

**DISCOUNTED CASH FLOW VALUATION OF
MALEE SAMPRAN PUBLIC COMPANY LIMITED**



**A THEMATIC PAPER SUBMITTED IN PARTIAL
FULFILLMENT OF THE REQUIREMENTS FOR
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entitled
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JASMINE INTERNATIONAL PUBLIC COMPANY LIMITED**

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Wasinun Tahlodsookdinin

DISCOUNTED CASH FLOW VALUATION OF MALEESAMPRAN PUBLIC COMPANY LIMITED

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ABSTRACT

Stock market, source of funding for the firms and source of investment for the investors, is changing every second due to both internal and external factors and circumstance. Fast information update and careful analysis of the business situation of targeted firms are crucial for consideration whether to take buy-sell-hold action on their stocks.

MaleeSampran Public Company Limited is the manufacturer and distributor of processed agricultural products such as canned fruit, UHT and pasteurized fruit juice, canned coffee, canned tea, drinking water in PET bottle and aseptic bag under Malee brands and customers' brands in domestic and abroad. In addition, the company is also a distributor of Farm Chokchai brands for UHT and pasteurized milk. The interesting point is their abnormal sale growth and the expansion to overseas, it will affect to their stock price but in which way? This is the motivation why I chose Malee to analyse their inside business and financial situation, make a forecast and valuation with "discounted cash flow method".

From this paper, it shows the 5 years future value of MALEE and points out their stock price which should be lower than the current one by 18% in the worst case scenario. Of course, it results in my recommendation to "sell" this stock at this present time.

KEY WORDS: MALEE / Valuation / FoodandBeverage / Stock / Thailand

53 pages

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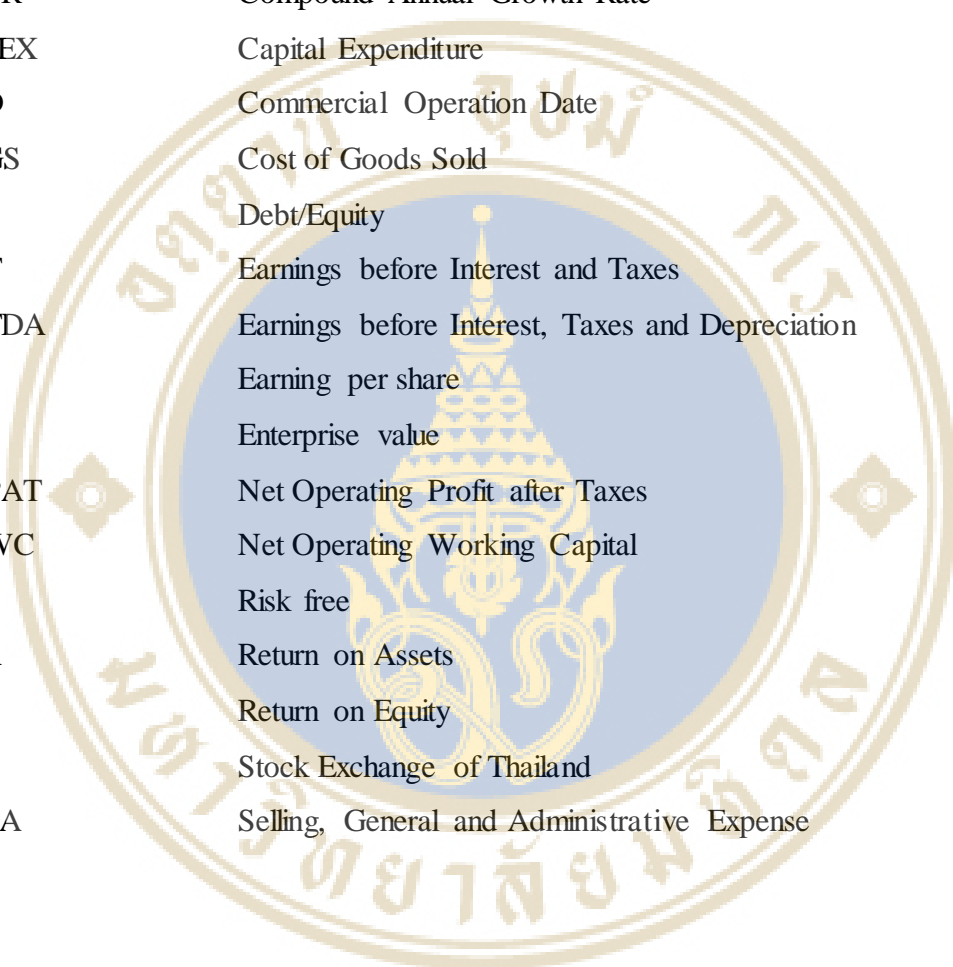
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LIST OF ABBREVIATIONS



BV	Book value
CAGR	Compound Annual Growth Rate
CAPEX	Capital Expenditure
COD	Commercial Operation Date
COGS	Cost of Goods Sold
D/E	Debt/Equity
EBIT	Earnings before Interest and Taxes
EBITDA	Earnings before Interest, Taxes and Depreciation
EPS	Earning per share
EV	Enterprise value
NOPAT	Net Operating Profit after Taxes
NOWC	Net Operating Working Capital
Rf	Risk free
ROA	Return on Assets
ROE	Return on Equity
SET	Stock Exchange of Thailand
SG&A	Selling, General and Administrative Expense

CHAPTER I VALUATION

1.1 Highlights “*The early bird is regressing?*”

Share outstanding (mn): 140 m

Free float: 47.34%

Price Performance

52 week high/low 25-45.5

52 week return (%)

Date 29Dec2014

Ticker: SET:MALEE

Recommendation: SELL

Price: THB 27.50

Target Price: THB 22.87

Downside: -18%

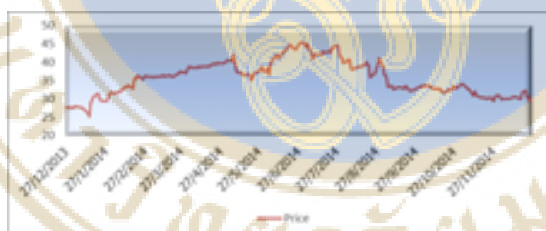


Figure 1.1 Malee stock performance

Table 1.1 Malee major shareholders

Major shareholders	
Abico Holding Co. Ltd	0.2549
Mrs. Karnolchat Juangro onggruangkit	0.1363

- **Healthy trend for healthy drinks:** Over these past few year, the fruit and vegetable juices continuously grew due to the new trend of people, concerning with health and organic food. Moreover, the forecasted trend until 2017 is still going up.
- **More intensive competition:** Many players tried to enter into market such as Minute Maid Pulpy with the real orange pulp. Also the existing leader of this market, Tipco, is never stop thinking about new product including open juice cafe “Squeeze” which is popular and tend to expand new branches gradually
- **High competitive leads to high cost:** Due to high competitive from upcoming players in the fruit and vegetable juice market over the past 5 years, Malee has to increase both marketing and advertising expense to maintain its market share. Moreover, Malee has to allocate additional budgets for customer survey and closely monitor competitor’s movements.
- **Read-across to other companies:** Currently, Malee distributes 60% of its products through modern trade and 40% through traditional trade, but management is targeting a distribution mix of 50% modern/50% traditional. Despite growth in modern trade, Malee has generated lower margins in this segment, according to management. This reflects the strong bargaining power of leading retailers such as CP ALL.
- **Unclear evident in business expansion:** Though Malee tried to launch some new products with different flavors every year, it does not reflect customer’s need and does not generate significant income. On the other hand, Tipco invests in both businesses as usual and new business to capture value from target customers
- **The early bird is regressing?:** MALEE can be counted as the leader firm which caught this business since 50 years ago in Thailand. Surprisingly, they continue losing market share and their intrinsic value of share price seems to be declined. So, we strongly think that MALEE needs business changing before everything going worse.

1.2 Financial Summary

Table 1.2 Malee key financial indicators

Financial Summary						
	2011A	2012A	2013A	2014E	2015E	2016E
Total Revenue (Bt,m)	3,726	6,285	5,205	5,735	6,334	6,995
EBITDA (Bt,m)	227	773	386	325	356	390
Net Profit (Btm)	227	549	282	234	256	281
EPS (Bt)	3.25	3.92	2.02	1.68	1.83	2.01
ROA (%)	10.06%	20.01%	10.57%	8.01%	8.28%	8.48%
ROE (%)	41.67%	54.26%	26.98%	20.15%	19.84%	19.59%
D/E (%)	3.14	1.71	1.55	1.52	1.40	1.31

1.3 Business Description

Malee was established in 1964 by the Kulpiyavaja family as an OEM of canned fruits. In 1981, the company established its own brand “Malee” for fruit drinks and canned fruits. Malee’s primary products are fruit juices, pasteurized juices, canned fruits and 100% UHT milk. Its products are sold in both Thailand and overseas. The company listed on the Stock Exchange of Thailand in 1992. In 1995, Abico Holding Co. Ltd. purchased shares from existing shareholders and became a major shareholder.

Malee Sampran Public Company Limited is the manufacturer and distributor of processed agricultural products such as canned fruit, UHT and pasteurized fruit juice, canned coffee, canned tea, drinking water in PET bottle and aseptic bag under Malee brands and customers’ brands in domestic and abroad. In addition, the Company is also a distributor of Farm Chokchai brands for UHT and pasteurized milk. It’s business could be categorized into:

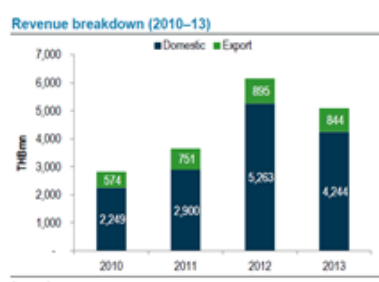


Figure 1.2 Malee’s sale revenue in 2010-2013

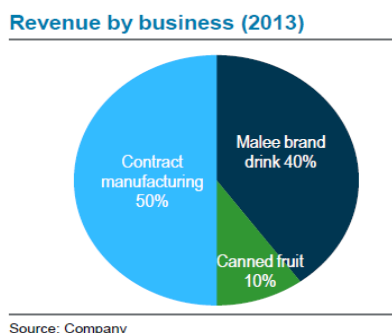


Figure 1.3 Malee's sale proportion

Source: Company data

1. Own Brand Business is separated into 2 business units as follows:
 - Beverage Business which includes UHT and pasteurized fruit juice and veggies, tea, coffee and drinking water in can, UHT, plastic bottle (PET) under "Malee" and client's brands, Including UHT and pasteurized milk under Chokchai Farm
 - Processed Food Business which includes canned fruits (such as rambutan, rambutan stuffed with pineapple, lychee, longan, toddy palm, mango, etc), canned sweet corn, canned pineapple, and mixed canned fruits
2. Contract Manufacturing Business in which the Company produces beverage products in accordance with domestic and international customers' requirements. Such products are distributed and marketed under customers' brand names.

The Company completely develops, promotes and secures the raw material supplies through the contract farming by providing seeding knowledge and supporting in plantation of agricultural in order to ensure sufficient and quality of the raw material supplies to meet the customers' demand as well as the controlled quality according to the standards of GMP, HACCP, BRC and Q-Mark.

Distribution Channels

Under Malee and Chokchai Brand, the Company distributes the products in domestic and abroad as follows:

- Domestic Market. Malee Enterprise Co., Ltd. is a subsidiary responsible for domestic marketing for Malee Brand and distributing of Chokchai milk in many channels such as modern trade, supermarket, minimart, convenience store, wholesale shop, hotel, restaurant and Malee Direct Distributor (MDD), responsible directly to distribute product to wholesale or retail shop in the selection area by the company.

- Export Market. MaleeSampran Plc. is responsible to distribute products through agents and export directly to customers abroad.

The proportion of domestic and export sale in 2013 is about 80:20. The major customers are in European countries, Asia, Middle East and USA, etc.

Sourcing of Products and Services

Production

The Company has 2 plants

- At 26/1 Sampran Rd., TambonYaicha, AmphorSampran, NakornPrathom Province Total area of 29 rai 1 ngan and 120 sq. wah.

Objective: To produce canned fruit, fruit and vegetable juice in UHT box and PET bottle, concentrated pineapple

- At 110 RorPorChorBanpang-Talad Rd., Mhoo 9, TambonBanpang, AmphorBanpang, Nakornpanom Province Total area of 190 rais, 80 sq. wah.

Objective: To produce canned sweet corn

Product Information

To serve all customers' need and life style, the company until now has been focusing on the product such as canned and aseptic bag fruit, canned & UHT fruit juice and essence pineapple exported to be raw material in beverage business. The major product has launched several of innovative products as following:

1. UHT Fruit Juice and Pasteurized Fruit Juice:

- 100% UHT Fruit Juice in 3 sizes – 200 ml, 750 ml, and 1,000 ml.
- 100% Veggies V9 in 3 sizes – 200 ml. and 1,000 ml.
- 100% Pasteurized Fruit Juice in 2 sizes - 300 ml. and 1,000 ml.
- Self Plus 60% fruit juice in 2 sizes – 200 ml, and 1,000 ml.
- Malee Juize Mix 40% fruit Juice in 2 sizes – 120 ml. And 200 ml.
- Malee Juize Mix Cool Max 15% in PET bottle – 350 ml.

2. Canned Fruit: The Company serves customers' needs in variety sizes of the canned packages for seasonal fruit such as rambutan, lychee, mango, papaya, guava, jack fruit and toddy palm in syrup, pineapple juice and mango juice.

3. Cereal Beverage: Such as UHT 100% sweet corn milk in 180 ml size.

4. UHT and Pasteurized milk: The Company serves UHT 100% milk in 200 ml. size and 250ml.; and the pasteurized 100% milk in 200 ml., 400 ml., 800 ml., and 2,000 ml. sizes.

5. Canned Pineapple: The Company can serve many cutting style of pineapple to customer such as slice, chunk, pieces, cubes and crush in variety size of canned packaging by mixing in syrup, water, pineapple juice for export market. In addition, for overseas restaurant clients we can serve with pineapple in pouch packs.

6. Concentrated Pineapple Juice: Made from fresh pineapple juice through dehydrated process and keep in aseptic bag and frozen. Typical pineapple juice concentrate is exported to abroad in order to be raw material in food processing such as ice cream, ready to drink juice, bakery product, etc.

