

LVMC HOLDINGS SINGAPORE PTE. LTD.

No. 114/2019
22 July 2019

CORPORATES

Issue Rating:

Guaranteed BB+

Outlook: Negative

Last Review Date: 26/07/18

Company Rating History:

Date	Rating	Outlook/Alert
26/07/18	BB+	Stable
08/08/17	BBB-	Stable

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RATIONALE

TRIS Rating affirms the rating on the guaranteed debentures of US\$25.7 million issued by LVMC Holdings Singapore Pte. Ltd. (LVMCS, previously known as Kolao Holdings Singapore Pte. Ltd. (KHS)) at “BB+”. At the same time, we revise the outlook to “negative” from “stable”. The “negative” outlook reflects our downward revision on the outlook of the guarantor, LVMC Holdings (LVMC, the Group).

The debentures are jointly and severally guaranteed by LVMC and Kolao Developing Co., Ltd. (KDC). Therefore, the issue rating reflects the credit worthiness of LVMC and KDC. KDC, a wholly-owned subsidiary of LVMC, is classified as a “core” subsidiary of LVMC. Thus, KDC’s rating is equivalent to LVMC’s rating, or the Group’s rating.

Under the guarantee agreement, LVMC and KDC jointly and severally provide unconditional and irrevocable guarantee on all amounts due under the debentures, including the principal amount of US\$25.7 million and any interest accrued thereon and other related expenses. The guaranteed debentures rank at least equally with all other unsecured and unsubordinated obligations of LVMC and KDC.

LVMCS was incorporated in 2013 as a wholly-owned subsidiary of LVMC. LVMCS, through its subsidiaries, sells automobiles in Myanmar. As LVMCS’s business is currently small, the sources of interest and principal repayments to the debenture holders will come from the interest and principal repayments received from LVMC under the inter-company loan agreement between LVMCS and LVMC.

