance	13	5	66	312	72	289	300	350	400	450
Cash and Cash Equivalents, Ending Balance	5	11	48	72	289	300	350	400	450	500

2.5 Trend Analysis

Table 2.5 Trend Analysis

SPCG PUBLIC COMPANY LIMITED ("SPCG")						
TREND ANALYSIS						
(Unit: '000 Baht)						
	BASE					
Item	2011	2012	2013	2011	2012	2013
Revenue						
Electricity Distribution	450,980	1,001,312	2,265,261	100%	222%	502%
Sales and Services	127,585	213,045	207,603	100%	167%	163%
	578,565	1,214,357	2,472,864	100%	210%	427%
Other Income	7,722	62,832	50,440	100%	814%	653%
Total Revenues	586,287	1,277,189	2,523,304	100%	218%	430%
Cost of Sales and Services	305,493	567,621	806,239	100%	186%	264%
Selling and Administratives Expenses	131,477	270,788	403,259	100%	206%	307%
Finance Costs	102,739	229,860	605,378	100%	224%	589%
Income Tax Expenses	32,596	42,855	64,472	100%	131%	198%
Total Expenses	572,305	1,111,124	1,879,348	100%	194%	328%
Net Profit (Loss)	13,982	166,065	643,956	100%	1188%	4606%
	BASE					
Item	2011	2012	2013	2011	2012	2013
Cash and Cash Equivalents	48,361	72,192	288,505	100%	149%	597%
Investments	263,620	-	-	100%	0%	0%
Restricted Cash	-	558,392.00	857,464.00	#DIV/0!	#DIV/0!	#DIV/0!
Account Receivables	130,285	584,369	620,712	100%	449%	476%
Inventories	29,536	54,939	667,384	100%	186%	2260%
Property, Plant and Equipments - Net	4,070,894	11,147,901	18,937,045	100%	274%	465%
Other Assets	658,504	634,036	1,129,717	100%	96%	172%
Total Assets	5,201,200	13,051,829	22,500,827	100%	251%	433%
Bank Overdraft and Short-term Borrowing	493,241	1,197,870	-	100%	243%	0%
Account Payables	177,721	208,057	767,165	100%	117%	432%
Borrowings	2,445,322	6,967,304	16,630,341	100%	285%	680%
Debenture	-	-	-	-	-	-
Finance Lease Agreements	10,216	6,201	15,923	100%	61%	156%
Other Liabilities	918,581	2,083,759	1,574,278	100%	227%	171%
Total Liabilities	4,045,081	10,463,191	18,987,707	100%	259%	469%
Total Equity	1,156,119	2,588,638	3,513,120	100%	224%	304%
Total Liabilities and Equity	5,201,200	13,051,829	22,500,827	100%	251%	433%

2.6 Financial Ratio

Table 2.6 Financial Ratio

SPCG PUBLIC COMPANY LIMITED ("SPCG")								
FINANCIAL RATIOS								
Item	2011A	2012A	2013A	2014F	2015F	2016F	2017F	2018F
Profitability Ratio								
Gross Profit Margin (%)	47.89%	55.56%	68.05%	73.83%	80.25%	80.51%	80.83%	81.12%
EBIT Margin (%)	25.47%	34.36%	52.07%	53.29%	59.67%	59.92%	60.27%	60.55%
EBITDA Margin (%)	12.54%	21.60%	38.31%	31.74%	43.14%	43.60%	44.21%	44.75%
Net Profit Margin (%)	2.38%	13.00%	25.52%	28.46%	37.67%	39.35%	41.47%	43.46%
ROA (%)	0.27%	1.27%	2.86%	4.63%	6.67%	7.22%	7.96%	8.71%
ROE (%)	2.46%	8.91%	24.40%	32.53%	33.93%	28.08%	24.40%	21.62%
SG&ASale	22.72%	22.30%	16.31%	20.81%	20.81%	20.81%	20.81%	20.81%
Liquidity Ratio								
Current Ratio (x)	0.24	0.14	0.12	0.12	0.12	0.15	0.19	0.24
Quick Ratio (x)	0.32	0.20	0.42	0.43	0.68	0.92	0.76	1.06
Efficiency Ratio								
Total Asset Turnover (x)	0.22	0.13	0.14	0.17	0.17	0.18	0.19	0.20
Fixed Asset Turnover (x)	0.28	0.16	0.16	0.20	0.21	0.22	0.23	0.24
Solvency Ratio								
Debt Ratio (%)	77.77%	80.17%	84.39%	81.30%	74.31%	66.49%	57.55%	47.70%
Debt to Equity Ratio (x)	3.50	4.04	5.40	4.35	2.89	1.98	1.36	0.91
Equity Multiply (x)	4.50	5.04	6.40	5.35	3.89	2.98	2.36	1.91
Long Term Debt Ratio (%)	47.01%	53.38%	73.91%	68.77%	66.49%	59.80%	49.20%	41.03%
Interest Coverage Ratio (x)	1.45	1.91	2.17	2.42	3.27	3.60	4.11	4.75

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