

# NWR BUILDING ON A STRONGLY DIVERSIFIED BASE

*Established in May 1976 and listed on the Stock Exchange of Thailand since 1995, Nawarat Patanakarn Plc (NWR) is one of Thailand's largest construction and engineering companies, with registered capital of 2.21 billion baht (1.55 billion paid up). With more than 30 years of experience in Thailand and other countries, NWR has a wide range of technical capabilities, enabling it to undertake various types of work. Polpat Karnasuta, director and president, discusses the company's strategy and outlook.*

## What is NWR's business model?

Our primary business is construction in general civil and structural work, property and energy among others. We have a wide range of technical capabilities and combined with our pre-cast concrete and steel fabrication plant, which we use to supply our own projects and outside customers, this allows us to service the majority of projects available. Most of our work is in Thailand but we have completed projects in Myanmar, Laos, Cambodia, Vietnam and the UAE. Finally, we have expanded our business with property development and wastewater treatment plant operation and maintenance.

## Who are NWR's typical customers?

Approximately 70% of our work is government projects thus our customers are various agencies such as Egat, the BMA, or quasi-government companies such as PTT. We also work as a subcontractor for foreign contractors that work on government projects. The remaining portion of our customers are private companies that have good credit and payment terms.

## What impact do fluctuating commodity prices have on your business?

As most of the projects are government-related there is an

## EXECUTIVE Q&A

SHAREINVESTOR

escalation clause that would subsidise minor changes in some key material costs. But with private company projects we factor in any possible increases in raw material costs and lock in supplies with manageable stock levels; thus, unless there are abnormal fluctuations we can manage the risk to an acceptable level.

## Power plant construction appears to be the main reason for revenue growth in the past few years. What types of plants is NWR constructing and will it look to invest in any in the future?

NWR used to be one of the largest civil contractors for power plants in Thailand, but as the industry evolved we began to focus on other types of civil works to diversify our revenue streams. Given our experience in power plants, when opportunities exist we can successfully add them, as seen recently with thermal and hydropower plants. NWR has looked at the possibility of investing in a small power plant to generate a recurring income stream, and should we find an investment that yields appropriate returns then we will invest.

## What differentiates NWR from its competitors?

Our ability to work on many different types of construction is one factor. Because of our wide array of capabilities we can serve a wide range of integrated turnkey contracting. For example, with the Nam Sana hydropower plant, NWR was able to provide the design,



construction, buildings, access roads and steel works. Our ability to work in several different areas has allowed us to adapt to constant changes in market demand.

## What margins does NWR normally aim for on its projects?

Normally we target 6-10% gross margins depending on the sophistication of the work and competition when bidding. In some cases we have been able to achieve a higher margin due to our project management capabilities.

## NWR has not paid a dividend for the past three years. Will this be the case going forward?

Our policy is to pay dividends of up to 50% of net profit but the main reason we have not paid any dividends in recent years is that we still have a retained earnings loss on our financial statements. Going forward, however, given the improving margins this year, profit from our JV in which we hold 40% with the Charn Issara Ladprao condominium, and the possibility of recovering payments from past customers, we will be able to wipe out the retained losses



**The AEC is inevitable and, like any change, it will have both positive and negative impact on our business. Contractors will need to adjust themselves to the open market system and, in the short term, that may have a negative impact on some that have not made the adjustment**

**POLPAT KARNASUTA**  
Director and President  
Nawarat Patanakarn Plc

soon and hope to resume dividend payments. Also, given that we have a tax shield of approximately 700 million baht which will expire this year, any profit booked this year will offer us tax savings.

***What are the biggest risks facing your business?***

Government spending, given that it is the largest portion of our business, so any delays or cancellations are a risk. But with the budget and spending plans for infrastructure expected this year, this will have a large impact on our income and profit. Payment collection and raw material price fluctuations are also risks but as mentioned earlier we are able to mitigate our raw material risks quite well. With collection, our projects are with customers that have good credit and with private companies we tend to have a shorter construction period thus lowering the duration of risk exposure.

***What do you expect the impact of the Asean Economic Community will***

***be on your business over the long term?***

Thai contractors are the third largest exporters of contracting business after Malaysia and Singapore. The AEC is inevitable and, like any change, it will have both positive and negative impact on our business. Contractors will need to adjust themselves to the open market system and, in the short term, that may have a negative impact on some that have not made the adjustment. In the long term, it should be positive for our business as the open market would open up more opportunities for Thai contractors. We are thankful that Thailand is strategically located in the centre of Asean because with growing demand for construction work in Laos, Cambodia and Myanmar, the AEC will make it easier for Thai contractors to work in these countries.

***Where do you expect to see NWR in five years from now?***

We expect to be able to strengthen our core capabilities and adapt to the changing needs of our customers both locally and overseas. We expect to steadily grow our construction business and build up other new businesses in order to tap into a more stable recurring source of income and climb up the value chain. We expect a more steady growth of diverse sources of revenue, a healthier margin, lower average fixed cost, and to create higher value for our stakeholders.

**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, editor of [www.thaicapitalist.com](http://www.thaicapitalist.com). For more information, email [pon@thaicapitalist.com](mailto:pon@thaicapitalist.com) or [supat@shareinvestor.com](mailto:supat@shareinvestor.com) or visit [www.thailistedcompany.com](http://www.thailistedcompany.com)**