7. Canned sweet corn: The Company procures the raw material and keeps high quality standard products via contract farming with more than 3,000 families.

8. Other beverages: The Company also provides co-packing service for many customers by produce ready to drink coffee, tea beverage under customer's brand.



Figure 1.4 Malee's product example

Business strategies

Malee will implement marketing strategies for its branded products by developing products for more specific groups of customers so that all consumers' needs could be fully fulfilled. Products structure under Malee and sub-Malee brands are clearly identified, developed and implemented to ensure such brands or sub-brands are appropriately and well positioned according to each customer segment. The company will launch fruit juice with new flavors and concepts to capture additional market share using a fully-integrated marketing campaigns and continuous R&D activities to provide new products which can really satisfy customer requirements

The future direction of MaleeSampran is to increase the company's revenues by at least 15% of income 2013. In order to achieve this goal, the company will continue introducing new product innovations that focus on premium product areas that are targeted at teenagers and adults. At the same time, the company will allocate a marketing budget of Bt50 million to promote the brand Malee and increase marketing activities throughout the future in order to increase its sale.

1.4 Business Structure

The Business Structure of the Company Group

Structure MaleeSampran Limited (the Company) and its subsidiaries as at 31 December 2013

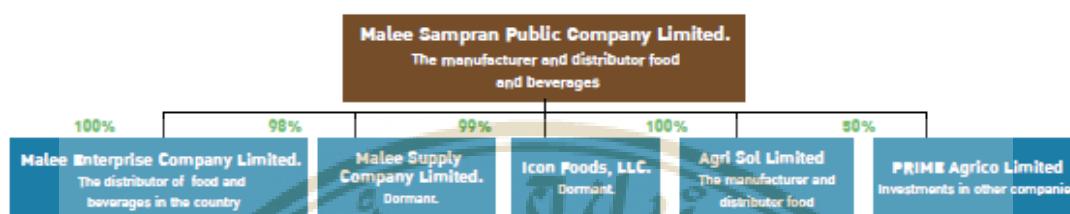


Figure 1.5 Malee's business structure

- Malee Sampran Public Company Limited. : The manufacturer and distributor UHT/ Pasteurized Fruit Juices, UHT / Pasteurized Milk and Beverages, Canned Fruits, Canned Sweet Corn, Canned Pineapple and Pineapple Juice Concentrate. Ordinary Share allotment 140,000,000 share par value Baht 1
- Malee Enterprise Company Limited. : The distributor of UHT/Pasteurized Fruit Juice, UHT/Pasteurized Milk, Beverages and Canned Fruits, Share allotment 10,000,000 ordinary shares par value Baht 10 Number of shares held by the Company 9,998,800 shares (99.99%)
- Agri Sol Limited, : Operating in Agro-Industrial business with care of environment, the manufacturer and distributor of Canned Sweet Corn. Share allotment 14,500,000 ordinary shares par value Baht 10 Number of shares held by MaleeSampran Public Company Limited 14,499,994 shares (99.99%).
- Malee Supply Company Limited. : Share allotment 175,000 ordinary shares par value Baht 10. Number of shares held by the company 170,800 shares held by the Company 170,800 shares (97.60%) (Dormant.)
- Icon Foods, LLC: Importer of Canned pineapple. Paid up capital USD 50,500. Number of shares held by the Company 99% (Dormant.)
- Joint.Venture/PRIME AgricoLimited: Share allotment 400,000 ordinary shares par value Baht 100. Number of shares held by MaleeSampran Public Company Limited 200,000 shares (50.00%)

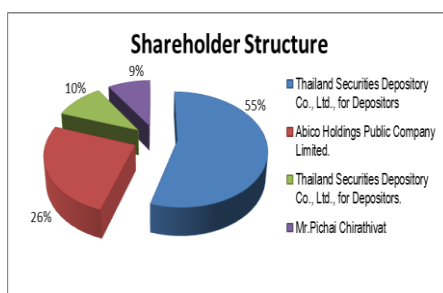


Figure 1.6 Malee's shareholder structure

1.5 Industry Overview and Competitive Positioning

1.5.1 Macro-Economic Analysis

Evaluation of Thailand GDP growth rate

As a result of the economic damage caused by the Thai political crisis in the year 2013 and the opportunities that the political situation will not improve significantly over the remainder of the year has caused us to downgrade Thailand's GDP growth outlook for 2014. Therefore, the Bank of Thailand decided to forecast of the year 2014 GDP growth at 1.5%

The Bank of Thailand also forecasted that GDP growth will be strong in 1H15 because of strengthening fiscal boost and better economic outlook which will drive the overall economy and support business's extension.

Moreover, we see downside risks to our food consumption forecast for 2014. Over the long term, however, we believe growth will be steady as the country's food and retail sector have huge potential.

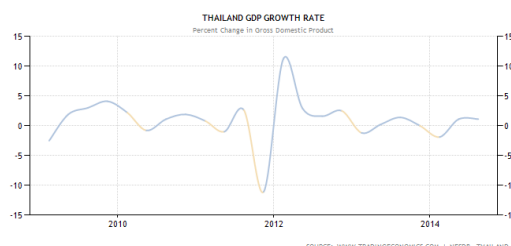


Figure 1.7 Thailand GDP growth rate (year 2009-2014)

REAL GDP GROWTH
Actual figures and projections of Thailand real GDP growth for 2013-2015

Category	2013	2014	2015 (percentage year on year)
GDP	2.9	1.5	3.5
Total consumption	1.0	0.8	1.7
Private consumption	0.2	0.3	1.5
Government consumption	-4.9	3.4	2.5
Gross fixed capital formation (public and private investments)	1.9	2.8	6.9
Private investment	2.8	3.0	6.0
Public investment	1.3	1.9	3.0
Total domestic demand	1.3	2.3	3.9
Exports (volume)	4.2	0.7	6.4
Exports (value)	0.2	0.7	5.2
	(\$225.41 bn)	(\$227.21 bn)	(\$ 239.03 bn)
Exports of goods	0.2	1.8	5
Exports of services	19.7	2.9	11
Net foreign demand	12.4	23.8	1.6

Source: The Nation

Figure 1.8 Thailand GDP growth rate in each sector

Impact from Asean Economic Community (AEC)

The common goal for the ASEAN Economic Community (AEC) is to achieve the single market and production bases for the ASEAN community, thus allowing free movement in 5 areas including product, service, investment, skilled labor and capital. Such free trade will create both winners and losers, subject upon their business and competitive potentials relative to that of their competitors. With no tariffs and tax barriers, tax-free products and services from other countries could come into Thailand, thus putting Thai entrepreneurs in a more descendent pressure, and vice versa. The advent of the AEC also allows the Company an opportunity to expand or transfer its production base to other ASEAN countries with abundant raw materials. To create and maintain its long-term competitive advantages, the Company will continue to learn about its competitors, reduce operating costs, and solidify its strengths and improve its weaknesses



Figure 1.9 The countries in Asean Economic Community (AEC)

1.5.2 Industry Analysis Analysis

The nature of business can be divided into major 3 businesses. (1) The vegetable and fruit juice business (2) Canned Fruit business; and (3) Milk and Cereal Business. The three main businesses that Malee engages in detail are as follows

1.5.2.1 Vegetable and Fruit Juice Business

Juice recorded moderate volume growth in 2013. This seems to drink juice for the benefits of feeling refreshed and cooling down in the hot climate. A minority of consumers drink it for the benefit of absorbing vitamins or minerals. The refreshing aspect of juice is the most important factor in the consumption of these drinks in Thailand. This means that demand for juice could grow at a higher rate in the future when consumers look beyond the flavors and tastes and become more aware of its health benefits, including its antioxidant properties and being beneficial to skin. This tries to create the perception that drinking fresh juice in the morning every day to add vitamins and minerals to the body for better health is one option. Another is promoting juice as a soft drink for all generations, from small children to the elderly. Next is promoting juice as an alternative to supplements so that consumers can obtain natural vitamins and minerals instead of taking them artificially from supplements.

Fruit Juice business is in the agro industry which is classified by the manufacturing process and market preference as follows;

1.5.2.1.1 Concentrated Fruit Juice which is made from fresh fruit and then dehydrated it in order to transform into concentrate fruit juice. The concentrate juice needs to dilute the juice with water before serving the customer. The export market is the major market for concentrate fruit juice because it is the major raw material in food and beverage industry.

1.5.2.1.2 Ready to Drink Juice (RTD Juice) is the type of juice that the customer can consume immediately. The degree of fruit juice depends on the type of fruit that are used as raw material and manufacturing process. RTD juice segment is categorized into

- Fruit Juice 100% such as orange, apple, and pineapple juice, etc.

- Fruit Juice 25% such as Mixed with Kiwi, Grape and Apple, etc.

1.5.2.1.3 Artificial fruit Juice is made from the fresh fruit 25% mixed the artificial and made it concentrate with sugar. When consuming it, the consumer need to dilute with water or mixed with ice as the instruction on the label.

1.5.2.1.4 Fruit Powder is made from fresh fruit, which is squeezed and diluted. Then, it is spun to be powder and pack in such as orange, balt-fruit, ginger, etc

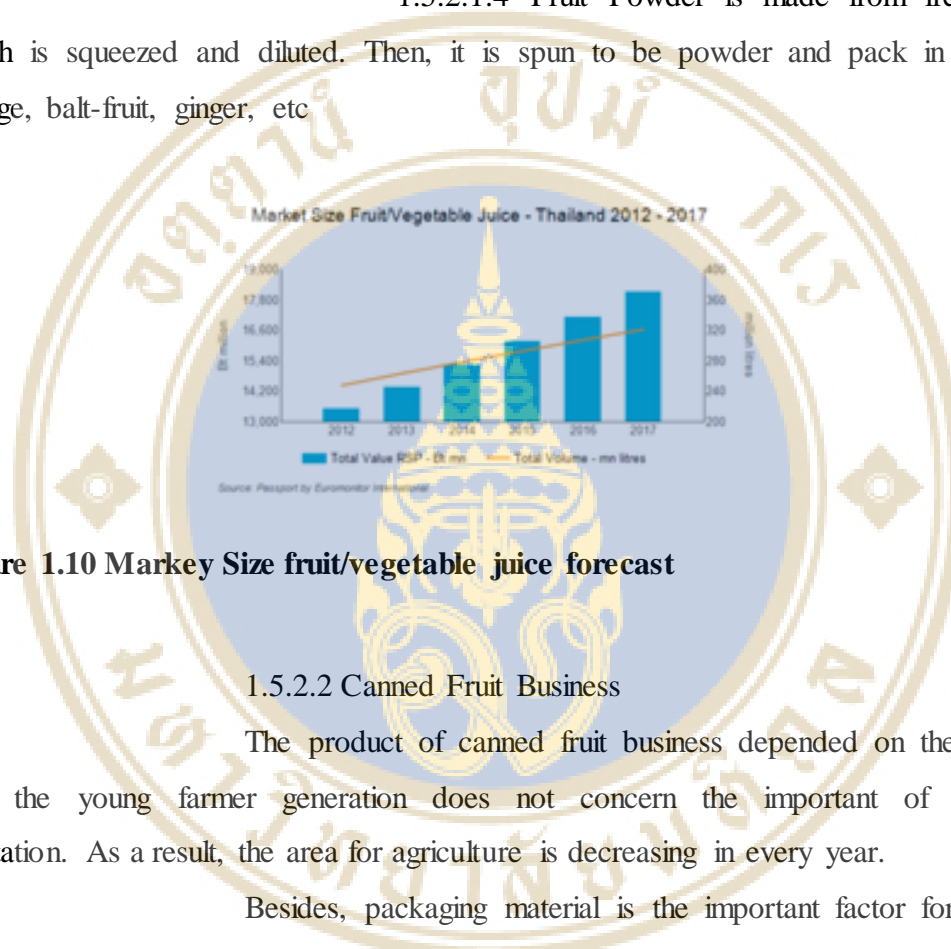


Figure 1.10 Markey Size fruit/vegetable juice forecast

1.5.2.2 Canned Fruit Business

The product of canned fruit business depended on the climate and the young farmer generation does not concern the important of seasonal plantation. As a result, the area for agriculture is decreasing in every year.

Besides, packaging material is the important factor for canned fruit business because it is the main cost of production and there are small numbers manufacturer in the packaging business in Thailand. Moreover, the characteristic of steel that can preserve the quality of products for 2 years makes steel becomes more important for canned fruit industry. Thus, when the steel price increases, it will affect directly to the canned fruit business. For example, in 2008, the steel price increased average 15% within 2 times before production period, this effect the cost of production. Besides, the government declared using a floating price mechanism for determining oil price. This related to production and transportation (Source: Ministry

of Commerce) for canned fruit business. Thus, many manufacturers focused on produce to serve demand and not emphasize advertising or promotion to boost sales volume.

From economic decline, the consumer turns to consume the canned fruit in the economy market increasingly due to the cheaper price. This made the growth of the premium market decelerated.

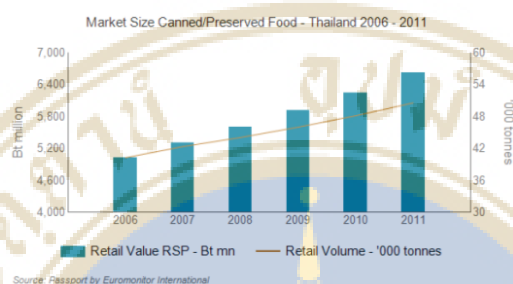


Figure 1.11 Markey Size canned/Preserved Food

1.5.2.3 Dairy and Cereal Business

The dairy business in Thailand is the downstream business. It requires raw milk from the dairy farmers for processing. Currently, Thai dairy industry is still important for the country; thus, the government set up an organization as state enterprise under the Ministry of Agriculture and Cooperatives, to encourage and promote the dairy farmer producing raw milk to serve the consumption demand. Raw milk can be produced to variety of products such as pasteurized milk, sterilized milk, cream, butter, ice cream, yogurt, condensed milk, milk powder, skim milk, whey, etc. The majority of Thai dairy factories can produce the products from domestic raw material. However, some factories still need to import skim-milk or whey as raw material from abroad because cost of import is lower.

