

PRECIOUS SHIPPING PLC

No. 75/2024
28 August 2024

CORPORATES

Company Rating: BBB
Issue Rating:
Guaranteed AAA
Outlook: Stable

Last Review Date: 19/10/23

Company Rating History:

Date	Rating	Outlook/Alert
25/10/22	BBB	Stable
13/12/21	BBB-	Stable
29/12/20	BB+	Stable
19/08/20	BB+	Negative
24/04/20	BB+	Alert Negative
31/08/17	BBB-	Stable
26/08/16	BBB-	Negative
13/11/15	BBB	Stable

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RATIONALE

TRIS Rating assigns a rating of “AAA” with a “stable” outlook to a proposed issue of up to THB1,440 million guaranteed debentures of Precious Shipping PLC (PSL). The debentures are fully guaranteed by Credit Guarantee and Investment Facility (CGIF), a trust fund of the Asian Development Bank. The proceeds from the new debenture issuance will be used to finance PSL’s business expansion, and/or capital expenditure and asset maintenance, and/or working capital. At the same time, TRIS Rating affirms the company rating on PSL at “BBB” with a “stable” rating outlook.

The rating on PSL’s guaranteed debentures reflects the rating on CGIF as the guarantor. CGIF is rated “AAA” by TRIS Rating. Under the terms of the guarantee, CGIF provides an irrevocable and unconditional guarantee to cover 100% of the principal and interest payments for the guaranteed debentures. The guarantee obligations rank at least pari passu with all other present and future unsecured and unsubordinated indebtedness of the guarantor. The guarantee is, however, subject to the following conditions:

- CGIF will no longer have obligations to make payments in the case that: 1) the bondholders’ representative fails to deliver a demand for payment within a specified period after a Non-Payment Event; or 2) the bondholders’ representative takes an Acceleration Step other than pursuant to a CGIF Non-Payment Event.
- The bondholders might not receive the payment in Thai baht if CGIF determines that it is impossible or impracticable or it is unable on commercially reasonable terms and in accordance with its policy for CGIF to obtain Thai baht. In such an event, CGIF may make an equivalent payment in US dollars or other currencies as it may determine.

Please refer to the Guarantee Agreement for the full terms and conditions of the guarantee.

The company rating on PSL continues to reflect the high business risk inherent in the volatile and cyclical shipping industry. The company’s financial leverage may increase more than previously anticipated due to its recently announced fleet renewal program. We currently expect favorable supply dynamics, resulting from limited newbuilding orders and stringent environmental regulations, to continue to support dry-bulk freight rates and the company’s profitability in the near future. However, a significant surge in new ship orders in the industry could negatively impact our view for future freight rates, and therefore, our assessment of the company’s financial profile.

For the first half of 2024, PSL outperformed our financial projection due to higher-than-projected freight rates. The company reported an operating revenue of USD85 million and EBITDA of USD45 million for the first six months of 2024. Adjusted debts stood at USD125 million and the adjusted debt to EBITDA ratio was 1.6 times (annualized from the trailing 12 months).

Going forward, following PSL’s fleet renewal program, the company will require a total capital expenditure of around USD225 million between 2024-2026. With this investment, we project the company’s adjusted debt to EBITDA ratio to increase to above 3 times during this period. However, we anticipate that

leverage will decline quickly once the capital outlay is completed, provided there are no adverse operating conditions in the dry-bulk shipping industry that could negatively affect the company's earnings.

RATING OUTLOOK

The "stable" outlook of company rating on PSL reflects our expectation that conditions in the dry-bulk shipping industry will remain favorable, enabling PSL to generate sound operating cash flow.

The rating and outlook on PSL's guaranteed bonds solely reflect the credit condition of its guarantor, CGIF.

RATING SENSITIVITIES

A rating upgrade is unlikely in the near term. The rating/outlook could be revised downward if PSL's operating performance and financial metrics are significantly weaker than projected, or if industry conditions change unfavorably during the period of PSL's heightened financial leverage.

The rating on PSL's guaranteed bonds may change if the rating on its guarantor, CGIF, changes.

RELATED CRITERIA

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

Precious Shipping PLC (PSL)

Company Rating:	BBB
Issue Rating:	
Up to THB1,440 million guaranteed debentures due within 10 years	AAA
Rating Outlook:	Stable

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