

INDORAMA VENTURES GLOBAL SERVICES LTD.

No. 205/2019
19 December 2019

CORPORATES

Issue Rating:

Guaranteed

AA-

Outlook:

Stable

RATIONALE

TRIS Rating assigns the rating on the US\$300 million guaranteed debentures issued by Indorama Ventures Global Services Ltd. (IVGS), on 12 September 2019, at “AA-” with a “stable” rating outlook. The debentures are fully guaranteed by Indorama Ventures PLC (IVL), rated “AA-” by TRIS Rating. The issue rating, therefore, 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, and Africa. The assessment of creditworthiness also considers the volatile nature of the petrochemical industry.

RATING OUTLOOK

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

RATING SENSITIVITIES

The rating of IVGS’s guaranteed debentures may change if the rating of its guarantor changes.

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 2018, IVGS’s total assets were Bt108.1 billion, of which Bt59.5 billion was loans to related companies. IVGS’s total equity was Bt45.1 billion at the same period.

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

Unit: Bt million

| | Jan-Sep 2019 | -----Year Ended 31 December ----- | | | |
|--|-----------------|-----------------------------------|---------|---------|---------|
| | | 2018 | 2017 | 2016 | 2015 |
| Total operating revenues | 276,308 | 348,255 | 287,335 | 255,160 | 235,284 |
| Earnings before interest and taxes (EBIT) | 10,222 | 32,053 | 20,939 | 15,933 | 8,036 |
| Earnings before interest, taxes, depreciation, and amortization (EBITDA) | 23,412 | 46,437 | 33,788 | 27,922 | 18,071 |
| Funds from operations (FFO) | 18,320 | 37,476 | 30,470 | 20,812 | 11,764 |
| Adjusted interest expense | 4,888 | 5,149 | 4,717 | 5,047 | 4,426 |
| Capital expenditures | 12,853 | 16,543 | 20,055 | 13,519 | 10,338 |
| Total assets | 384,753 | 379,195 | 282,358 | 258,380 | 221,641 |
| Adjusted debt | 149,452 | 145,480 | 102,560 | 110,591 | 92,651 |
| Adjusted equity | 137,075 | 144,418 | 111,550 | 84,378 | 75,516 |
| Adjusted Ratios | | | | | |
| EBITDA margin (%) | 8.47 | 13.33 | 11.76 | 10.94 | 7.68 |
| Pretax return on permanent capital (%) | 4.78 ** | 12.41 | 9.97 | 8.59 | 4.97 |
| EBITDA interest coverage (times) | 4.79 | 9.02 | 7.16 | 5.53 | 4.08 |
| Debt to EBITDA (times) | 4.78 ** | 3.13 | 3.04 | 3.96 | 5.13 |
| FFO to debt (%) | 15.90 ** | 25.76 | 29.71 | 18.82 | 12.70 |
| Debt to capitalization (%) | 52.16 | 50.18 | 47.90 | 56.72 | 55.09 |

* Consolidated financial statement

** 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: US\$300 million guaranteed bonds due 2024

AA-

Rating Outlook:

Stable

TRIS Rating Co., Ltd.

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