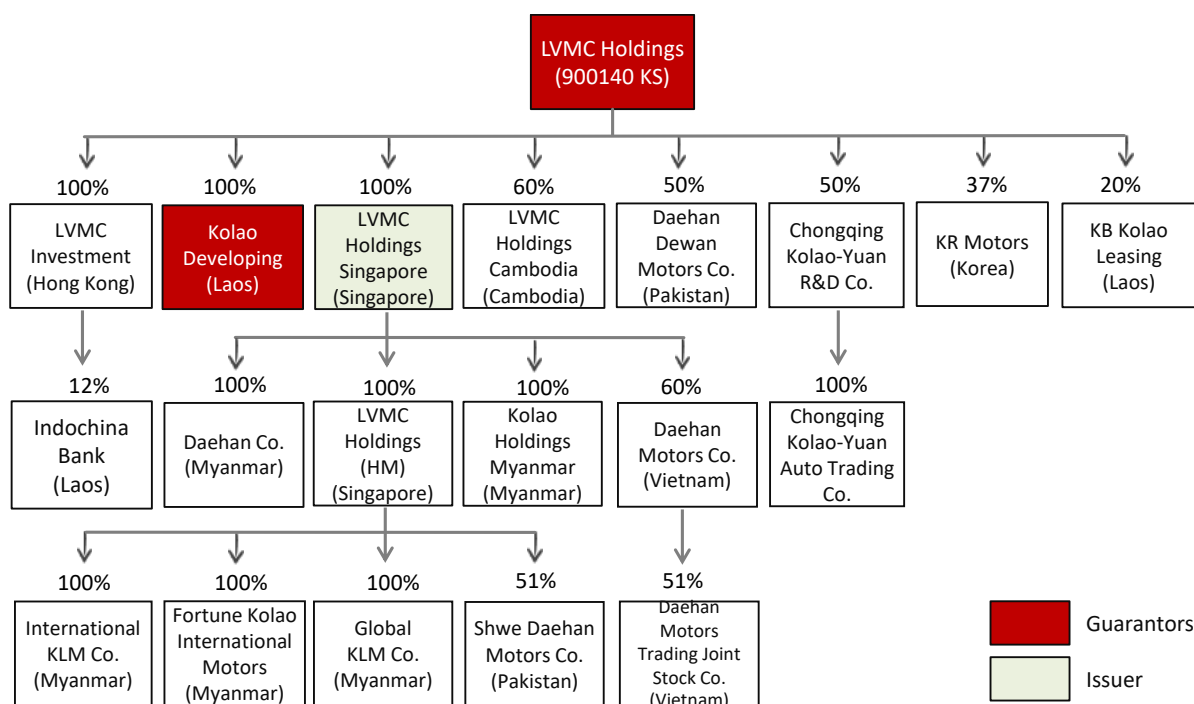
RATING OUTLOOK

The “negative” outlook reflects the outlooks of LVMC and KDC. Operating performance of the Group in the core market dropped significantly, and it should take longer time than previously expected to recover. Expansion into other countries with evolving regulatory frameworks also heightens operational risks, despite additional revenue.

RATING SENSITIVITIES

The issue rating and/or outlook could be changed if the ratings and/or outlooks of the two guarantors change.

LVMC'S GROUP STRUCTURE



Source: LVMC

FINANCIAL STATISTICS AND KEY FINANCIAL RATIOS*

LVMC Holdings (LVMC)

Unit: US\$ million

	Jan-Mar 2019	Year Ended 31 December			
		2018	2017	2016	2015
Total operating revenues	71	318	353	373	408
Operating income	5	6	48	59	53
Earnings before interest and taxes (EBIT)	1	(23)	23	47	44
Earnings before interest, taxes, depreciation, and amortization (EBITDA)	6	11	43	61	56
Funds from operations (FFO)	2	(5)	31	50	48
Adjusted interest expense	5	16	11	11	6
Capital expenditures	2	14	14	14	13
Total assets	597	585	589	571	512
Adjusted debt	200	196	146	128	117
Adjusted equity	315	322	371	362	329
Adjusted Ratios					
Operating income as % of total operating revenues (%) ***	2.27	(2.50)	10.77	13.15	11.69
Pretax return on permanent capital (%)	(5.25) **	(4.25)	4.38	9.72	10.34
EBITDA interest coverage (times)	1.39	0.69	3.83	5.70	8.74
Debt to EBITDA (times)	25.85 **	17.32	3.42	2.11	2.10
FFO to debt (%)	(4.37) **	(2.76)	21.36	38.93	41.11
Debt to capitalization (%)	38.91	37.87	28.23	26.11	26.17

* Consolidated financial statements

** Adjusted with trailing 12 months

*** Including net interest income from installment sales

Kolao Developing Co., Ltd. (KDC)

Unit: US\$ million

	Jan-Mar 2019	----- Year Ended 31 December -----			
		2018	2017	2016	2015
Total operating revenues	69	291	341	360	403
Operating income	9	27	57	65	61
Earnings before interest and taxes (EBIT)	4	15	44	58	50
Earnings before interest, taxes, depreciation, and amortization (EBITDA)	8	29	55	66	60
Funds from operations (FFO)	6	19	47	59	54
Adjusted interest expense	2	9	8	7	5
Capital expenditures	0	10	13	14	12
Total assets	476	463	496	483	421
Adjusted debt	123	132	147	156	149
Adjusted equity	307	306	300	267	216
Adjusted Ratios					
Operating income as % of total operating revenues (%) ***	10.22	6.48	14.66	16.15	13.98
Pretax return on permanent capital (%)	2.84 **	3.34	9.84	14.66	14.82
EBITDA interest coverage (times)	3.76	3.14	7.30	9.32	12.14
Debt to EBITDA (times)	4.76 **	4.61	2.69	2.36	2.49
FFO to debt (%)	13.25 **	14.59	31.85	37.71	36.16
Debt to capitalization (%)	28.53	30.06	32.93	36.87	40.84

* Consolidated financial statements

** Adjusted with trailing 12 months

*** Including net interest income from installment sales

RELATED CRITERIA

- Key Financial Ratios and Adjustments, 5 September 2018
- Rating Methodology – Corporate, 31 October 2007

LVMC Holdings Singapore Pte. Ltd. (LVMCS)

Issue Rating:

KHS208A: US\$25.7 million guaranteed debentures due 2020

BB+

Rating Outlook:Negative

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