TRIS RATING

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THE BANGCHAK PETROLEUM PLC

Announcement no. 824 | 20 October 2011

Company Rating: A-

Outlook: Stable

New Issue Rating: -

Rating History:

Date	Company	Issue (Secured/ Unsecured)
12/10/10	A-/Sta	-
05/11/09	BBB+/Pos	-
05/11/08	BBB+/Sta	-

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Rating Rationale

TRIS Rating affirms the company rating of The Bangchak Petroleum PLC (BCP) at "A-". The rating reflects the company's proven record of its refinery, the integration of the refining and marketing businesses, its diversification into other energy-related businesses and the support from PTT PLC. The rating also takes into consideration the fluctuations in oil prices and gross refining margins (GRM), the weakening global economy and the uncertainty of government policies regarding the energy sector.

BCP was established in 1985 and listed on the Stock Exchange of Thailand (SET) in 1993. The company owns and operates an oil refinery located in Bangkok with a capacity of 120 thousand barrels per day (KBD). The company also operates approximately 1,000 service stations under the "Bangchak" brand. After a capital increase in May 2006, PTT became the major shareholder of BCP. As of August 2011, PTT held 27.2% of BCP, the Ministry of Finance (MOF) held 10.0%, and the remaining 62.8% was held by the public.

BCP's refinery is categorized as a complex refinery since commencing operation of the hydro-cracking unit in December 2009. As a complex refinery, BCP is able to process a variety of crude oils, especially heavy and sour crude. The complex refinery also yields high proportions of valuable products. For the first six months of 2011, the company's product mix was diesel (53%), gasoline (18%), fuel oil (15%), and jet fuel (11%). Refinery operations were satisfactory. The crude intake slightly fell to 80.5 KBD in the first half of 2011 from 86.0 KBD in 2010. The reduction was mainly due to a refinery shut down for a 32-day major turnaround in February and March 2011. Favorable market conditions in the first half of 2011, plus a flexible plant configuration, enhanced BCP's base gross refinery margin (GRM) to US$8.2 per barrel.

BCP's sales volume through its marketing arm continually improved, increasing from 297 million liters per month (ML/MO) in 2009 to 327 ML/MO and 340 ML/MO in 2010 and in the first half of 2011, respectively. According to the Department of Energy Business (DOEB), BCP has maintained its rank as the third-largest oil retailer through its service stations, with a market share of 13.5% for the first half of 2011.

As BCP's competitive edge has been long pronounced for its renewable and alternative fuels, the recent government policy to remove temporarily the oil fund levies on gasoline and diesel may negatively affect BCP's performance in the short term. The policy change narrowed the price differential of gasoline and gasohol, resulting in switching from gasohol to gasoline. BCP's gasohol sale volume was approximately 18% of all fuel sold through its marketing segment. However, BCP still operates gasoline in some stations, while facilities for gasohol could be switched for gasoline, if required. In addition, the government still targets to replace 25% of fossil energy with renewable energy within 10 years. Thus the price differential between gasoline and gasohol should widen again in order to encourage demand for renewable energy.

The first phase of an 8 megawatt (MW) solar power project commenced commercial operation on 5 August 2011. This phase has a power sales contract with the Provincial Electricity Authority (PEA). Another phase of 30 MW, contracted with the Electricity Generating Authority of Thailand (EGAT), is expected to commence commercial operation in November 2011. These two phases are expected to contribute approximately Bt750 million in the earnings before interest, tax, depreciation and amortization (EBITDA) per annum from 2012 onwards.

BCP's financial profile is sound. Its capital structure remained satisfactory, with a debt to capitalization ratio of 42.3% as of June 2011. BCP's capital expenditures for new projects between 2011 and 2015 are budgeted at Bt20,000 million in total, mainly for solar power projects. With EBITDA expected to be Bt5,000-Bt8,000 per year, BCP's leverage may increase slightly during the investment period.

The slowdown of the world economy will weaken demand for oil products in the short-to-medium-term, despite partly alleviated by the shutdown of refineries in the region. The flooding in the company's energy estate in Bangpa-in district Ayutthaya province is primarily estimated to have limited impact to BCP as the company still has two oil distribution centers in Bangkok and Samutsakorn. The impact of the closedowns of bio-diesel plant and solar farm on BCP's performance will depend on the length of flooding period in Ayuttaya province and the time needed to resume operations in the estate. Revenue contribution from bio-diesel plant was approximately 1.6% of BCP's total revenue during the first six months of 2011.

Rating Outlook

The "stable" outlook reflects the expectation that BCP will smoothly operate its complex refinery and sustain its market position in the retail segment. The impact from the reduction of the oil fund levies is viewed as temporary. The investments in solar power projects will generate reliable streams of income and partially offset the fluctuations in the refining segment.

The Bangchak Petroleum PLC (BCP)

Company Rating:	A-
Rating Outlook:	Stable

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