

FULL-SERVICE STRATEGY PAYING OFF FOR HEMARAJ

Hemaraj Land and Development Plc (SET symbol: HEMRAJ) has been Thailand's leading developer of industrial estates and related services since 1988. It offers developed industrial land, utilities, ready-built factories for rent, warehouses for logistics, quality industrial services and an integrated logistics and supply chain in six industrial estates, located mostly along the Eastern Seaboard. It has also focused on environmental management through policies and plans that have been reflected in various successes and achievement awards. David Nardone, president and chief executive, discusses the company's strategy and outlook.

What is Hemaraj's business model?

Hemaraj is an integrated property developer focusing on industrial estates, utilities, power and property. We have six industrial estates with 5,000 hectares, 519 distinct customers and 784 total land or factory contracts. For utilities we provide industrial estate management, water and wastewater treatment as well as other services. For power we are involved in both small and independent power producer (SPP and IPP) projects, and finally with property we have ready-built factories and logistics parks for rent and selective other properties such as offices, condominiums as well as a new integrated property development project.

How has the industrial estate business performed over the past 12 months?

The industry has been booming for some time, and this is represented in the past 10 quarters in which we had 181 new contracts, 75 of which were automotive and 87 with Japanese customers. This reflects positively on Thailand's continuing strength as a base for Asia Pacific, specifically one-tonne pickup trucks and passenger cars, and is combined with a recent resurgence in domestic demand for automobiles which has been driven by the government's incentive programmes.

Also, business from Japan has accelerated, and there is a more pronounced movement of smaller companies establishing themselves abroad, often in Thailand to be closer to their customer base, and this is across all types of industries. As a company we have also expanded our

EXECUTIVE Q&A

SHAREINVESTOR

product offerings to include smaller factories. Our offerings now range from 500 to 6,000 square metres per factory, and this has helped us to really propel incoming business with smaller companies.

Is Hemaraj looking to expand its industrial estate business further?

We have been acquiring land this year given the high pace of activity in the past two years and through June 2012 had committed 1.7 billion baht to land acquisitions. We'd like to expand in our existing locations because we have the industry cluster already. Recently we also announced a small acquisition to expand our ready-built factories in Hi-Tech Kabin Buri to give us a base in Prachin Buri. The initial model is to acquire 100 rai [and develop] 75,000 square metres of factories over two or three years and see how the market develops.

Please provide an update on your property business.

We've accelerated the development of ready-built factories in Saraburi, where we had no stock for nearly nine months due to the pent-up demand from the floods last year. 2012 really has been a year of pronounced effort to accelerate ready-built factories and logistics parks and broaden our product line. We want a measured overall exposure to property development. Our new project on Koh Lan will be an integrated development of 250 rai where we will designate what type of businesses are required, commercial, hotels, restaurants, water parks etc. We think we could add a lot of value in terms of development in ensuring it's a controlled environment that provides a wholesome atmosphere for families to visit.

Given the investment in Gheco-One, will Hemaraj look to invest further in the power industry?

With Gheco-One we have a 35% share with Glow Energy, 5 billion baht fully paid by October. We already have a first SPP, a 126-megawatt power



2012 really has been a year of pronounced effort to accelerate ready-built factories and logistics parks and broaden our product line.

DAVID NARDONE
President and CEO
Hemaraj Land and Development Plc

project with Gulf JP Co Ltd to be operational in 2013 where we hold a 25% stake and an additional seven co-generation SPPs of 125 MW each, with 25% equity options.

What impact will the Gheco-One project have on Hemaraj's financials?

The project was commissioned in July, and with the tax holiday Gheco-One will provide an average 1.4 billion in net profit per year for the next eight years.

What differentiates Hemaraj from its competitors?

We have competitors but want to worry about our own business. Having been in this industry for 24 years, with US\$25 billion invested in 780 factories, I think people are confident in what we're doing and offering. You can see this from our customer base, the industry cluster, the quality of our services and the infrastructure we provide, which allows customers to be in a controlled environment where

their investment is protected. With six locations in multiple parts of the country, different types of industry clusters and orientations, current and future clients can pick the location that suits their needs.

What are the biggest risks facing your business?

The risks for us are mainly global. Thus we monitor developments in Europe, China and the US to see what impact they may have on our customers, but we do not anticipate anything dramatic will happen to Thailand. Ideally we would like to see renewed focus by the government on the infrastructure on the Eastern Seaboard, as it needs significant investment in highways and so forth. I would prefer to see a new four-lane paved road throughout the Laem Chabang corridor in addition to the border with Myanmar, as it will have an immediate positive impact for the economy.

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

A lot of trade liberalisation has already passed and had a strong positive impact for Thailand, especially with the FTAs with Australia and Japan. There may be more automotive opportunities for Thailand to export to neighbouring countries such as Vietnam, which will be positive for us as we serve the automotive industry cluster here in Thailand.

Where do you expect to see Hemaraj five years from now?

Hemaraj should be able to maintain its strong balance sheet with a predictable earnings flow, as it will be a significantly larger business, with 8-10 power plants generating significant earnings. As well, there will be additional industrial locations, ready-built factories and utilities serving our customer base.

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, with more than 400 listed clients. This interview was conducted by Pon Van Compernelle, the editor of www.thaicapitalist.com. For more information, email pon@thaicapitalist.com or supat@shareinvestor.com or visit www.thailistedcompany.com