

FULL INTEGRATION HELPS STA STRETCH ITS REACH

EXECUTIVE Q&A

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Sri Trang Agro-Industry Plc (STA) is the world's largest fully integrated natural rubber company and listed on both the Thai and Singaporean stock exchanges. Executive director Veerasith Sinchareonkul discusses the company's strategy and outlook.

Please explain the history of STA.

STA was founded in 1987 focused on producing ribbed smoked sheet (RSS) in Hat Yai district of the southern province of Songkhla. Over the years we expanded production to include concentrated latex and technically specified rubber (TSR), and we listed on the Stock Exchange of Thailand (SET) in 1991. In 2011 we listed on the Singapore Exchange (SGX) and are currently the only Thai company listed on both the SET and the SGX.

Please explain STA's business model.

STA is the world's largest fully integrated natural rubber company, with a market share of 10% of global consumption. We offer a full range of natural rubber products to meet a wide spectrum of demand including TSR, RSS and concentrated latex.

We are fully integrated, starting with 50,000 rai of land for rubber plantation in Thailand for our upstream operations. For midstream operations, which represent 90% of our business, we have a total production capacity of 1.47 million tonnes a year, with 29 factories throughout Thailand, Indonesia and Myanmar. Finally, our downstream business involves four factories that produce 14 billion pieces of finished goods per year.

Who are STA's customers?

We have an excellent balance in our customer base. Most of our customers are tyre makers, and they include all major global brands.

What differentiates STA from its competitors?

The key factors are our quality, com-

mitment and being a green company. First, quality and commitment are linked as we have been able to expand our business as a result of these two factors. Our customers can rely on the availability, deliverability and quality of all of our products in any market condition.

Second, being a green rubber company is a symbol of our transparency in operations and attitudes towards sustainable natural rubber business development. This also applies to green energy, which is a commitment to safe energy and elimination of waste and odour, ensuring our production facilities are environmentally and community-friendly.

We also embrace green supply, passionately driving the industry towards clean natural rubber through our fair procurement system with farmers and dealers. Finally, we're committed to delivering green rubber products for safety and hygienic consumption by end-users.

How does STA manage volatility in commodities and foreign-exchange rates?

We make effective use of futures and forward contracts in international markets to minimise the impact of price and forex volatility on our financial statements. Also, because we're a commodities-based business, most of our revenue is in US dollars, and thus while we are benefiting from the decline in the baht for reporting purposes, this has coincided with a decrease in rubber prices.

As we do internal hedging to deal with both up and down cycles, we've remained profitable whereas most of our competitors have been posting losses. Importantly, most of our performance improvements are derived from our internal efforts to improve cost efficiencies at our manufacturing facilities to ensure high productivity.

What are the biggest risks facing your business?

Including commodity and foreign-exchange rates, we must closely monitor weather patterns that may affect commodity prices as well as the macroeconomic outlook for the global economy, as global growth affects



Veerasith: Committed to regional expansion

end customers.

What impact will the Asean Economic Community have on your business?

It will be a positive step for the region, with

a potential improvement in ease of doing business. STA is already regional, with a presence in Indonesia, Myanmar and Vietnam and being listed in both Thailand and Singapore.

In Indonesia and Myanmar we're applying the same approach as in Thailand by setting up TSR factories, sourcing rubber locally and supplying tyre makers worldwide. We began in Indonesia 10 years ago and by year-end will have three factories. In Myanmar there is great potential, with no major players, plus fertile land and natural resources in pristine condition, so we're opening the door with our first facility to see how it performs before considering whether to expand. We have trading operations in Vietnam.

Where do you see STA in five years?

We're continuing to expand our business, with a goal of 1.5 million tonnes of capacity by year-end and 1.6 million tonnes next year. We'll maintain our position as the largest and most promising natural rubber manufacturer in the region and continue our mission of being a green rubber company.

The Executive Q&A Series is presented by ShareInvestor, Asia's leading financial internet media and technology company and the largest investor relations network in the region. This interview was conducted by Pon Van Compernelle. For more information email pon@rossvancompernelle.com or supat@shareinvestor.com or visit ShareInvestorThailand.com