

THAIFOODS GROUP PLC

No. 81/2019

2 December 2019

CORPORATES

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

Last Review Date: 03/07/19

Company Rating History:

Date	Rating	Outlook/Alert
20/04/17	BBB-	Stable

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RATIONALE

TRIS Rating affirms the company rating on Thaifoods Group PLC (TFG) at “BBB-” with a “stable” outlook. At the same time, TRIS Rating assigns the rating of “AAA” to TFG’s newly proposed issue of up to Bt2 billion guaranteed bonds. The bonds are fully guaranteed by Credit Guarantee and Investment Facility (CGIF). CGIF is rated “AAA” by TRIS Rating. The issue rating reflects the creditworthiness of CGIF as the guarantor of the guaranteed bond. The proceeds from the debentures are intended for inter-company loan to Thai Foods Feed Mills Company Limited including refinancing of working capital loan and funding of incremental working capital.

The rating of TFG’s guaranteed bonds is equal to the rating of its guarantor, CGIF. Under the guarantee terms, CGIF provides an irrevocable and unconditional guarantee to cover 100% of the principal and interest payments for the guaranteed bonds. Its guarantee obligations rank at least pari passu with all other present and future unsecured and unsubordinated indebtedness of CGIF.

The rating of the guaranteed bonds also takes into account the following conditions, the likelihood of which TRIS Rating views as very low:

- **Payment acceleration risk by bondholders’ representative:** The bondholders’ representative has the right to accelerate the guaranteed bond payments against the issuer upon the occurrence of an issuer’s non-payment whereby a demand for payment of the relevant guaranteed amount has been sent to CGIF and CGIF fails to pay such amount in accordance with the guarantee or any event of default other than an issuer’s non-payment. However, CGIF will no longer have obligations to make payments under the guarantee if the bondholders’ representative exercises this right following an event of default other than an issuer’s non-payment.

- **Foreign exchange rate risks:** the bondholders might not receive the payment in Thai baht if CGIF determines that it is impossible or impracticable and that reasonable efforts have been made to obtain the baht. In such an event, CGIF may make an equivalent payment in US dollars or other such currencies as it may determine.

TFG’s financial results during the first nine months of 2019 were in line with TRIS Rating’s forecast. Total revenue reached Bt21.5 billion, rising by 4.3% year-on-year (y-o-y). The increase was mainly due to a rise in the prices of chicken and pork meat, together with increased sales volume from the feed business. TFG’s operating margin before depreciation and amortization also improved to 11.3% during the first nine months of 2019, up from 7.5% over the same period of the prior year.

The company’s financial leverage has been slightly lowered. As of September 2019, TFG’s reported total debt was Bt9.9 billion, down from Bt10.8 billion at the end of 2018. However, with planned capital expenditure totaling Bt1.5-Bt2.0 billion per annum, the total debt to capitalization ratio is forecast to stay high at 55% during 2019-2021.

RATING OUTLOOK

The company's "stable" outlook reflects our expectation that TFG will maintain its competitive position in the Thai poultry and swine industries. TFG is expected to maintain its existing credit profile and adequate liquidity over the next 12-18 months, despite facing challenges in the agribusiness and food industries, and aggressive plans for capital expenditures and other investments.

RATING SENSITIVITIES

The company's credit upside may materialize if TFG enlarges and stabilizes earnings and cash flow generation on a sustained basis. The downside case could occur if profitability deteriorates materially or if TFG's performance weakens for an extended period. Any debt funded expansion, which would weaken its balance sheet and cash flow protection, is a negative factor for TFG's ratings.

As for TFG's guaranteed bonds, the issue rating reflects the creditworthiness of the guarantor, CGIF. The issue rating could be revised upward or downward should there be any changes in the credit profiles of its guarantor.

RELATED CRITERIA

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

Thaifoods Group PLC (TFG)

Company Rating:	BBB-
Issue Rating:	
Up to Bt2,000 million guaranteed bond due within 5 years	AAA
Rating Outlook:	Stable

TRIS Rating Co., Ltd.

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