

INDORAMA VENTURES GLOBAL SERVICES LTD.

No. 166/2020
16 October 2020

CORPORATES

Issue Rating:

Guaranteed AA-
Outlook: Negative

Last Review Date: 19/12/19

Issue Rating History:

Date	Rating	Outlook/Alert
19/12/19	AA-	Stable

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RATIONALE

TRIS Rating affirms the rating on the USD300 million guaranteed debentures issued by Indorama Ventures Global Services Ltd. (IVGS) at “AA-”. At the same time, TRIS Rating revises the rating outlook to “negative” from “stable”.

The outlook revision follows the outlook revision of Indorama Ventures PLC (IVL), the guarantor. TRIS Rating revised the rating outlook on IVL to “negative” from “stable” while affirms the company’s rating at “AA-” on 16 October 2020.

The debentures are fully guaranteed by IVL. The issue rating mainly reflects the creditworthiness of IVL as the guarantor of the guaranteed debentures.

KEY RATING CONSIDERATIONS

Unconditional and irrevocable guarantee

The rating on IVGS’s guaranteed debentures is equal to IVL’s company rating. Under the guarantee clause in the terms and conditions of the bond and the trust deed, IVL unconditionally and irrevocably guarantees to cover all amounts due under the terms of the debentures up to US\$330 million (110% of face value), including principal, interest, default interest, expenses, fees, indemnities, and other related expenses. In addition, IVL will be liable as a primary obligor, jointly and severally with IVGS, under the guarantee clause of the trust deed.

The obligation of IVL under the guarantee is ranked *pari passu* with all other present and future unsecured and unsubordinated obligations of IVL. The debentures and the trust deed are governed by English law.

Strong credit of the guarantor

IVL’s creditworthiness reflects the company’s leading position in the polyester value chain. IVL has a competitive edge stemming from its vertical integration of production as well as diversification of production locations and customers across Asia, North America, South America, Europe, Africa, and Australia. The assessment of creditworthiness has taken into consideration the volatile nature of the petrochemical industry.

RATING OUTLOOK

The “negative” rating outlook for IVGS’s guaranteed debentures solely reflects the “negative” outlook of the rating on the guarantor, IVL.

RATING SENSITIVITIES

The rating of IVGS’s guaranteed debentures may change in tandem with changes in the rating on its guarantor.

COMPANY OVERVIEW

IVGS was established on 13 December 2013 by IVL. As of June 2019, IVL held 99.99% shareholding in IVGS.

IVGS has been qualified for the “International Headquarters” in accordance with the promotional privileges from the Board of Investment of Thailand (BOI) since 2015. In addition, IVGS received a “treasury center license” from the Ministry of Finance (MOF) in 2016 and was qualified as an “international business center” in accordance with the rules and regulations of the Revenue

Department (RD) of Thailand in mid-2019.

As of December 2019, IVGS's total assets were THB149.9 billion, of which THB94.0 billion was loans to related companies. IVGS's total equity was THB44.1 billion at the same period.

FINANCIAL STATISTICS AND KEY FINANCIAL RATIOS OF THE GUARANTOR (IVL)*

Unit: Mil. THB

	Jan-Jun 2020	-----Year Ended 31 December -----			
		2019	2018	2017	2016
Total operating revenues	168,092	354,672	348,255	287,335	255,160
Earnings before interest and taxes (EBIT)	1,726	11,391	32,053	20,939	15,933
Earnings before interest, taxes, depreciation, and amortization (EBITDA)	11,759	29,098	46,437	33,788	27,922
Funds from operations (FFO)	8,180	20,940	37,476	30,470	20,812
Adjusted interest expense	4,155	6,623	5,149	4,717	5,047
Capital expenditures	9,045	16,800	16,543	20,055	13,519
Total assets	458,864	380,568	379,195	282,358	258,380
Adjusted debt	216,724	154,046	145,480	102,560	110,591
Adjusted equity	127,983	131,007	144,418	111,550	84,378
Adjusted Ratios					
EBITDA margin (%)	7.00	8.20	13.33	11.76	10.94
Pretax return on permanent capital (%)	1.43 **	3.85	12.41	9.97	8.59
EBITDA interest coverage (times)	2.83	4.39	9.02	7.16	5.53
Debt to EBITDA (times)	9.10 **	5.29	3.13	3.04	3.96
FFO to debt (%)	7.20 **	13.59	25.76	29.71	18.82
Debt to capitalization (%)	62.87	54.04	50.18	47.90	56.72

* Consolidated financial statements

** Annualized with trailing 12 months

RELATED CRITERIA

- Rating Methodology – Corporate, 26 July 2019
- Key Financial Ratios and Adjustments, 5 September 2018
- Group Rating Methodology, 10 July 2015

Indorama Ventures Global Services Ltd. (IVGS)

Issue Rating:

ISIN: XS2048606375: USD300 million guaranteed bonds due 2024

AA-

Rating Outlook:

Negative

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