

THAILAND: Thai Hua listing sees market cap of B10 billion

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Thai Hua Rubber, one of the country's largest rubber producers and exporters, plans to list on the Stock Exchange of Thailand in the second half of the year with an estimated market capitalisation of at least 10 billion baht.

The company produced around 380,000 tonnes of latex, rubber sheet and rubber block last year and will increase its production capacity to 500,000 tonnes this year.

It expects to double its 2011 revenue to 60 billion baht while net profit will rise to 1.2 billion baht from 500 million last year, thanks largely to the sharp rise of rubber prices.

CEO Luckchai Kittipol said high growth was possible because the company would begin harvesting from two new plantations in Buri Ram and Phitsanulok with annual capacity of 60,000 tonnes each.

Last year, the company also took over two rubber-processing plants from Sri Thep Thai with annual capacity of 20,000 tonnes each. The plants will start making revenue contributions to the company this year.

Moreover, Lao Thai Hua Rubber, its joint venture with a foreign investor in Laos, will plant around 200,000 rai (one rai=1,600 sq m) of rubber trees there.

"The rubber plantation in Laos is expected to start tapping by 2013, so this will generate more income to Thai Hua," said Mr Luckchai.

"Currently, we have been engaged only in rubber trading in Laos and this generates a small profit margin due to high price competition."

He said Thai Hua planned to use proceeds from its initial public offering to expand its rubber production business ranging from downstream to upstream products.

To move into downstream industry, the company has joined China's largest tyre producer, Hanzhou Zhongce Rubber, in establishing a rubber plantation covering 200 to 300 rai in Rayong with Board of Investment privileges. Thai Hua holds a 15% stake in the joint venture and the plantation will supply about 30,000 tonnes of latex per year.

The latex will be used to produce tyres at a 5-billion-baht factory that will start production early next year with annual capacity of 3 million tyres. Most of the output will be exported to the United States, Europe and Asean countries.

"Rubber prices will continue to rise for another two years due to strong demand and a limited global supply. It's possible to see the price up to 200 baht per kilogramme this year," said Mr Luckchai, who is also the president of the Thai Rubber Association.

Suvabha Charoenying, managing director of Thanachart Securities, the financial adviser of Thai Hua, said the company currently had paid-up capital of 1.65 billion baht with share par value of one baht each.

Thai Hua has high growth potential with good relationships with the world's largest buyers such as China. "The funds raised will help it reduce financial costs and create a good return to shareholders," she said.

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