

# MITR PHOL SUGAR CORPORATION LTD.

No. 41/2020  
4 June 2020

## CORPORATES

|                        |          |
|------------------------|----------|
| <b>Company Rating:</b> | A+       |
| <b>Issue Ratings:</b>  |          |
| Senior unsecured       | A+       |
| <b>Outlook:</b>        | Negative |

**Last Review Date:** 02/03/20

### Company Rating History:

| Date     | Rating | Outlook/Alert |
|----------|--------|---------------|
| 24/12/10 | A+     | Stable        |
| 02/11/07 | A      | Stable        |

### Contacts:

Nauwarut Temwattanangkul

nauwarut@trisrating.com

Jutatip Chitphromphan

jutatip@trisrating.com

Wajee Pitakpaibulkij

wajee@trisrating.com

Sasiporn Vajarodaya

sasiporn@trisrating.com



WWW.TRISRATING.COM

## RATIONALE

TRIS Rating affirms the company rating on Mitr Phol Sugar Corporation Ltd. (MPSC) and the ratings on MPSC's senior unsecured debentures at "A+", but revises the rating outlook to "negative" from "stable". The revised outlook reflects our concerns that MPSC's operation will be materially affected by the steep decline in sugarcane supply amid the severe drought in Thailand. In addition, TRIS Rating expects that the prolonged slump in worldwide sugar prices and falling demand for ethanol will also pressure MPSC's operating performance in 2020.

Nevertheless, the ratings continue to reflect MPSC's market position as one of the world's leading sugar producers, well-accepted brand name, geographic diversification, and diversified sources of income.

The worldwide sugar sector is still under pressure from the recent plunge of sugar prices, resulting from a supply glut in Brazil. Owing to the collapse in the price and consumption of oil, Brazilian millers have stepped up conversion of cane into sugar and reduced conversion into ethanol. Thai sugar millers on the other hand are facing a steep decline in sugarcane supplies caused by the severe drought in the 2019/2020 crop year. The dual burden of plummeting sugar prices and the ongoing and projected drought are likely to squeeze the revenues and margins of sugar producers in Thailand over the next 12-18 months.

MPSC's operating revenue is projected to drop to Bt80 billion in 2020 from Bt94.9 billion in 2019 and gradually recover to Bt84-Bt94 billion in 2021-2022. Under our base-case scenario, we assume the world sugar price will average around 10 cents per pound in 2020, and then rise to 12-14 cents per pound in 2021-2022, compared with 12.8 cents per pound during January-April 2020. Consequently, MPSC's earnings before interest, tax, depreciation and amortization (EBITDA) margin is expected to decline to 13% in 2020 from 18% in 2019 and gradually improve to 17%-19% in 2021-2022.

Due to ongoing capital expenditures and weak profitability, MPSC's financial leverage has increased during the past few years. Total debt to capitalization ratio increased to 54% at the end of 2019, compared with about 50%-52% in 2015-2017. The ratio of funds from operations (FFO) to adjusted net debt was 17.5% in 2019, down from 19.5% in 2017.

TRIS Rating assesses MPSC's liquidity as adequate. Funding needs in the next 12 months will include maturing debentures of Bt4 billion, the current portion of long-term loans of Bt2 billion, and Bt15 billion for capital expenditure. Although MPSC's FFO is projected to decrease to around Bt7 billion, the company has cash and cash equivalents of about Bt3 billion, plus undrawn short-term credit facilities of Bt20 billion.

## RATING OUTLOOK

The "negative" outlook reflects our concerns over MPSC's weakening financial profile, as a result of the severe drought in Thailand and the anticipated worldwide plunge in sugar prices over the next 12-18 months.

## RATING SENSITIVITIES

The outlook could be revised back to “stable” if MPSC’s operating performance recovers on a sustained basis. On the contrary, we could downgrade the ratings if there are any signs of higher-than-expected debt levels or weaker-than-expected profitability, in which case we would expect the company to sustain adjusted debt to EBITDA of more than 7 times.

## COMPANY OVERVIEW

Founded in 1946 by the Vongkusolkit family, MPSC is the leading sugar producer in Thailand. The Vongkusolkit family collectively holds 100% of the company’s shares through Mid-Siam Sugar Co., Ltd. MPSC owns and operates sugar mills in Thailand, China, the Lao People’s Democratic Republic (Lao PDR), and Australia. Across the mills, sugar production totaled 4.6 million tonnes in the 2018/2019 growing season. More than half (65%) was produced in Thailand and 25% was produced in China. MPSC also produces electricity, ethanol, wood-substitute materials, and fertilizer; and offers logistics services. During the first nine months of 2019, its total sales were Bt69.7 billion. The sugar segment accounted for 74% of total revenues while the power and ethanol segments together comprised 16%.

## RELATED CRITERIA

- Rating Methodology – Corporate, 26 July 2019
- Key Financial Ratios and Adjustments, 5 September 2018

## Mitr Phol Sugar Corporation Ltd. (MPSC)

|                                                                |          |
|----------------------------------------------------------------|----------|
| <b>Company Rating:</b>                                         | A+       |
| <b>Issue Ratings:</b>                                          |          |
| MPSC209A: Bt1,300 million senior unsecured debentures due 2020 | A+       |
| MPSC200A: Bt1,000 million senior unsecured debentures due 2020 | A+       |
| MPSC200B: Bt1,850 million senior unsecured debentures due 2020 | A+       |
| MPSC219A: Bt2,000 million senior unsecured debentures due 2021 | A+       |
| MPSC210A: Bt2,000 million senior unsecured debentures due 2021 | A+       |
| MPSC229A: Bt2,000 million senior unsecured debentures due 2022 | A+       |
| MPSC220A: Bt2,000 million senior unsecured debentures due 2022 | A+       |
| MPSC233A: Bt2,500 million senior unsecured debentures due 2023 | A+       |
| MPSC236A: Bt2,610 million senior unsecured debentures due 2023 | A+       |
| MPSC249A: Bt3,200 million senior unsecured debentures due 2024 | A+       |
| MPSC256A: Bt2,400 million senior unsecured debentures due 2025 | A+       |
| MPSC256B: Bt2,210 million senior unsecured debentures due 2025 | A+       |
| MPSC259A: Bt1,000 million senior unsecured debentures due 2025 | A+       |
| MPSC26DA: Bt1,900 million senior unsecured debentures due 2026 | A+       |
| MPSC286A: Bt1,630 million senior unsecured debentures due 2028 | A+       |
| MPSC28DA: Bt2,200 million senior unsecured debentures due 2028 | A+       |
| MPSC306A: Bt3,650 million senior unsecured debentures due 2030 | A+       |
| <b>Rating Outlook:</b>                                         | Negative |

## TRIS Rating Co., Ltd.

Silom Complex Building, 24th Floor, 191 Silom Road, Bangkok 10500, Thailand Tel: 0-2098-3000

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