Most of the dairy products in Thailand are ready to drink milk since the milk power, whey, butter and cheese and other milk product have the high operating cost. Thus, these products are mostly imported from abroad such as Australia and New Zealand, and the product was imported such as nonfat dry milk, meanwhile, The product export to neighbor country, Laos, Cambodia, Myanmar,

Singapore, Hong Kong and Philippines, is cheese, nonfat dry milk, condensed milk, yoghurt.

In Addition, the consumers also like other beverages such as soybean milk or cereal milk (sweet corn, Job's tears, and bean). The dairy and cereal markets can be categorized as follows;

- UHT Milk market is price controlled by the government; the proportion of sales is the plain flavor milk. The UHT market is divided into UHT for family, adult, and kids.
- Pasteurized market is a dairy product, which is controlled by the government.
- Soy bean milk (RTD) shows the trend upward due to the price competition comparing with other beverage.
- Other beverages such as Drinking Yogurt, Malt Beverage and Sterilized Milk

1.5.3 Competition Analysis

1.5.3.1 Vegetable and Fruit Juice Business

At present, there are more than 10 manufacturers in the country in the high competition. The leader use advertising and promotion to be strategy to boost sales. The launching new product has objective to expand the customer group; and repositioning in expert in vegetable and fruit juice that suitable for all of ages. Besides, other beverages turn to expand the fruit juice, mixed vegetable a fruit juice by strength network and steal the market share from existing player.

The growth rate of fruit juice is decelerating because of economic crisis in 2009; thus the entrepreneur has a strict sales and marketing plan to cope with the economic and customer behavior change. The leader in the market use pricing strategy with marketing campaign continuous all the year to enhancement the market share.

Besides, the big entrepreneur expands the health product to the market especially, ready to drink green tea. This make the entrepreneur has to reconsider its marketing strategy and start product mix strategy to be tool in fighting in expanding market.

The value of market is forecasted that the market segment (100% fruit juice) was 4.46 billion Thai Baht, or total consumption volume of 63.82 million liters. Annual growth is 5%. The Premium Market segment could be categorized into the UHT market, with total size of 3.97 billion Thai Baht, with an annual growth of 4%. Malee held a market share of 24% in this sub-segment. Another part of the Premium Market segment is the pasteurized sub-segment, with total market size of 0.48 billion Thai Baht, with an annual growth of 12%. Malee held a market share of 36% in this sub-segment. Another partof the domestic ready-to-drink fruit juice market is the Medium Market, with total market size of 0.64 billion Thai Baht, with total consumption volume of 13.04 million liters. The remaining parts of the domestic ready-to-drink fruit juice market consist of the Economy Market, with total market size and consumption volume of 3.5 billion Thai Baht and 126.43 million liters respectively, the Super Economy Markets, with total market size and consumption volume of 1.82 billion Thai Baht and 6507 million liters consecutively and other sub-segment with total marketsize and consumption volume of 1.6 billion Thai Baht and 39.3 million liters respectively. It is expected that the domestic ready-to-drink fruit juice market will continue to expand as number of health-concerned consumers tend to increase from year to year.

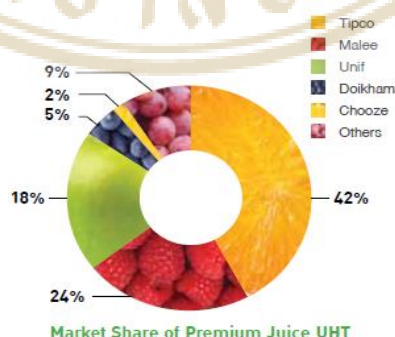


Figure 1.12 Market Share of Premium Juice UHT

Major Competitors

TIPCO Foods (Thailand) Plc. (“TIPCO”): TIPCO Food’s main businesses are producing and distributing of canned pineapple, concentrated pineapple juice, fruit juice under “TIPCO” brand. Its current registered capital is Baht 500 million.

The main products are 40% juice Tipco Cool, Tipco Squeeze, Tipco 100% Pasteurized, Tipco100% orange juice, Tipco 100% Veggie juice, Tipco Juice latte, Tipco 40% cool fit, Tipco Super Star, Tipco Nature up, Aura and Aquare Mineral water. Besides, TIPCO has jointed venture with Suntory, a well-known company in Japan, to expand its food and beverage especially fruit juice in PET bottle under “DAKARA” brand with its health food products.

Uni-President (Thailand) Ltd. (“UNIF”): “UNIF” is the brand name of the fruit juice and green tea product under Uni-President (Thailand) Ltd. As a subsidiary of Uni-President Enterprises Corporation, the biggest food company in Taiwan. The target group is the customer who has health conscious. Currently, the product under the brand name “UNIF” includes 40% fruit juice, 100% fruit juice. UNIF sent the message to customer about the benefit of ingredient that add value for health and skin without sugar and fat including adjust the bitter taste for some customer group especially, kids.

Universal Food Plc (“UFC”): UFC is a processor and packer of canned fruit, canned vegetables, fruit juice, canned coffee,UHT coffee, bottle coffee, sauce and seasoning, and fresh and frozen product under brand name“UFC” and “Chooze”. The positioning of UFC is “Superior Quality with Natural Taste and Various Offering”



Figure 1.13 Competitor’s fruit products example

1.5.3.2 Canned Fruit Business

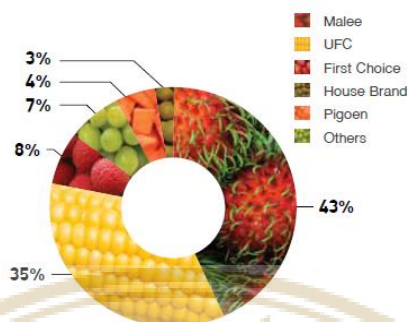


Figure 1.14 Market Share of canned fruit

The canned fruit market is categorized into 3 markets as follows;

- Premium Market has 2 major competitors, MALEE and UFC, focus in quality product and promotion.
- Medium Market focuses on the medium quality product. The key players in this market are pigeon, Thai A.D. Food, First Choice and House brand.
- Economy Market focus on pricing such as Farmer and Chao Doe

The Medium and Economy market use the pricing strategy as the major strategy for the competition. Competition for the Economy and below market tends to be higher since the entering of new comers of house brand from China due to its lower pricing strategy.

Malee estimates that Thailand's canned fruits market generated sales of THB 677 ml in 2013. Management expects Thailand's canned fruit market to grow 5-10% per annual. The canned fruit market is consolidated and Malee is the market leader with a 51% market share by value (2013), For the second-largest player is Universal Food PCL's UFC brand, with a 35% market share



Figure 1.15 Competitor's canned products example

1.5.3.3 Dairy and Cereal Business

Dairy business depends on the big players in the market. It is more difficult to compete in this business for the new comers due to the limitation of networking, huge advertising budget, brand awareness, and continuous R&D. As a result of the controlled price by the government, gross margin of the dairy business is not high. The advertising expenses are therefore not high comparing to other consumer products.

The major competitors for pasteurized milk are Meiji and Foremost, while the UHT milk is Foremost and Thai-Denmark

1.6 Investment Summary

Malee focus on new product innovations

Malee continue introducing new product innovations that focus on premium product areas that remain targeted at teenagers and adults. Including launched with new packaging, new flavors, and just launched first innovative fruit juice mixed mineral water.

Malee allocate more marketing budget

Malee will allocate a marketing budget of Bt50 million to promote the brand Malee and increase marketing activities throughout the future in order to increase its sale. In 2013, Malee adjusted marketing strategies by creating a new slogan called "Malee Fruit withCare" and 4 cares (seeding, sourcing, selecting, and

entrusting). This new concept has been communicated via new commercial with the aim to make customers fully realize about hidden value in 100% Malee fruit juice. The Company also co-launched a marketing campaign with its business partners.



Figure 1.16 new product innovations

Paid high dividend payment as a new policy

As Malee has the policy to pay dividends at the rate of not less than 50% of the net profit from normal operation according to consolidated financial statement after deduction of tax revenue and legal reserve. However, actual payments will be depending on the Company's cash flow, Company's investment plan including Affiliate Company and other necessities as the Board of Director consider appropriate"

Strong changing new company's policy

The Company discontinued the sweet corn operation and factory at Baan Pang District, Nakorn Panom Province. This is due to the New Company's Policy to outsource or Trade agricultural products instead of using in-house production.

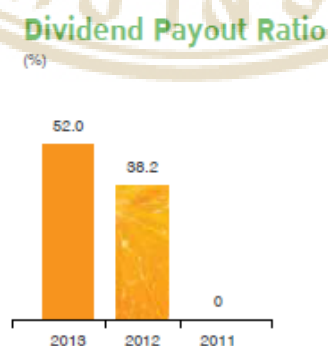


Figure 1.17 Dividend payment as a new policy

1.7 Valuation

In order to find the reasonable value of Malee's stock price, we applied two valuation methods. The first method is the discounted cash flow model which is the type of valuation where appropriate for evaluating the value of the firm that has a good fundamental. Moreover, the second is the multiples method which reflects the market perception and interpretation toward the company stock. Therefore, those methods will combine the firm's intrinsic value and market attitude, reflected by the market understanding toward the company's stock price, together.

1.7.1 Discounted Cash Flow Model: FCFE

From our calculation, the valuation from discounted cash flow method is the most appropriate because it takes into account the fundamental component of the firm such as net operating profit after-tax, net capital expenditure, and working capital, and computes these factors to obtain free cash flow to firm, the free cash flow available to both creditors and shareholders if the firm have no debt then discounts the value of free cash flow to firm and terminal value to the current period. The result is the enterprise value of the company. After subtracting EV from the value of interest bearing debts, non-operating assets, non-controlling interests, and value of equity, the result will be the value of equity of the firm. Therefore, our calculation of the stock price by using the discounted cash flow method, we concluded that the current appropriate price should be around 22.56 baht per share. So the recommendation is to sell the stock in the market since it is overvalue.

In calculation, the discounted cash flow approach, as shown in the formula below

$$EV + \text{non-operating assets} = \text{value of debt} + \text{value of equity}$$

Table 1.3 Source of WACC for DCF method

Source of funds as of Q3/2014	Amount (MB)	Weight (%)	int rate (%)
S-T debt			
Bank loan	1,036	91.0%	5.9%
current portion of LT loan	2	0.2%	7.0%
lease agreement	15	1.3%	16.7%
L-T debt			
LT lease agreement	78	6.8%	16.7%
LT loan	8	0.7%	7.0%
total IBD	1,138	100%	6.8%
total Debt	1,138	52%	
Equity	1,053	48%	
	2,191	100%	

calculation of WACC	
Risk free rate	3.5%
Beta of MALEE	1.19
market risk premium	7.4%
cost of equity (Ke)	12.3%
cost of debt before taxes	6.8%
tax rate	20.0%
cost of debt after taxes (Kd)	5.5%
weight of debt (Wd)	51.9%
weight of equity (We)	48.1%
WACC of the target firm	8.8%
constant growth (gs)	6.5%

Table 1.4 Projected Cash Flow by DCF method

FCFF estimation					
(MB)	2014	2015	2016	2017	2018
Sales	5,624	6,217	6,872	7,596	8,397
Less : COGS	4,081	4,511	4,986	5,512	6,093
Less : SGA	1,305	1,443	1,595	1,763	1,949
EBIT	238	263	290	321	355
Less: Taxes on EBIT	48	53	58	64	71
NOPAT	190	210	232	257	284
Add: Depreciation	71	74	77	80	83
Less: Changes in NWC	(99)	136	116	128	141
Less: Capital expenditure	89	93	96	100	104
FCFF	272	56	97	108	122
Terminal Value					5,731
net FCFF	272	56	97	108	5,853
EV	4,296				
(+)Non-operating assets	44				
(-)value of debt	1,138				
value of equity	3,201				
no shares	140 million				
Price of stock	22.87				

Projected Cash Flow and Assumptions

The key assumptions in cash flow projection and terminal value are as follows:

Table 1.5 Key assumptions

Key assumptions	year 2014-2018	year 2019 going forward
Sale growth (%)	10.54%	6.50%
COGS to sale (%)	72.60%	
SGA to Sale (%)	23.20%	
Tax rate (%)	20.00%	

Revenue growth rate: Because there is not much in detail about business expansion of the company in Malee's annual report, we based the next 5 years sale growth rate on CAGR over the past 5 years. Therefore, the sale growth rate of year 2014 -2018 is 10.54% per year and information to supports this assumption is the company vision to sell in Thailand 50% and AEC50% in 2019. For the year 2019 going forward, we expected perpetuity sale growth rate at nominal GDP growth rate in Thailand at 4.5% plus the expected inflation rate at 2% where we assuming that Malee sells the majority product in Thailand. We therefore consider the terminal growth rate from the consensus and average out to come up with the rate at 6.5%.

Proportionated cost of sales and selling and administrative expense to sales: The forecast figures of cost of sales and selling & administrative expense were calculated by averaging the percentage of these items to sales over the past 5 years at the rate around 72.60% and 23.20%, respectively.

Change in net working capital and investment in net fixed assets: During the forecasting period, for the years with high revenue growth, it will automatically require more net working capital to support the growth in sale. Definitely, inventories, account receivables, and account payable are three main factors defining net working capital. As in the historical information, the company has lower account receivables in later year and also increase in PPE in every year so they make short term loan in order to have funds to run their business.

Weighted average cost of capital: We use the weighted average of the market value of equity and book value of debt to calculate WACC for Malee. The cost of debt was determined by comparing the current percentage of interest expense to interest bearing debts, which is around 6.8% Before-tax K_d , with the weighted average cost of debt from the notes to financial statement of bank overdraft, trust receipt, financial lease agreement and long term bank loan. Considering tax, we can calculate After-tax K_d equal to 5.5%

In part of the cost of equity, we obtained the risk-free rate at 3.5% from 10 year government bond, the risk premium at 7.4% based on Moody's rating and adjusted by the relative equity market volatility from Damodaran and the adjusted beta at 1.19 from SETSMART. As a result, we calculate cost of equity equal to 12.3% by using CAPM model.

