

BANGCHAK CORPORATION PLC

No. 78/2022
27 July 2022

CORPORATES

Company Rating:	A-
Issue Ratings:	
Senior unsecured	A-
Hybrid	BBB
Outlook:	Stable

Last Review Date: 27/10/21

Company Rating History:

Date	Rating	Outlook/Alert
09/12/20	A-	Stable
11/06/20	A	Negative
04/11/15	A	Stable
26/12/12	A-	Stable
06/07/12	A-	Alert Negative
12/10/10	A-	Stable
05/11/09	BBB+	Positive
05/11/08	BBB+	Stable

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RATIONALE

TRIS Rating affirms the company rating on Bangchak Corporation PLC (BCP) and the ratings on its outstanding senior unsecured debentures at "A-". TRIS Rating also affirms the rating on BCP's subordinated capital debentures at "BBB". The rating outlook remains "stable".

At the same time, TRIS Rating assigns the rating of "A-" to BCP's proposed issue of up to THB12 billion in senior unsecured debentures. The proceeds from the new debentures will be used for working capital needs.

The ratings continue to reflect BCP's solid business profile based on its refinery's operating flexibility, the benefits from the integration between its refinery and marketing businesses, as well as business diversification, and strong market presence in the fuel marketing business. On the other hand, the ratings are constrained by volatile gross refinery margins (GRM) and oil prices, as well as pressure on marketing margins. The ratings are also tempered by BCP's planned investments which potentially heighten its financial leverage.

For the first three months of 2022, BCP's performance was well above our forecast. Earnings before interest, taxes, depreciation and amortization (EBITDA) came in at THB11.6 billion, a 152% increase year-on-year (y-o-y). The robust growth of EBITDA was led by the soaring crude oil price and GRM, as well as the earnings contribution from OKEA ASA (OKEA), which BCP has consolidated since the second half of 2021. OKEA meaningfully made up about 37% of BCP's EBITDA, or THB4.2 billion in the first three months of 2022.

As of March 2022, BCP's debt to EBITDA ratio improved to 1.9 times due to higher-than-expected EBITDA and lower adjusted debt. That said, we project BCP's financial leverage to rise, given its planned capital expenditures and investments. We view the divestment of the geothermal project in Indonesia worth USD440 million or THB14.55 billion should support the company's capital structure during the business expansion.

As of March 2022, BCP's consolidated debt was THB87.9 billion (including hybrid debentures). BCP's priority debt consisted of THB18.4 billion in secured debt and THB23.6 billion in senior unsecured debt owed by its subsidiaries. The ratio of priority debt to total consolidated debt was about 48%.

RATING OUTLOOK

The "stable" outlook reflects our expectation that BCP continues to maintain its strengths in the refinery business and solid market position in its marketing business, and that the expansion of its power business will add sizable and more predictable earnings to the company.

RATING SENSITIVITIES

An upgrade for BCP's ratings could occur if the company arrives at sizable and recurring earnings from its diversification efforts, without materially weakening its capital structure. Conversely, negative rating pressure would develop if BCP's operating performance is significantly worse than our expectation or its capital structure materially weakens, which could develop from a deluge of debt-funded investments or considerable losses incurred from its investments, such that the company's debt to EBITDA ratio stays over 8 times for a sustained period.

CreditUpdate, reviews ratings of companies or debt issues that have already been rated by TRIS Rating. The CreditUpdate occurs when new debt instruments are issued or if significant events have taken place that may impact a company's current ratings or when current ratings are cancelled. The CreditUpdate announces whether a rating has been "upgraded," "downgraded," "affirmed" or "cancelled." The update includes information to supplement the previously published ratings.

Credit Updates are part of TRIS Rating's monitoring process. TRIS Rating monitors every rating it assigns until either the debt instrument matures or the rating contract ends. To keep the public informed of changing situations, TRIS Rating periodically issues announcements about the credit ratings it monitors.

RELATED CRITERIA

- Corporate Rating Methodology, 15 July 2022
- Key Financial Ratio and Adjustments for Corporate Issuers, 11 January 2022
- Hybrid Securities Rating Criteria, 28 June 2021
- Issue Rating Criteria, 15 June 2021

Bangchak Corporation PLC (BCP)

Company Rating:	A-
Issue Ratings:	
BCP238A: THB400 million senior unsecured debentures due 2023	A-
BCP23NA: THB2,000 million senior unsecured debentures due 2023	A-
BCP244A: THB3,500 million senior unsecured debentures due 2024	A-
BCP258A: THB600 million senior unsecured debentures due 2025	A-
BCP26NA: THB1,000 million senior unsecured debentures due 2026	A-
BCP273A: THB2,000 million senior unsecured debentures due 2027	A-
BCP275A: THB500 million senior unsecured debentures due 2027	A-
BCP28DA: THB7,000 million senior unsecured debentures due 2028	A-
BCP29NA: THB1,400 million senior unsecured debentures due 2029	A-
BCP303A: THB1,000 million senior unsecured debentures due 2030	A-
BCP305A: THB4,500 million senior unsecured debentures due 2030	A-
BCP31NA: THB2,600 million senior unsecured debentures due 2031	A-
BCP19PA: THB10,000 million subordinated capital debentures	BBB
Up to THB12,000 million senior unsecured debentures due within 15 years	A-
Rating Outlook:	Stable

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