

# NORTHEAST RUBBER PLC

No. 87/2024

11 October 2024

## CORPORATES

<b>Company Rating:</b>	BBB-
<b>Issue Rating:</b>	
Guaranteed	AAA
<b>Outlook:</b>	Stable

**Last Review Date:** 19/03/24

### Company Rating History:

Date	Rating	Outlook/Alert
15/06/21	BBB-	Stable
14/09/20	BB+	Stable

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## RATIONALE

TRIS Rating assigns a rating of “AAA” to a proposed issue of up to THB1.5 billion guaranteed debentures due within five years of Northeast Rubber PLC (NER). The debentures are fully guaranteed by Credit Guarantee and Investment Facility (CGIF), a trust fund of the Asian Development Bank (ADB). The proceeds from the new debenture issuance will be used to refinance NER’s bank loans and finance its working capital. At the same time, we affirm the company rating on NER at “BBB-” with a “stable” outlook.

The rating on NER’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 guaranteed 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 NER continues to reflect the ongoing robust demand for natural rubber (NR) products in the automotive industry and the prospects of the company’s strengthened performance despite intensifying competition. The rating also reflects the company’s position as a medium-sized processor in the Thai NR industry, the long track record of its management, and its sustained profitability. However, the rating is constrained by volatile NR prices and exchange rates, market concentration, as well as the company’s single production site. Moreover, the NR industry is facing challenges from the uncertain global economy and emerging regulatory requirements such as the new European Union (EU) Deforestation Regulation (EUDR).

NER’s financial result during the first six months of 2024 was in line with our forecast. The company reported an operating revenue of THB12.4 billion and EBITDA of THB1.3 billion. Adjusted net debt was THB8.1 billion and adjusted net debt to EBITDA ratio was 3.3 times (annualized 12 months).

## RATING OUTLOOK

The “stable” outlook on the company rating reflects our expectation that NER will maintain its competitive position in the NR industry, an adequate liquidity position, and a balance sheet strong enough to withstand the effects of volatile rubber prices.

**CreditUpdate**, reviews ratings of companies or debt issues that have already been rated by TRIS Rating. The CreditUpdate occurs when new debt instruments are issued or if significant events have taken place that may impact a company’s current ratings or when current ratings are cancelled. The CreditUpdate announces whether a rating has been “upgraded,” “downgraded,” “affirmed” or “cancelled.” The update includes information to supplement the previously published ratings.

Credit Updates are part of TRIS Rating’s monitoring process. TRIS Rating monitors every rating it assigns until either the debt instrument matures or the rating contract ends. To keep the public informed of changing situations, TRIS Rating periodically issues announcements about the credit ratings it monitors.

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

#### RATING SENSITIVITIES

We could upgrade the company rating if NER's EBITDA rises above THB2.5 billion and its debt to EBITDA ratio remains below 2.5 times on a sustained basis. However, a downgrade of the company rating could emerge if NER's debt to EBITDA ratio rises above 5 times on an extended basis. This could occur if its margins contract significantly, possibly due to rising raw material costs, or if global demand for tires falls significantly. Any debt-funded expansion, which materially weakens the company's balance sheet and cash flow protection, could also impact the rating on NER.

The rating on NER'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

#### Northeast Rubber PLC (NER)

<b>Company Rating:</b>	BBB-
<b>Issue Rating:</b>	
Up to THB1,500 million guaranteed debentures due within 5 years	AAA
<b>Rating Outlook:</b>	Stable

#### TRIS Rating Co., Ltd.

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