Taking all relative variables $W_d=52\%$, $W_e=48\%$, After-tax $K_d=6.8\%$ and $K_e=12.3\%$ into the WACC formula, WACC is estimated at 8.8%. WACC will be using to be the discount rate of FCF in DCF model

1.8 Financial statement analysis

1.8.1 Summary figures from financial statements (Size analysis)

Income statement: In 2012, Malee's contract manufacturing revenue grew 69% YoY to 6,156 MB due to additional business from companies with manufacturing operations that were impacted by the floods. However, revenue from its contract manufacturing business declined 17% YoY from 6,157 MB in 2012 to 5,087 in 2013, due to the high base effect and as the impact of the floods receded. Its EBIT margin decreased to 5.7% in 2013 from 10.7% in 2012 due to higher selling and administrative expense item which are advertising and promotion costs for new product launches.

Table 1.6 Malee Income statement

Income statement (THB mn)						
Year end: Dec	2008	2009	2010	2011	2012	2013
Sales revenue	3,703.6	3,082.9	2,828.7	3,660.4	6,157.2	5,087.6
Gross profit	659.6	734.7	805.3	1,089.0	1,655.3	1,451.2
EBITDA	(85.6)	127.1	125.2	245.6	722.2	365.4
Depreciation & amortisation	(124.4)	(94.6)	(45.8)	(50.1)	(61.1)	(77.6)
EBIT	(210.0)	32.5	79.4	195.6	661.1	287.8
Net interest (expense)/income	(129.4)	38.3	(33.0)	(33.7)	(16.0)	(17.0)
Others	44.8	60.1	59.9	65.8	128.5	115.8
Income tax	-	-	-	-	(127.6)	(103.8)
PAT	(294.7)	130.9	106.4	227.7	645.9	282.8
Minorities	-	-	-	-	-	-
Net income	(294.7)	130.9	106.4	227.7	645.9	282.8

Balance sheet: Total assets of the company are around 2,677 MB composed of current assets 1,431 MB and non-current assets 1,246 MB. Majority of assets is PPE which accounted for almost 50% of the total assets. Total assets decreased 2.4% YoY, relating to lower sales revenue in 2013. Trade and other receivables also decreased from 731 MB to 635 MB. For total liabilities and equity side, the company well managed on liability from the previous year, as seen from lower portion of debt in 2013. Total liabilities composed of current liabilities 1,443

MB and non-current liabilities only 185 MB. The majority of liabilities are payable item, accounting for about 30% of total liabilities. On the equity part, the company maintain at almost equal amount from the previous year.

Table 1.7 Malee Balance sheet

Balance sheet (THB mn)						
Year end: Dec	2008	2009	2010	2011	2012	2013
Tangible assets	864.3	1,084.9	1,042.4	1,004.5	1,129.3	1,146.6
Other LT assets	102.3	180.9	154.2	67.0	86.4	98.5
Stocks	497.5	401.6	472.0	500.2	682.4	729.9
Debtors	447.5	400.8	466.7	611.6	662.2	580.5
Cash and liquid assets	8.8	11.8	14.2	25.9	58.4	67.7
Other ST assets	53.1	71.5	47.7	55.0	81.3	53.2
Total assets	1,973.6	2,151.5	2,197.2	2,264.1	2,700.0	2,676.4
Current creditors	1,249.5	900.0	920.6	950.0	833.3	440.9
Current borrowings	549.7	428.4	334.7	254.1	173.2	600.7
Long-term borrowings	53.2	19.1	7.9	7.5	5.9	4.9
Others	364.0	477.4	542.3	505.7	617.6	581.6
Total liabilities	2,216.4	1,924.9	1,805.6	1,717.4	1,629.9	1,628.0
Shareholders' funds	(242.9)	326.6	391.7	546.7	1,070.1	1,048.4
Minority interests	-	-	-	-	-	-
Equity	(242.9)	326.6	391.7	546.7	1,070.1	1,048.4
Total capital employed	1,973.6	2,151.5	2,197.2	2,264.1	2,700.0	2,676.4

Shareholding and dividend: Malee is 53.47% owned by Abico Holding, and its related family. In 2013, the company paid a dividend of THB 1.52 per share, representing a 75% payout. The company has a policy to pay dividends twice a year at a 50% payout ratio

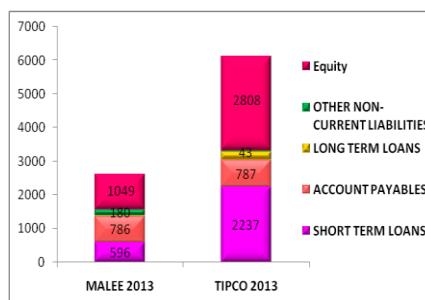
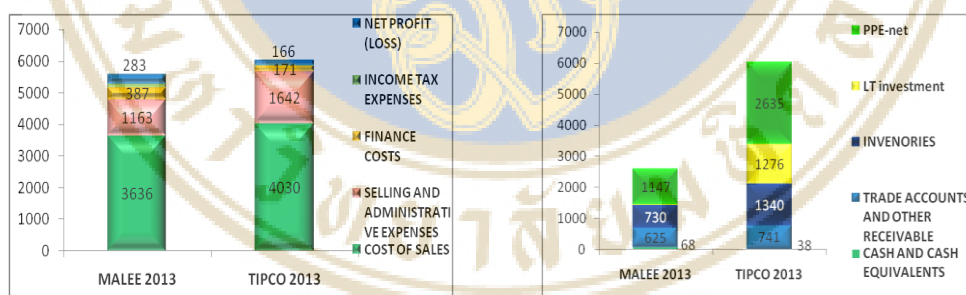


Figure 1.18 Malee-Tipco Size analysis

1.8.2 Common Size analysis

Income statement: Overall, two companies have managed equally amount in each item of income statement such as sales, COGS, SG&A. Total revenues compose of sales income 98%. The remaining revenues from other income, accounted for 2% of total revenues. Cost of sales and selling and administrative expense represents around 71.5% and 22.9% of sales, respectively. The gross profit and net profit is about 28.5% and 5.6% of sales.

Balance sheet: Total assets compose of current assets 53.5% and non-current assets 46.5%. The major items in assets are PPE, inventory and trade accounts and other receivable, representing 42.8%, 27.3% and 23.4% respectively. Total liabilities and equities compose of total liabilities 61% and total equities 31%. From Liabilities compose of current asset for 53.9% and non-current asset for 6.9%. The majority of equity is retain earning, which account for 21.5% of equity

Table 1.8 Malee-Tipco Income statement

INCOME STATEMENT

	MALEE	MALEE	TIPCO	TIPCO
	2013	2013	2013	2013
	(MB)	%	(MB)	%
SALES	5,088	100.0%	5,588	100.0%
OTHER INCOME	117	2.3%	306	5.5%
TOTAL REVENUES	5,205	102.3%	5,894	105.5%
EXPENSES		0.0%		0.0%
COST OF SALES	3,636	71.5%	4,030	72.1%
SELLING AND ADMINISTRATIVE EXPENSES	1,163	22.9%	1,824	32.6%
OTHER EXPENSES	2	0.0%	(18)	-0.3%
TOTAL EXPENSES	4,801	94.4%	5,836	104.4%
PROFIT (LOSS) BEFORE FINANCE COSTS AND INCOME TAX EXPENSES	404	7.9%	58	1.0%
SHARE OF PROFIT FROM INVESTMENTS ACCD TO EQUITY METHOD	-	0.0%	202	3.6%
PROFIT (LOSS) BEFORE COSTS AND INCOME TAX EXPENSES	404	7.9%	260	4.7%
FINANCE COSTS	17	0.3%	89	1.6%
PROFIT (LOSS) BEFORE INCOME TAX EXPENSES	387	7.6%	171	3.1%
INCOME TAX EXPENSES	104	2.0%	5	0.1%
NET PROFIT (LOSS)	283	5.6%	166	2.97%

Table 1.9 Malee-Tipco Balance sheet

BALANCE SHEET

	MALEE	MALEE	TIPCO	TIPCO
	2013	2013	2013	2013
	(MB)	%	(MB)	%
CURRENT ASSEIS				
CASH AND CASH EQUIVALENTS	68	2.5%	38	0.6%
TRADE ACCOUNTS AND OTHER RECEIVABLE	625	23.4%	741	12.0%
INVENTORIES	730	27.3%	1,340	21.8%
OTHER CURRENT ASSETS	8	0.3%	40	0.6%
TOTAL CURRENT ASSEIS	1,431	53.5%	2,158	35.0%
NO-N-CURRENT ASSEIS				
LT investment	19	0.7%	1,276	20.7%
PPE-net	1,147	42.8%	2,635	42.8%
OTHER NON-CURRENT ASSETS	80	3.0%	90	1.5%
TOTAL NON-CURRENT ASSEIS	1,246	46.5%	4,001	65.0%
TOTAL ASSEIS	2,677	100%	6,159	100%
LIABILITIES AND ASHAREHOLDERS' EQUITY				
SHORT TERM LOANS	596	22.3%	2,237	36.3%
ACCOUNT PAYABLES	786	29.4%	787	12.8%
OTHER CURRENT LIABILITIES	61	2.3%	47	0.8%
TOTAL CURRENT LIABILITIES	1,443	53.9%	3,071	49.9%
LONG TERM LOANS	5	0.2%	237	3.8%
LONG TERM PAYABLE	35	1.3%	-	0.0%
PROVISION FOR LONG TERM EMPLOYEE BENEFITS	50	1.9%	43	0.7%
OTHER NON-CURRENT LIABILITIES	95	3.5%	-	0.0%
TOTAL NON-CURRENT LIABILITIES	185	6.9%	280	4.5%
TOTAL LIABILITIES	1,628	61%	3,351	54%
ISSUED AND PAID-UP	140	5.2%	483	7.8%
SHARE PREMIUM	-	0.0%	-	0.0%
RETAINED EARNING	575	21.5%	1,877	30.5%
OTHER	334	12.5%	(12)	-0.2%
EQUITY ATTRIBUTE TO THE OWNER OF THE COMPANY	1,049	39.2%	2,348	38.1%
NON-CONTROLLING INTERESTS	-	0.0%	460	7.5%
TOTAL EQUITY	1,049	39.2%	2,808	45.6%
TOTAL LIABILITIES ANT TOTAL EQUITY	2677.203	100%	6159	100%

Comparing with competitors

Total Sales in year 2013 of Malee was lower than Tipco approximately 500 MB. COGS proportions between two companies were maintained equally at 72% while SG&A expense to sales of Malee was lower than Tipco. As a result, gross profit margins of two companies were at 28% and net profit margin of Malee at 5.6% which is higher than tipco's at 3.0%. On assets side, total assets in year 2013 of Malee were significantly smaller than Tipco's, mainly caused from a large portion of LT investment and PPE net of Tipco. On liabilities and equities side, Tipco also has a higher portion of ST loan, LT loan and retain earning than Malee

1.8.3 Trend Analysis

Income statement: Over the past 5 years, the CAGR of sales was approximately at the rate of 10.54%. Revenue from sales increased though 2012 as people tend to concern their health so nutritious product are more popular and the aim of consuming shifted from curing health problems to preventing health problems. Moreover government also encouraged people to care about their health. Revenue a slightly decrease on year 2013 due to political impact, economic situation was down which made sale reducing. The cost of goods sold is increasing in relation to an increase in sales which has the CAGR at the rate of 9.14% which this expense increased mainly from a rising in salary and wages and other employee benefits, an increase in transportation and installation expenses due to the delay of a delivery as a consequence of political instability. An increase in selling expenses also includes an increase in advertising expense as the company tried to drive sales volume by spending more in advertising in television media to promote brand recognition. The CAGR of net profit is about 16.67% over the past 5 years.

For Tipco, the CAGR of sales over the past 5 years was gradually inclined with the rate at 4.63%, however Tipco's revenue in 2013 still be higher than Malee's revenue in 2013. The cost of goods sold is increasing in relation to an increase in sales which has the CAGR at the rate of 4.70%. Moving the same way of other companies in the same industry, SG&A expense increased at high rate at 9.95% over the past 5 years due to government policy to apply minimum employment wages at 300 Baht/day. As a result, the CAGR of net profit was decrease at rate 4.23% Therefore, the total number of registered shares has increased from 70 million shares to 140 million shares on year 2013 which they would rise fund to operate the company

Tipco's total assets increase year by year from 2009 to 2013, CAGR at 5.69%. Tipco can manage inventories well by keeping low inventory stocks during year 2010 while sale can generate at increasing rate from a previous year. Tipco expand PPE every year from 2009 to 2013 at CAGR rate of 2.69%.

Balance sheet: Trend of Asset, we pick some items such as AR, inventories and net-PPE in order to see the linkage between sales of income statement and asset of the company. Since growth of Malee sales is 10.54% as a result the inventories stock and AR also increase at CAGR 12.6% and 9.3% respectively. For the inventories, it is slightly increase in term of production and had launched new products. And Malee try to divest some assets that not generate enough profit such as sweet corn plant. Tipco asset during 2009-2013, AR and inventories growth move following sales growth at 6.43% and 5.65%. Tipco' still keep investment in PPE continuously at 2.7%. Trend of Liabilities and Equity of Malee, we pick AP item to identify how it relates to COGS. Though trend of COGS of malee is growth at 9%, however AP growth drop 9.1% meaning Malee pay back trade payable to supplier or creditor faster. In addition the short-term loan shapely increase on year 2013 due to they have more inventories and also launched new products so results in use more money to use in those factors.

During the year 2012, Malee has capital reduction to repay the loss of retained earnings that used to have a negative value for over 10 years. Malee restricted its capital by reduce registered capital for 2 times (first time was on 19 Apr 2012 and second time was on 15 Jun 2012). As a result, company used 8.18 MB from reserves, paid up capital for 347.5 MB and another paid up capital from registered capital reduction for 560 MB to clean up from negative retained earnings to a positive one. Moreover company increases its registered capital on 19 Jun 2012 for 42 MB to increase a portion of equity in order to use funding assets.

