

PLE PROVIDES ALL-IN-ONE SERVICE IN CONSTRUCTION ENGINEERING

EXECUTIVE Q&A

SHAREINVESTOR

Power Line Engineering Plc (PLE) was established on July 8, 1988 by a group of engineers with extensive experience in their respective fields. PLE has gained wide recognition and an outstanding reputation through its quality workmanship, innovative engineering and project management skills, enabling it to expand from being a mechanical and electrical (M&E) contractor into a full-service engineering and construction contractor catering to domestic and international clients. Thada Chumasaratul, the PLE Company Secretary, discusses the company's strategy and outlook.

BUSINESS:

Please explain PLE's business model.

PLE is a construction company with mechanical, electrical and plumbing (MEP) systems expertise. Our MEP expertise is the core foundation of the company. PLE has been providing MEP services for the past 20 years and is the market leader in Thailand. PLE provides customers both a civil team and the MEP team for a total solution.

What services does PLE offer?

We provide civil construction and for MEP we provide the following: electrical systems, telecommunication systems, air-conditioning systems, plumbing and sanitary systems and fire protection systems. An automatically controlled system and energy-efficient system will be available in the near future.

What is PLE's breakdown in revenue?

In Thailand, MEP represents 30% of revenue and civil construction 40%. Projects outside our borders represent the remaining 30% of our revenue.

Who are PLE's largest customers? Which industries do these customers operate in?

Our customers are in property development, hotel and resorts, hospitals, shopping complexes and factories. For example, PLE does the construction and MEP for the Tesco Lotus superstores and has done a number of projects for Noble Group and Central Group. We also do government projects.

PLE recently invested in a biomass plant. Is PLE aiming for more renewable energy projects?

Yes, the biomass plant is a 10MW power plant and has been operational since the end of last year. We are also looking at a solar farm project. We are considering property development projects to add value to our strategic plan. Going forward we will selectively choose projects based upon our capabilities and the potential return.

INDUSTRY:

What differentiates PLE from its competitors?

The main difference between PLE and its competitors is that most large contractors or construction companies would subcontract the MEP work for projects, while at PLE we provide MEP and civil construction services as one total quality package. The continuing development of our engineering and procurement teams is also our strength.

FINANCIAL PERFORMANCE:

PLE's performances in 2008 and 2009 were negative, what are the reasons for this? When will earnings improve?

Given the global economic slowdown, in the middle of 2008 PLE began to take a conservative approach towards potential overdue accounts receivable and started provisioning. In 2009, a lot of potential projects were postponed as our backlog dropped to 11 billion baht from 36 billion in 2007. For 2010, we expect a healthy financial performance as projects are going ahead and our backlog of projects is strong.

What are your target gross margins per project type?

For civil construction we normally target 10% and MEP work 14-18%. MEP work normally represents a third of total project value, so the combination of these two provides us a better bottom line than most construction companies in Thailand.

MISCELLANEOUS:

Will PLE be positively affected by the Thai government stimulus package?

Yes, we won the bidding for the MRT Purple Line Contract 3 and the Chiang

Mai International Convention Center and hopefully we will win future bids for government projects.

What do you feel are the biggest risks facing your business today?

Raw material prices are our biggest risk. If raw material prices are volatile it will be harder for us to control the margins on our projects, but we mitigate this risk through hedging some of the materials with our long-term suppliers. Political uncertainty also affects the sentiment for new investment projects.

Where do you see PLE in five years from now?

In five years PLE should be one of the top construction companies in Thailand while still being active with projects overseas. We are also planning to expand further with renewable and green energy as this is a sector that we feel has potential growth and can generate consistent income for the long term. We will be selective with property development projects as well.

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Thada: Both MEP and civil construction