As the company has capital reduction to paid the minus retained earnings on year 2012 and also changes in the number of registered shares and par value by splitting the par value from 2 baht per share into 1 baht per

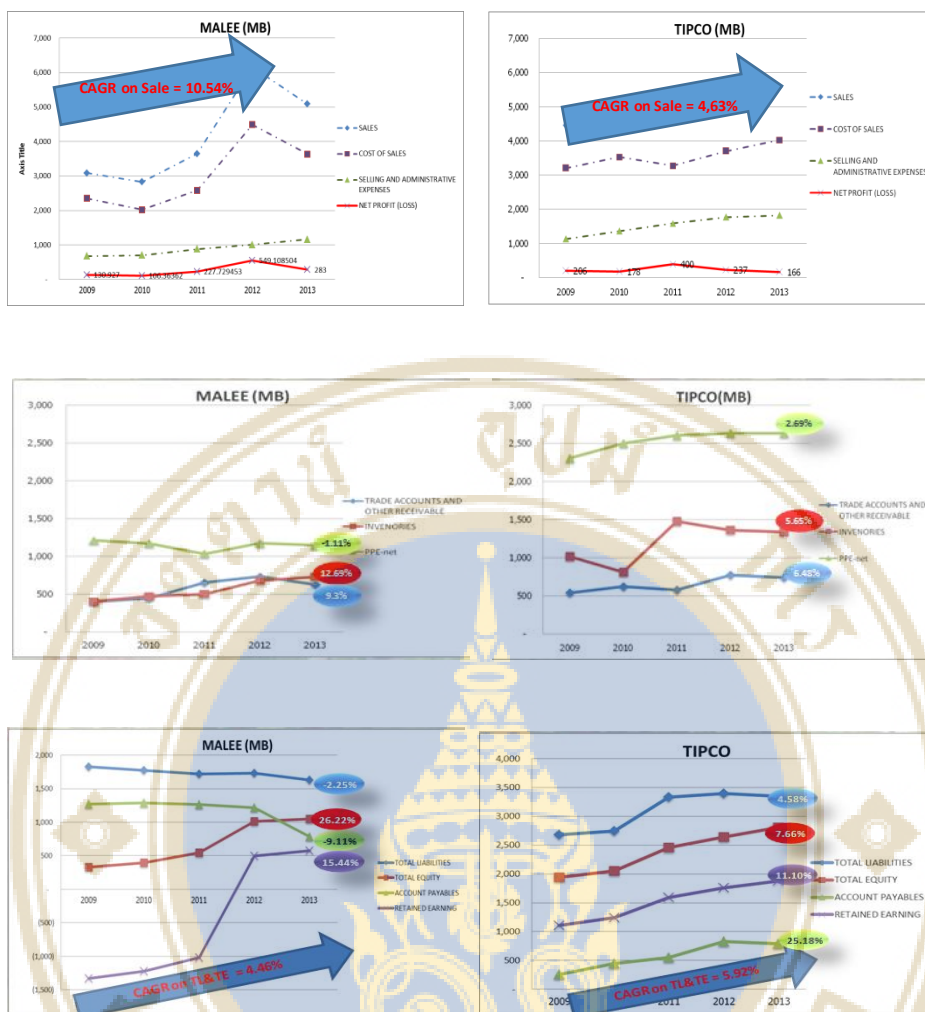


Figure 1.19 Malee-Tipco Trend analysis

1.8.4 Financial ratios: Return

We have compared Profitability ratio by using gross profit margin, EBIT margin and net profit margin between Malee and Tipco during the past 5 years. Malee can maintain consistently in gross margin around 27.4% from 2009 to 2013.

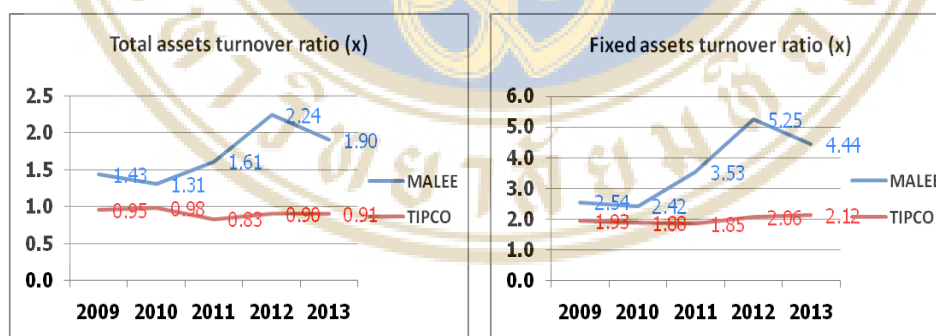
Malee’s EBIT margin and net profit margin also keep stable except high proportion of those ratios year 2012 because Malee managed well in SG&A expenses. For Tipco, gross profit margin, EBIT margin and net profit margin were more fluctuated than Malee’s. Tipco’s gross margin fluctuated between range 25.1%-32.1% due to many business unit of the company. EBIT margin and net profit margin were also unstable relating to various products sales of the company. Note that Tipco’s net profit margin was higher than tipco’s EBIT margin because Tipco gain other income

from share of profit from investments according to equity method. In conclusion, Malee can manage all expenses including COGS and SG&A better than Tipco as seen from higher EBIT margin and net profit margin in the graph below.

Average ROA of Malee was significantly higher than its competitor, Tipco, because amount of total assets of Tipco were larger than Malee over 2 times while the bottom lines in income statement were not significantly different. It implies that Malee has ability to manage its operating asset better than Tipco. Therefore, ROA of Malee was 10% whereas ROA of Tipco was only 4%

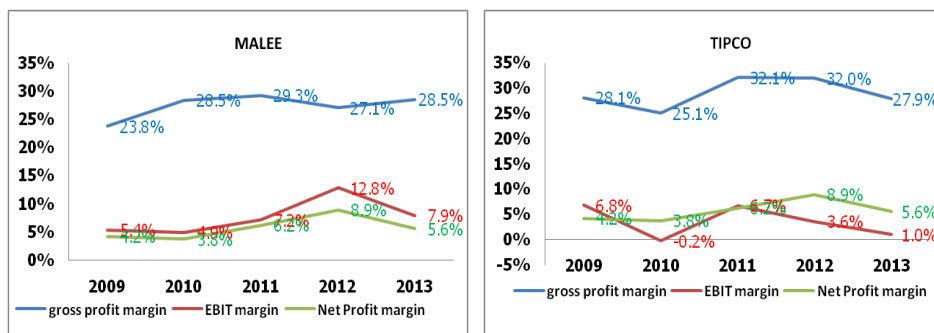
Moving in the same direction as an ROA, Average ROE of Malee were higher than Tipco for the past 5 years. ROE of Malee were moving in a wide range between 27% to 54% and average ROE was 38% while ROE of Tipco were moving narrower range between 6% to 11%, as shown in the graph below.

Fixed assets turnover and total assets turnover are moving relating to each other. Both ratios can explain the efficiency of assets to generate sales. As describing from graph below, Malee have better in number of both ratios than Tipco, implying that Malee can use assets more efficient than Tipco. From our analysis, we believed that Tipco's business might have composed of many kind of business including Asphalt business which would bring higher amount

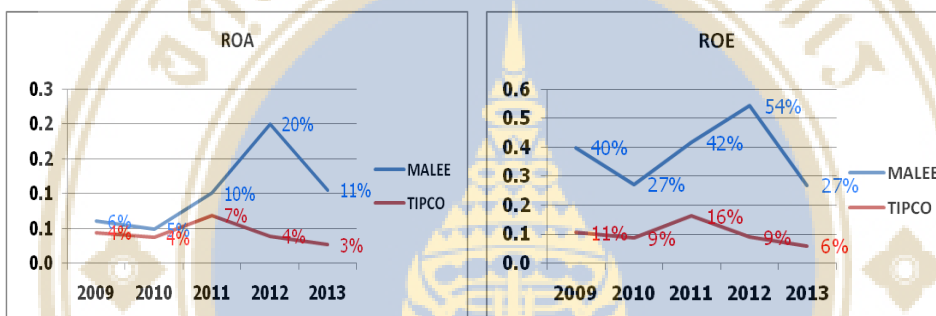


	avg malee	avg tipco
total asset turnover	1.70	0.92
Fixed assets turnover	3.64	1.97

Figure 1.20 key financial ratio: return



	avg malee	avg tipco
gross profit margin	27.4%	29.0%
EBIT margin	7.7%	3.6%
Net Profit margin	5.7%	4.8%



	avg Malee	avg Tipco
ROA	10%	4%
ROE	38%	10%

Figure 1.20 Key financial ratio: return (cont.)

1.8.5 Financial ratios: Risk

Short-term liquidity risk: Average past 5 years, Current ratio of both Malee and Tipco were lower than 1, indicating that both companies might have short term liquidity problem. Comparing between these two companies, Tipco showing the ability to pay back current liabilities better than Malee during 2009-2011 however Malee turned to have higher current ratio in the later years (2012-2013). We concluded for short term risk that Malee tend to be better on ability to pay short term liabilities since we saw from the increasing trends in current and quick ratios as shown in the graph. On the other hand Tipco's current and quick ratios tend to be worse. Cash conversion cycles of both companies are very long. Malee have cycle of cash 79 days which lower than Tipco at 130 days

Long-term solvency risk : Malee financial structure can be described from D/E ratio in the past 5 years. Malee's source of funds came from Debt and Equity which its capital structure policy tend to use more debt than equity, as average D/E ratio equal to 3.3x, which indicates high solvency risk in long term. However Malee tend to increased portion of equity year by year since 2009, as seen from the graph declining trend of Malee's D/E ratio. For Tipco, the company can maintain its D/E at consistent rate at 1.31x, indicating low long term solvency risk. Although Malee has higher debt to equity ratio, however the company can generate enough profit to cover its interest expense on outstanding debt every year. According to interest coverage ratio between Malee and Tipco, Malee has got the better of the average 5 years ratio at 17.93x

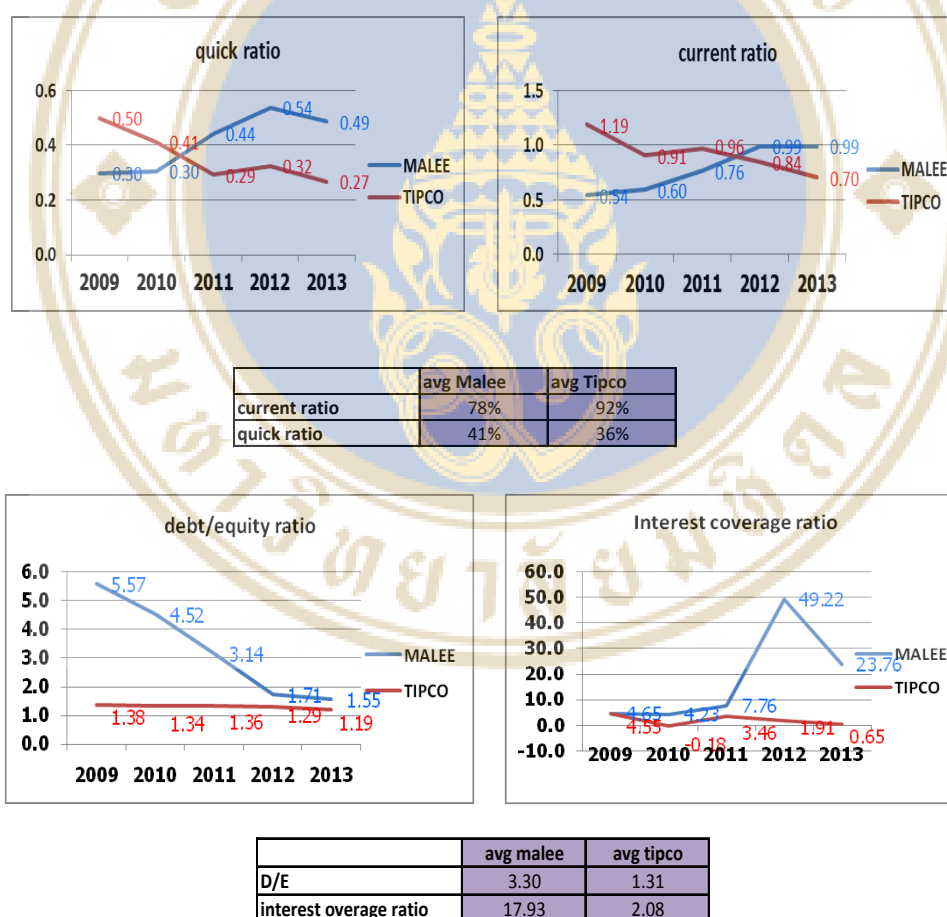


Figure 1.21 Key financial ratio: risk

Table 1.10 Summary of key financial ratios

Key ratios

	MALEE	TIPCO
	2013	2013
growth (%)		
sales	-17.4%	9.8%
EBIT	-48.8%	-85.6%
Net profit	-48.5%	-41.3%
Profitability ratio (%)		
gross profit margin	28.5%	27.9%
EBIT margin	7.9%	1.0%
Net Profit margin	5.6%	3.0%
Efficiency ratios (%)		
current ratio	0.99	0.70
quick ratio	0.49	0.27
account receivable turnover	5.82	5.44
collection periods(days)	62.76	67.08
inventory turnover	4.98	3.01
day tin inventory	73.28	121.36
payable turnover	6.47	7.10
payable periods(days)	56.41	51.41
CCC (days)	79.63	137.04
ROA	10.6%	2.7%
ROE	27.0%	5.9%
Solvency ratios (x)		
D/E	1.55	1.19
interest coverage ratio	23.76	0.65

1.9 Investment Risks and Downside Possibilities

Risks from Raw Materials Scarcity

The risks relating to raw materials, apart from price volatility, are insufficient and unqualified raw materials. In order to resolve the problem, the Company has established a “member club” for potential farmers to join in (Contract Farming). Apart from transfer of technical know-how in growing quality raw material crops, the Company also fined new methods to help member farmers obtain maximum productivity and benefit. The farmers will be provided with relevant knowledge on

harvesting and transportation processes, right from fields to the factory. The Company has their own farm land for sweet corn. For maximum profit, the Company always keeps updated with raw material situation in order to make sure that production plans and raw materials requirement are perfectly matched.

Risks from Competitors

Many of our competitors have possessed advantages relative to us in terms of strong sources of financial support from foreign business partners, advanced production technology as well as new and modernized R&D centers. The Company has a policy to compete with our competitors in terms of good product quality, strong brand image, advertising and promotional campaigns, and various marketing campaigns rather than the price cutting method. The Company supplies products with high quality to our customers, invests in launching new products that could generate returns and profitability, launches marketing campaigns with reasonable return on investment, as well as distributes our products via variety distribution channels to ensure we could reach our target customers efficiently.

Risks from Contract Manufacturing Clients

The Company has engaged in the contract manufacturing business for more than 20 years. It has managed this business well and has diversified operating risk in terms of clients and products to ensure well-balanced revenues. Currently, the Company has more than ten clients and manufacturing variety of products including tea, coffee, fruit juice, functional drinks, and canned fruits. The Company has provided various contract manufacturing services in accordance with customer requirements ranging from product development to production process. With close cooperation and frequent communication between the Company and clients starting from the product development phase, it is less likely that the clients will switch manufacturers and more likely to extend production contracts. The Company negotiates with its clients to obtain an appropriate term for its production services.

Risk from the Advent of AEC

The common goal for the ASEAN Economic Community (AEC) is to achieve the single market and production bases for the ASEAN community, thus allowing free movement in 5 areas including product, service, investment, skilled labor and capital. Such free trade will create both winners and losers, depending upon their business and competitive potentials relative to that of their competitors. With no tariffs and tax barriers, tax-free products and services from other countries could come into Thailand, thus putting Thai entrepreneurs in a more downward pressure, and vice versa. To cope with this, the Company will compete with its domestic and foreign competitors in terms of product innovation, product offerings that conform to customer requirements, production efficiency, labor, production technology, and sound logistics system to ensure competitive logistics and transportation costs and sourcing for high-quality raw materials with reasonable prices. The advent of the AEC also allows the Company an opportunity to expand or move its production base to other ASEAN countries with abundant raw materials. To create and maintain its long-term competitive advantages, the Company will continue to learn about its competitors, reduce operating costs, and solidify its strengths and improve its weaknesses.

Risks from Modern Trade

Modern Trade accounts, including supermarkets, discount stores, and convenience stores, have strong bargaining power and require suppliers to spend a substantial amount on selling expenditures. To counter this risk, the Company continues to distribute its products via various channels including Traditional Trade, Food Service, Agent, and Modern Trade to create a balance in terms of distribution channels as well as efficiently manage operating and marketing expenses.

Risks from Foreign Exchange

As Thai currency against US dollars continuously appreciated, revenue from export sales in Thai Baht of the Company decreased accordingly. However, to minimize such risk, the Company has placed risk agreement for exchange rate

protection at the amount of credit line granted by financial institutions. Besides, the Company has even made some swap arrangement from US dollars to other currencies like Euro.

Table 1.11 Malee risk matrix

Risk Matrix Table			
Impact	1	2	3
Probabilities	Negligible	Moderate	Severe
(68%-100%)		<ul style="list-style-type: none"> - Raw Materials Scarcity - The Advent of AEC - Modern Trade 	
(34%-67%)		<ul style="list-style-type: none"> - Competitors - Foreign Exchange 	<ul style="list-style-type: none"> - Contract Manufacturing Clients
(1%-33%)			

CHAPTER II

DATA

2.1 Revenue Growth Assumptions

Estimated from Malee's revenue, the sale growths are not constant which it is too difference in the amount so we decided to use CAGR which is the compound annual growth rate. CAGR is a useful measure of growth over multiple time periods. It can be thought of as the growth rate that gets the sale from the initial investment value to the ending investment value if we assume that the investment has been compounding over the time period.

The formula for CAGR is: $CAGR = (EV / BV)^{1/n} - 1$

where:

EV = Investment's ending value

BV = Investment's beginning value

n = Number of periods (months, years, etc.)

Table 2.1 Revenue Growth Assumptions (scenario #1)

Year	Sale	Growth	Average Growth	CAGR	Year	Sale
2009	3,082,853,000				2014	5,623,798,503
2010	2,828,667,790	-8.25%			2015	6,216,546,865
2011	3,650,449,285	29.05%			2016	6,871,770,905
2012	6,157,244,713	68.67%			2017	7,596,055,558
2013	5,087,568,756	-17.37%			2018	8,396,679,814
			18.03%	10.54%		

As we calculated CAGR is equal 10.54%. We used this number to forecast the sale growth to next 5 years

Moreover we also received the important information from our research which is a managing director, MD of Malee Sampran Public Company Limited's speech. She said the expected sale growth in 5 years will generate to export income around 50 % as today at 15%. As she also said, in 5 years, the portion of export income will equal domestic income where we assume that the domestic income is

constant and export income increase to equal domestic income which total sale in 5 years around 8.5 billion Baht. (As per attachment below)

As a result, the both reasons have generate sale growth at 10.54% – 10.83% so we decided to use sale growth at 10.54%

Table 2.2 Revenue Growth Assumptions (scenario #2)

	2013	2014	2015	2016	2017	2018
Domestic	85%	77%	70%	63%	57%	52%
Export	15%	23%	30%	37%	43%	48%
10.54%						
Domestic	4,424	4,424	4,424	4,424	4,424	4,424
Export	781	1,329	1,936	2,606	3,347	4,166
total (MB)	5,205	5,754	6,360	7,030	7,771	8,590

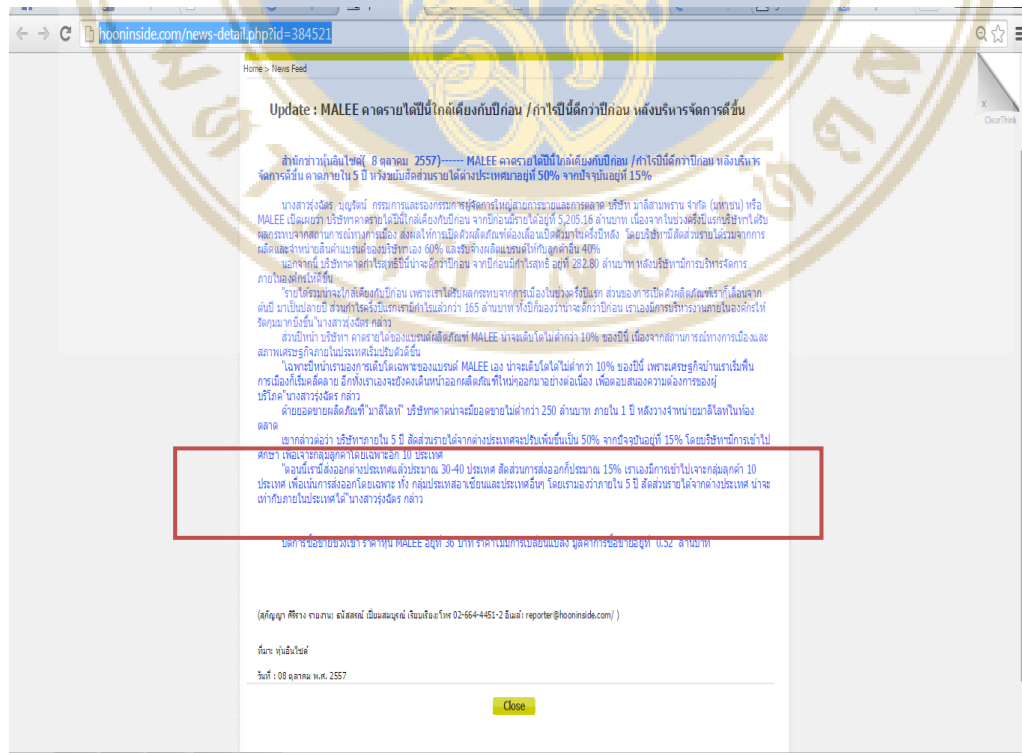
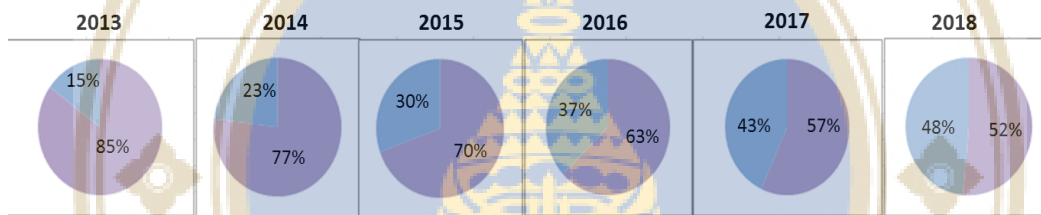


Figure 2.1 Revenue Growth Assumptions

2.2 Movement of Malee stock 2010-current



Figure 2.2 Movement of Malee stock 2010-current

2.3 Terminal Growth Rate Assumptions

Terminal growth rate (long term growth rate) will be based on Thailand's
 "Nominal GDP" = forecasted real GDP + inflation rate

Forecast real GDP = 4.5% (from graph below, source: SET)

Inflation rate = 2% (from estimation)

Nominal GDP = 6.5%

Thailand: Medium-term GDP Growth forecast

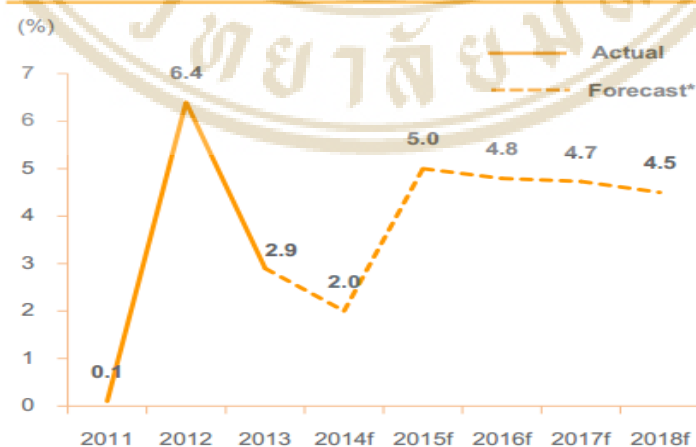


Figure 2.3 Terminal Growth Rate Assumptions

2.4 WACC Assumptions

Using the weighted average of market value of equity and book value of debt;

2.4.1 Ke (Cost of equity)

Table 2.3 Cost of equity

Source of funds	int rate (%)
Risk free rate	3.5%
Beta of MALEE	1.19
market risk premium	7.4%
cost of equity (Ke)	12.3%

from setsmart website

2.4.2 Kd (Cost of debt)

Determined by long term debt adjusted by marginal tax rate 20%

Table 2.4 Cost of debt

Source of funds as of Q3/2014	Amount (MB)	Weight (%)	int rate (%)
S-T debt			
Bank loan	1,036	91.0%	5.9%
current portion of LT loan	2	0.2%	7.0%
lease agreement	15	1.3%	16.7%
L-T debt			
LT lease agreement	78	6.8%	16.7%
LT loan	8	0.7%	7.0%
total IBD	1,138	100%	6.82%
			D/E
total Debt	1,138	52%	1.08
Equity	1,053	48%	
	2,191	100%	

according to note in FS

same MLR of

ธนาคาร	MLR
1. ธนาคารกรุงไทย	6.750
2. ธนาคารกสิกรไทย	6.750
3. ธนาคารไทยพาณิชย์	6.750
4. ธนาคารกรุงศรี	6.750
5. ธนาคารแห่งประเทศไทย	6.750
6. ธนาคารออมสิน	6.875
7. ธนาคารอาคารสงเคราะห์	6.875
8. ธนาคารกรุงศรีอยุธยา	7.125
9. ธนาคารธนชาต	7.125
10. ธนาคารทีเอสซี	7.125

Therefore, the WACC;

Table 2.5 WACC

calculation of WACC	
Risk free rate	3.5%
Beta of MALEE	1.19
market risk premium	7.4%
cost of equity (Ke)	12.3%
cost of debt before taxes	6.8%
tax rate	20.0%
cost of debt after taxes (Kd)	5.5%
weight of debt (Wd)	51.9%
weight of equity (We)	48.1%
WACC of the target firm	8.8%

2.5 Business Structure

Structure Malee Sampran Limited (the Company) and its subsidiaries as at 31 December 2013.

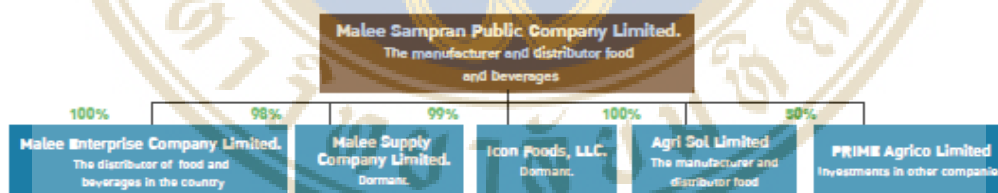


Figure 2.4 Business Structure

2.6 Major Shareholders and Free-float

Free Float As of 07/03/2014			
Minor Shareholders (Free float)		3,128	
% Shares in Minor Shareholders (% Free float)		47.34	

Remark: Updated as of the latest book closing date.

Overview As of 22/08/2014 Rights Type : XD			
Total Shareholders		3,145	
% Shares in Scripless Holding		65.20	

Rank	Major Shareholders	# Shares	% Shares
1.	บริษัท เอมโก้ โฮลดิ้งส์ จำกัด (มหาชน)	35,681,400	25.49
2.	นางกมลฉัตร จรุงเรืองกิจ	21,878,600	15.63
3.	นายพิชัย จิราธิวัฒน์	13,195,800	9.43
4.	บริษัท ไทยเอ็นวีดีอาร์ จำกัด	12,628,193	9.02
5.	HSBC (SINGAPORE) NOMINEES PTE LTD	6,242,053	4.46
6.	นายทรงพล เดชชกรินทร์	4,385,600	3.13
7.	KBC SECURITIES N.V.	4,197,700	3.00
8.	STATE STREET BANK AND TRUST COMPANY	2,059,000	1.47
9.	บริษัท มาลีสามพราน จำกัด (มหาชน)	2,021,100	1.44
10.	นายสรศักดิ์ บุรพาเดชะ	1,676,300	1.20
11.	THE HONGKONG AND SHANGHAI BANKING CORPORATION LIMITED, FUND SERVICES DEPARTMENT	1,341,000	0.96
12.	นายวิทยา นราธิศจรรยา	1,050,000	0.75
13.	กองทุนเปิด ยูโอบี ฟันระยะยาว	1,042,800	0.74
14.	DBS BANK LTD - CLIENT A/C SG1100173011	1,000,100	0.71
15.	นายอุยทธ์ ชาญเศรษฐิกุล	900,000	0.64
16.	นายสมเกียรติ เท็ดทูลทวีเดช	800,000	0.57

Figure 2.5 Major Shareholders and Free-float

2.7 Management and Organizational Chart, Corporate Governance

2.7.1 Management and Organizational Chart



Figure 2.6 Management and Organizational Chart

2.7.2 Corporate Governance (CG)

The Board of Directors of MaleeSampran Public Company Limited deems the good corporate governances the Company's policy which contains principles and best practices as follows:

1. Operates with consideration to the rights and equality of shareholders and other stakeholders, such as employees, trading partners, community, and creditors.
2. Structure, Roles, Duties, Responsibilities and Independence of the Board of Directors
3. Information disclosure and transparency
4. Controlling and risk management system
5. Business Ethics

2.8 SWOT analysis

Strengths:

- Strong image and well-known brand as Malee has been established more than 50 years. It made people recognize their brand when people think about fruit juice or canned fruit.
- High quality of products as Malee control all processes of production since classified seed through distribution.
- Consistent marketing support campaign as Malee always cooperated with partner to contribute brand awareness.
- Sufficient production capacities as Malee has been established more than 50 years, they also has full capacities in production processes
- Strong research and product development team as Malee has professional people in all departments to control in each process.

Weaknesses:

- High cost of marketing campaign, as Malee tries to contribute brand awareness so it occurs high cost.
- Less product line than competitors as Malee just has only 4 product lines which are fruit juice, canned fruit, dairy, and cereal business while Tipco has more than 5 product lines.
- Distribution network cannot cover all areas as Malee has insufficient in logistic resources.
- Lower brand awareness as Malee has less products varieties so Malee is not attractive and favoured d by consumers

Opportunities:

- The aim of consuming healthy drinks has shifted from curing health problems to preventing health problems.
- Continuing growth in fruit juice market because people tend to concern about their health

- Government supports in consuming healthy drinks as Government has made campaign to encourage people to care about their health

Threats:

- Lower price and variety of substitutes product so it is high bargaining power from consumer
- More competitors and easy to entry and exist in fruit juice industry because people tend to concern about their health so it is interesting for competitors
- Hard to control qualities and quantities of the natural resources that depended on weathering such flooding situation on year 2011
- Fluctuated economic situation make cost higher but Malee cannot raise a price on their products

2.9 Five Force analyses

Threat of new entrants : High

Fruit and vegetable juice industry has really strong competitive industry. It easy to entry and exist because the capital investment is not too high and not complicated in production technology. Moreover, Government also supports in consuming healthy drinks as Government has made campaign to encourage people to care about their health so it make more attentions for the people so it is attractive to small competitors.

Bargaining power of consumers : High

As more competitors, more substitute products, and easy to purchase which nowadays it nearly to have the event of AEC that the common goal for the ASEAN Economic Community (AEC) is to achieve the single market and production bases for the ASEAN community so it may has many international products come into Thailand then more choices for customer to choose any products to consume.

Bargaining power of suppliers : Medium

Entrepreneurs have more bargaining power in agricultural products because Thailand is the country of agricultural. The raw material are similarity in the market so entrepreneurs can have power to choose any supplies which have suitable price and qualities in their conditions. Moreover entrepreneurs has established a “member club” for potential farmers to join in which is Contract Farming to resolve the problem when it has the risks relating to raw materials, apart from price volatility, are insufficient and unqualified raw materials

Threat of substitute products : High

As the event of AEC, free trade is also the policy of the event so it has variety products come into Thailand. The substitute products such as soft drinks, energy drinks, functional drinks, and fresh fruits will distributes in the market of Thailand which it is more convenient and cheaper than fruit juices so it has more choices for customers to change their consumption.

Competitive rivalry among existing firms : High

In this industry, competitive is very strong because products has small difference and easy to operate so Entrepreneurs have to create differentiates for their products such innovation technology, package, new flavors. In additions many of our competitors have possessed advantages relative in terms of strong sources of financial support from foreign business partners, advanced production technology as well as new and modernized R&D centers. Thus an entrepreneur also has a policy to compete with the competitors in terms of good product quality, strong brand image, advertising and promotional campaigns, and various marketing campaigns by using the methods of production with high quality to our customers and invests in launching new products that could generate returns and profitability, launches marketing campaigns with reasonable return on investment, as well as distributes our products via variety distribution channels to ensure we could reach our target customers efficiently.

2.9 Income statement

2.9.1 Historical Income Statement

Table 2.6 Historical Income Statement

MALEE SAMPRAN PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES					
STATEMENTS OF INCOME					
FOR THE YEAR ENDED DECEMBER 31, 2011, 2012 and 2013					
	2009	2010	2011	2012	2013
REVENUES					
Sales	3,082,853,000	2,828,667,790	3,650,449,285	6,157,244,713	5,087,568,756
Other income					
- Adjustment for decrease in contingent loss due to a subsidiary may not be able to pay for the purchased goods			-	-	-
- Adjustment for decrease in impairment loss on investments				2,713,345	11,214,992
- Gain on sales of assets					
- Others	137,563,000	59,881,860	75,702,501	125,756,682	106,377,604
TOTAL REVENUES	3,220,416,000	2,888,549,650	3,726,151,786	6,285,714,740	5,205,161,352
EXPENSES					
Cost of sales	2,348,104,000	2,023,369,840	2,581,203,671	4,490,540,641	3,636,352,313
Selling expenses	438,762,000	463,475,540	613,480,449	700,043,652	784,284,221
Administrative expenses	236,907,000	236,734,010	264,675,331	305,559,634	379,162,511
Other expenses					
- Loss on sales of fixed assets	3,334,000		5,351,031		
- MANAGEMENT AND DIRECTORS' REMUNERATION	26,552,000	25,648,120			
Finance costs	35,830,000	32,958,520	33,711,851	16,040,071	16,966,824
TOTAL EXPENSES	3,089,489,000	2,782,186,030	3,498,422,333	5,512,183,998	4,816,765,869
SHARE OF PROFIT (LOSS) FROM INVESTMENTS ACCOUNTED FOR UNDER EQUITY METHOD - ASSOCIATED COMPANY					(1,804,149)
PROFIT (LOSS) BEFORE INCOME TAX EXPENSES	130,927,000	106,363,620	227,729,453	773,530,742	386,591,334
TAX EXPENSES (INCOME)				224,422,238	103,790,136
PROFIT (LOSS) FOR THE YEARS	130,927,000	106,363,620	227,729,453	549,108,504	282,801,198
BASIC EARNINGS PER SHARE					
Profit attributable to equity holders of the parent (Baht)	1.87	1.52	3.25	3.92	2.02
The weighted average number of ordinary shares (shares)	70,000,000	70,000,000	70,000,000	140,000,000	139,995,425

2.9.2 Projection Income Statement

Table 2.7 Projection Income Statement

MALEE SAMPRAN PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES					
PROJECTION STATEMENTS OF INCOME					
FOR THE YEAR ENDED DECEMBER 31, 2011, 2012 and 2013					
	2014	2015	2016	2017	2018
REVENUES					
Sales	5,623,798,503	6,216,546,865	6,871,770,905	7,596,055,558	8,396,679,814
Other income					
- Adjustment for decrease in contingent loss due to a subsidiary may not be able to pay for the purchased goods					
- Adjustment for decrease in impairment loss on investments					
- Gain on sales of assets					
- Others	111,871,971	117,650,119	123,726,708	130,117,150	136,837,656
TOTAL REVENUES	5,735,670,474	6,334,196,985	6,995,497,612	7,726,172,708	8,533,517,469
EXPENSES					
Cost of sales	4,080,773,174	4,510,886,667	4,986,334,122	5,511,893,738	6,092,847,338
Selling expenses	911,172,582	1,007,210,172	1,113,370,125	1,230,719,336	1,360,437,154
Administrative expenses	394,156,768	435,700,891	481,623,765	532,386,910	588,500,490
Other expenses					
- Loss on sales of fixed assets					
- MANAGEMENT AND DIRECTORS' REMUNERATION					
Finance costs	23,642,464	24,098,050	24,098,050	24,098,050	24,098,050
TOTAL EXPENSES	5,409,744,989	5,977,895,780	6,605,426,061	7,299,098,033	8,065,883,032
SHARE OF PROFIT (LOSS) FROM INVESTMENTS ACCOUNTED FOR UNDER EQUITY METHOD - ASSOCIATED COMPANY					
PROFIT (LOSS) BEFORE INCOME TAX EXPENSES	325,925,485	356,301,204	390,071,551	427,074,674	467,634,438
TAX EXPENSES (INCOME)	91,031,343	99,515,315	108,947,410	119,282,422	130,610,808
PROFIT (LOSS) FOR THE YEARS	234,894,142	256,785,889	281,124,142	307,792,252	337,023,629
BASIC EARNINGS PER SHARE					
Profit attributable to equity holders of the parent (Baht)	1.68	1.83	2.01	2.20	2.41
The weighted average number of ordinary shares (shares)	139,995,425	139,995,425	139,995,425	139,995,425	139,995,425

2.10 Balance sheet

2.10.1 Historical Balance Sheet

Table 2.8 Historical Balance Sheet

MALEE SAMPRAN PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES					
STATEMENTS OF FINANCIAL POSITION					
AS AT DECEMBER 31, 2014-2018					
ASSETS	2009	2010	2011	2012	2013
CURRENT ASSETS					
Cash and cash equivalents	11,842,630	14,172,120	25,872,015	58,385,266	67,704,925
Trade receivables					
Subsidiaries					
Related parties	381,772,000	418,116,380	17,722,448	532,653	615,985
Unrelated parties	21,645,000	18,315,050	599,553,575	666,216,317	583,878,417
Less : Allowance for doubtful accounts	(2,598,000)	(5,240,790)	(5,715,302)	(4,529,132)	(4,013,578)
: Allowance for contingent loss due to a subsidiary may not be able to pay for the purchased goods					
Trade receivables, net	400,819,000	431,190,640	611,560,721	662,219,838	580,480,824
Other receivables		14,864,260	40,197,931	68,677,102	44,758,589
Inventories, net	401,600,000	472,036,520	500,183,628	682,423,838	729,940,356
Other current assets	71,464,000	32,884,440	14,785,652	12,666,132	8,401,363
TOTAL CURRENT ASSETS	885,725,630	965,147,980	1,192,599,947	1,484,372,176	1,431,286,057
NON - CURRENT ASSETS					
Investments in associate					18,195,851
Investments in subsidiaries, net					
Loan to employees under welfare programme			7,298,541	4,680,420	137,878
Restricted bank deposits	33,937,000	5,060,960	5,143,412	1,000,000	1,000,000
Property, plant and equipment, net	1,084,887,000	1,042,401,690	1,004,254,421	1,149,969,612	1,146,624,092
Gross: PPE		2,046,212,950	2,039,043,260	2,196,837,243	2,291,394,286
Accumulated Deprec		1,003,811,260	1,034,788,839	1,046,867,631	1,144,770,194
Land not used in operation, net	127,394,000	128,833,380	28,450,928	22,547,995	
Intangible asset, net				16,122,112	30,387,826
Deferred tax assets				44,175,060	24,853,658
Other non - current assets					
Deposits	18,173,000	18,259,160	22,208,450	16,102,916	19,882,421
Others	1,384,000	2,029,000	4,100,098	5,247,511	4,042,776
TOTAL NON - CURRENT ASSETS	1,265,775,000	1,196,584,190	1,071,455,850	1,259,845,626	1,245,124,502
TOTAL ASSETS	2,151,500,630	2,161,732,170	2,264,055,797	2,744,217,802	2,676,410,559
LIABILITIES AND SHAREHOLDERS' EQUITY					
CURRENT LIABILITIES					
Bank overdrafts and short - term loans from financial institutions S-T loan	355,230,000	314,875,800	250,714,579	168,952,004	595,837,247
Trade payables		1,288,645,740	1,265,357,545	1,217,107,335	786,366,204
Subsidiaries					
Related party	4,749,000	4,401,570	6,153,107	10,717,261	7,395,468
Unrelated parties	895,265,000	916,235,640	943,874,366	822,552,545	433,477,545
Other payables	267,935,000	315,869,830	233,925,020	253,182,105	217,967,124
Factoring payables			47,621,078	92,559,693	78,935,812
Current portion of trade payable under a compromise agreement	24,000,000	29,000,000	27,636,667	33,878,452	43,765,608
Current portion of liabilities under financial lease agreements	76,065,000	23,138,700	6,147,307	4,217,279	4,824,647
Income tax payable				63,227,714	32,287,665
Other current liabilities	9,797,000	16,630,950	46,635,208	46,811,924	28,754,045
Advances received for goods	6,581,000	11,775,930	27,863,769	24,876,902	13,452,364
Accrued dividends payment				7,158,199	3,427,463
Others	3,216,000	4,855,020	18,771,439	14,776,823	11,874,218
TOTAL CURRENT LIABILITIES	1,633,041,000	1,620,152,490	1,562,707,332	1,496,098,977	1,443,245,161
NON - CURRENT LIABILITIES					
Trade payable under a compromise agreement, net of current portion	167,257,000	139,822,300	112,185,633	78,307,180	34,541,572
Liabilities under financial lease agreements, net of current portion (L-T debt)	11,573,000	7,592,950	7,515,492	5,925,718	4,904,198
Liability from guarantee, net of current portion					
Deferred tax liabilities				101,892,325	95,235,047
Employee benefit obligation			34,980,869	49,606,408	50,105,199
other	13,000,630	2,488,260			
TOTAL NON - CURRENT LIABILITIES	191,830,630	149,903,510	154,681,994	235,731,631	184,786,016
TOTAL LIABILITIES	1,824,871,630	1,770,056,000	1,717,389,326	1,731,830,608	1,628,031,177
SHAREHOLDERS' EQUITY					
Share capital					
Authorized share capital					
182,000,000 ordinary shares of Baht 1.00 each as at December 31, 2013 and 91,000,000 ordinary shares of Baht 2.00 each as at December 31, 2012 and 99,999,000 ordinary shares of Baht 10.00 each as at January 1, 2012			999,990,000	182,000,000	182,000,000
Issued and fully paid - up share capital					
140,000,000 ordinary shares of Baht 1.00 each as at December 31, 2013 and 70,000,000 ordinary shares of Baht 2.00 each as at December 31, 2012 and 70,000,000 ordinary shares of Baht 10.00 each as at January 1, 2012	700,000,000	700,000,000	700,000,000	140,000,000	140,000,000
Share premium on issue of share	347,500,000	347,500,000	347,500,000	-	-
Retained earnings (deficit)					
Appropriated					
- Legal reserve	8,180,000	8,180,000	8,180,000	14,000,000	14,000,000
- Treasury shares reserve					7,891,025
Unappropriated					
(after quasi - reorganization in June, 2012)	(1,338,642,000)	(1,230,772,970)	(1,027,028,681)	480,361,118	552,906,938
Other components of equity	609,591,000	566,769,140	518,015,152	378,026,076	341,472,444
Less : Treasury shares					(7,891,025)
TOTAL SHAREHOLDERS' EQUITY	326,629,000	391,676,170	546,666,471	1,012,387,194	1,048,379,382
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	2,151,500,630	2,161,732,170	2,264,055,797	2,744,217,802	2,676,410,559

2.10.2 Projection Balance Sheet

Table 2.9 Projection Balance Sheet

MALEE SAMPRAN PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES					
PROJECTION STATEMENTS OF FINANCIAL POSITION					
AS AT DECEMBER 31, 2014-2018					
ASSETS	2014	2015	2016	2017	2018
CURRENT ASSETS					
Cash and cash equivalents	43,560,598	48,134,843	53,189,568	58,775,242	64,947,637
Trade receivables					
Subsidiaries					
Related parties					
Unrelated parties					
Less : Allowance for doubtful accounts					
: Allowance for contingent loss due to a subsidiary may not be able to pay for the purchased goods					
Trade receivables, net	755,423,503	835,045,140	923,058,898	1,020,349,306	1,127,894,123
Other receivables	40,736,711	45,030,360	49,776,560	55,023,010	60,822,435
Inventories, net	774,366,174	855,984,369	946,205,121	1,045,935,141	1,156,176,705
Other current assets	9,286,867	10,265,202	11,347,707	12,543,756	13,865,868
TOTAL CURRENT ASSETS	1,623,373,853	1,794,460,415	1,983,577,855	2,192,626,455	2,423,706,768
NON - CURRENT ASSETS					
Investments in associate	18,195,851	18,195,851	18,195,851	18,195,851	18,195,851
Investments in subsidiaries, net					
Loan to employees under welfare programme	137,878	137,878	137,878	137,878	137,878
Restricted bank deposits	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
Property, plant and equipment, net	1,164,620,411	1,183,318,135	1,202,744,601	1,222,928,212	1,243,898,478
Gross: PPE	2,380,701,191	2,473,488,826	2,569,892,851	2,670,054,214	2,774,119,359
Accumulated Deprec	1,216,080,780	1,290,170,691	1,367,148,250	1,447,126,002	1,530,220,881
Land not used in operation, net					
Intangible asset, net	30,387,826	-	-	-	-
Deferred tax assets	71,376,394	78,899,466	87,215,470	96,407,980	106,569,382
Other non - current assets					
Deposits	19,882,421	19,882,421	19,882,421	19,882,421	19,882,421
Others	4,042,776	4,042,776	4,042,776	4,042,776	4,042,776
TOTAL NON - CURRENT ASSETS	1,309,643,557	1,305,476,527	1,333,218,997	1,362,595,119	1,393,726,786
TOTAL ASSETS	2,933,017,410	3,099,936,942	3,316,796,852	3,555,221,573	3,817,433,553
LIABILITIES AND SHAREHOLDERS' EQUITY					
CURRENT LIABILITIES					
Bank overdrafts and short - term loans from financial institutions S-T loan	936,158,227	890,540,655	873,831,948	855,557,873	835,627,117
Trade payables	769,902,912	851,050,679	940,751,421	1,039,906,620	1,149,512,778
Subsidiaries					
Related party					
Unrelated parties					
Other payables					
Factoring payables					
Current portion of trade payable under a compromise agreement					
Current portion of liabilities under financial lease agreements					
Income tax payable					
Other current liabilities	28,754,045	28,754,045	28,754,045	28,754,045	28,754,045
Advances received for goods					
Accrued dividends payment					
Others					
TOTAL CURRENT LIABILITIES	1,734,815,185	1,770,345,379	1,843,337,413	1,924,218,538	2,013,893,940
NON - CURRENT LIABILITIES					
Trade payable under a compromise agreement, net of current portion	27,910,779	30,852,575	34,104,436	37,699,044	41,672,523
Liabilities under financial lease agreements, net of current portion (L-T debt)	4,465,506	4,537,199	4,611,686	4,689,076	4,769,482
Liability from guarantee, net of current portion					
Deferred tax liabilities					
Employee benefit obligation					
other					
TOTAL NON - CURRENT LIABILITIES	32,376,285	35,389,774	38,716,122	42,388,120	46,442,005
TOTAL LIABILITIES	1,767,191,470	1,805,735,153	1,882,053,535	1,966,606,658	2,060,335,945
SHAREHOLDERS' EQUITY					
Share capital					
Authorized share capital					
182,000,000 ordinary shares of Baht 1.00 each as at December 31, 2013 and 91,000,000 ordinary shares of Baht 2.00 each as at December 31, 2012 and 99,999,000 ordinary shares of Baht 10.00 each as at January 1, 2012	182,000,000	182,000,000	182,000,000	182,000,000	182,000,000
Issued and fully paid - up share capital					
140,000,000 ordinary shares of Baht 1.00 each as at December 31, 2013 and 70,000,000 ordinary shares of Baht 2.00 each as at December 31, 2012 and 70,000,000 ordinary shares of Baht 10.00 each as at January 1, 2012	140,000,000	140,000,000	140,000,000	140,000,000	140,000,000
Share premium on issue of share					
Retained earnings (deficit)					
Appropriated					
- Legal reserve	14,000,000	14,000,000	14,000,000	14,000,000	14,000,000
- Treasury shares reserve	7,891,025	7,891,025	7,891,025	7,891,025	7,891,025
Unappropriated (after quasi - reorganization in June, 2012)	670,354,009	798,746,954	939,309,024	1,093,205,150	1,261,716,965
Other components of equity	341,472,444	341,472,444	341,472,444	341,472,444	341,472,444
Less : Treasury shares	(7,891,025)	(7,891,025)	(7,891,025)	(7,891,025)	(7,891,025)
TOTAL SHAREHOLDERS' EQUITY	1,165,826,453	1,294,219,398	1,434,781,468	1,588,677,594	1,757,189,409
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	2,933,017,922	3,099,954,550	3,316,835,004	3,555,284,253	3,817,525,354

2.11 Statement of cash flow

2.11.1 Historical Statement of cash flow

Table 2.10 Historical Statement of cash flow

MALEE SAMPRAN PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES					
PROJECTION STATEMENTS OF CASH FLOWS					
FOR THE YEAR ENDED DECEMBER 31, 2014-2018					
	2009	2010	2011	2012	2013
Cash flows from (used in) operating activities					
Profit (loss) for the years	130,927,000	106,363,630	227,729,453	549,108,504	282,801,198
Adjustments to reconcile profit (loss) to net cash provided by (paid from) operating activities:					
Adjustment for increase (decrease) in contingent loss due to a subsidiary may not be able to pay for the purchased goods				-	-
Bad debt and allowance for doubtful accounts	1,343,000	2,079,880	584,211	(605,158)	(2,000)
Loss on obsolete inventories	26,198,000	26,645,910	25,381,820	9,660,808	20,313,323
Provision for obsolete inventories (reversal)	916,000	180,200	(13,679,031)	(1,854,423)	27,783,231
Depreciation	94,006,000	448,144,200	48,790,846	58,052,163	72,928,121
Provision for obsolete inventories (reversal)				-	(58,677)
Amortization	2,510,000	960,620	1,261,835	2,998,211	4,673,154
Allowance for impairment loss (reversal)				-	-
Withholding tax write - off				49,332	-
Write - off property, plant and equipment		5,271,350	6,367,410	556,748	169,238
Loss (gain) on sales of property, plant and equipment	(8,468,000)	(94,420)	(13,242,902)	(2,713,345)	(11,199,944)
Unrealised loss on exchange rate	91,000	656,080	4,590,878	1,581,996	(27,124)
Employee benefit obligation other	(75,528,000)	(508,020)	3,869,073	3,035,114	10,874,876
Interest income			(56,492)	(810,585)	(571,773)
Finance costs	35,830,000	32,958,520	33,711,851	16,040,071	16,966,824
Income tax expense		-	-	224,422,238	103,790,136
Profit (loss) from operating activities before changes in operating assets and liabilities	207,825,000	219,328,170	325,308,952	859,521,674	528,440,583
Operating assets decrease (increase)					
Trade receivables	45,151,000	(33,426,180)	(145,517,673)	(50,053,960)	81,741,015
Other receivables			(774,054)	(28,478,776)	23,918,513
Inventories	66,882,000	(97,262,280)	(39,849,896)	(190,046,594)	(95,613,072)
Other current assets	(17,101,000)	9,089,840	(3,660,592)	1,743,935	1,257,174
Loan to employees under welfare programme			(7,298,541)	2,618,121	4,542,541
Other non - current assets	(6,381,000)	(1,691,700)	(7,077,276)	(18,656,769)	(6,981,877)
Operating liabilities increase (decrease)					
Trade payables	(72,591,000)	20,559,910	146,163,658	(116,757,666)	(392,369,669)
Other payables	(11,557,000)		37,914,024	24,497,912	(39,094,540)
Trade payables under a compromise agreement, long - term			(29,000,000)	(27,636,668)	(33,878,452)
Other current liabilities	(19,997,000)	(10,968,450)	19,702,250	(6,981,483)	(14,327,142)
Employee benefit obligation	(8,258,000)	5,195,100	(692,650)	(835,440)	(10,376,085)
Cash flows from (used in) operating activities	183,973,000	110,824,410	295,218,202	448,934,286	47,258,989
Net cash paid to income tax	(851,000)	(2,256,600)	(2,735,723)	(64,107,359)	(109,843,717)
Net cash flows from (used in) operating activities	183,122,000	108,567,810	292,482,479	384,826,927	(62,584,728)
Cash flows from (used in) investing activities					
Decrease (increase) in restricted bank deposits	54,253,000	28,875,620	(82,451)	4,143,412	-
Investment in associate (paid)					(18,195,851)
Acquisition of property, plant and equipment	(10,095,000)	(47,237,900)	(60,933,242)	(228,022,328)	(142,820,648)
Proceeds from sales of property, plant and equipment	15,965,000	420,650	2,844,264	12,921,624	72,815,324
Decrease (increase) in intangible assets				(16,122,112)	(14,539,875)
Interest income received	578,000	280,230	56,492	810,585	571,773
Net cash flows from (used in) investing activities	60,701,000	(17,661,400)	(58,114,937)	(226,268,819)	(102,169,277)
Cash flows from (used in) financing activities					
Increase (decrease) in bank overdrafts and short - term loans from financial institutions	(124,600,000)	(40,353,710)	(64,161,218)	(83,344,571)	426,885,243
Increase (decrease) in factoring payable	(47,727,000)	27,688,780	(105,894,747)	44,938,615	(13,623,881)
Cash paid to liabilities under finance lease agreement		(23,535,000)	(12,730,884)	(781,543)	(5,786,071)
Cash paid to liability from guarantee			(2,750,000)	(2,738,259)	-
Cash paid to long - term loans	(31,231,000)	(26,754,810)	(7,512,534)		
Cash paid to finance cost	(37,236,000)	(25,622,180)	(29,618,269)	(21,280,898)	(20,978,290)
Dividend paid				(62,838,201)	(212,423,337)
Net cash flows from (used in) financing activities	(240,794,000)	(88,576,920)	(222,667,652)	(126,044,857)	174,073,664
Net increase (decrease) in cash and cash equivalents	3,029,000	2,329,490	11,699,890	32,513,251	9,319,659
Cash and cash equivalents at beginning of years	8,813,630	11,842,630	14,172,125	25,872,015	58,385,266
Cash and cash equivalents at end of years	11,842,630	14,172,120	25,872,015	58,385,266	67,704,925

2.11.2 Projection Statement of cash flow

Table 2.11 Projection Statement of cash flow

MALEE SAMPRAN PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES					
PROJECTION STATEMENTS OF CASH FLOWS					
FOR THE YEAR ENDED DECEMBER 31, 2014-2018					
	2014	2015	2016	2017	2018
NET PROFIT (LOSS)	234,894,142	256,785,889	281,124,142	307,792,252	337,023,629
<u>Adjustments to reconcile profit before tax to net cash provided by (paid for) operating activities:</u>	71,310,586	74,089,911	76,977,559	79,977,753	83,094,879
Depreciation					
Cash flows from (use in) operations before change in operating asset and liabilities	306,204,728	330,875,800	358,101,700	387,770,005	420,118,509
(Increase) decrease in operating assets					
(Increase) non-cash current assets	(216,232,123)	(166,512,317)	(184,062,715)	(203,462,925)	(224,907,918)
other	(46,522,736)	22,864,754	(8,316,004)	(9,192,511)	(10,161,401)
Increase (decrease) in operating liabilities					
(Decrease) non S-T debt current liabilities	(48,750,957)	81,130,670	89,680,198	99,130,673	109,577,036
	(151,971,551)	2,941,796	3,251,861	3,594,608	3,973,479
Total	(157,272,639)	271,300,703	258,655,041	277,839,849	298,599,705
Cash flows from Investment					
Gross: PPE	(89,306,905)	(92,787,634)	(96,404,025)	(100,161,364)	(104,065,145)
Cash flows from Finance					
S-T	340,320,980	(45,617,573)	(16,708,707)	(18,274,075)	(19,930,756)
L-T	(438,692)	71,693	74,487	77,390	80,406
Div	(117,447,071)	(128,392,945)	(140,562,071)	(153,896,126)	(168,511,815)
Total	222,435,218	(173,938,825)	(157,196,291)	(172,092,811)	(188,362,165)
Total CF	(24,144,327)	4,574,244	5,054,725	5,585,675	6,172,395
Cash Begin	67,704,925	43,560,598	48,134,843	53,189,568	58,775,242
Cash End	43,560,598	48,134,843	53,189,568	58,775,242	64,947,637

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