

THORESEN THAI AGENCIES PLC

No. 4/2021
28 January 2021

CORPORATES

Company Rating:	BBB
Issue Ratings:	
Senior unsecured	BBB
Outlook:	Negative

Last Review Date: 14/10/20

Company Rating History:

Date	Rating	Outlook/Alert
14/10/20	BBB	Negative
29/12/16	BBB	Stable
02/12/14	BBB+	Stable

Contacts:

Chanaporn Pinphithak

chanaporn@trisrating.com

Pramuansap Phonprasert

pramuansap@trisrating.com

Wittawat Prayookwong

wittawat@trisrating.com

Sauwarot Jirachaipithak

sauwarot@trisrating.com



WWW.TRISRATING.COM

RATIONALE

TRIS Rating affirms the company rating on Thoresen Thai Agencies PLC (TTA) and the ratings on its outstanding senior unsecured debentures at “BBB” with a “negative” outlook. At the same time, TRIS Rating assigns a rating of “BBB” to TTA’s proposed issue of up to THB1.5 billion in senior unsecured debentures. The proceeds from the new debentures will be used to refinance debt coming due and to procure new dry-bulk vessels.

The ratings are supported by TTA’s sound balance sheet with sizable cash reserves. However, the ratings continue to reflect TTA’s high business risk induced by the high level of uncertainty and volatility in its core dry-bulk shipping and offshore services businesses.

TTA’s dry-bulk shipping business continues to recover following the disruption caused by COVID-19 in the first half of 2020. In the third quarter of 2020, TTA’s time charter equivalent (TCE) improved significantly to USD11,444 per ship per day, compared with an average TCE of USD7,662 per ship per day in the first half of 2020. We expect the recovery momentum to continue in the fourth quarter of 2020 and 2021, considering the favorable demand-supply fundamental and stimulus policies by governments globally which are key supportive factors to sea-borne trade. However, the recovery in freight rates is still weighed by the vulnerable global economic outlook.

We expect TTA’s offshore services business to continue to be under pressure with operating losses over the next 1-2 years. At the end of September 2020, the company’s orderbook totaled USD179 million, which we expect will translate into revenues of USD25 million in the fourth quarter of 2020, USD100 million in 2021, and USD54 million in 2022. As oil & gas companies remain cautious in capital spending, coupled with the oversupply of offshore engineering services, contract renewals are uncertain and likely to come under pricing pressure. TTA’s efforts to diversify into new businesses and service areas such as decommissioning activities in the Gulf of Thailand have yet to deliver results. We view the recovery prospects of TTA’s offshore services business to remain uncertain and the continuous losses from this business are a drain on TTA’s overall financial strength.

TTA’s sound balance sheet is important in supporting the ratings. We view TTA’s cash and marketable securities of THB7 billion is large enough to support its liquidity needs in a stress scenario. For the first nine months of 2020, TTA’s performance remained in line with our expectation. TTA reported THB9.5 billion in revenue and THB349 million in earnings before interest, taxes, depreciation, and amortization. TTA reported net losses for the period of THB3.4 billion, due mainly to non-cash losses from the disposal of all its shares in Asia Offshore Drilling Co., Ltd. (AOD) and reported normalized net losses for the period of Bt1 billion. The adjusted ratio of funds from operations (FFO) to debt was 13.3%, annualized from the trailing 12 months. Our base-case scenario projects the adjusted ratio of FFO to debt to stay below 10% in 2020 before improving to 20%-30% in 2021-2022.

RATING OUTLOOK

The “negative” outlook reflects the uncertain prospects of performance improvement of the company’s offshore services business, and persistent losses from this business will be a drain on TTA’s overall financial strength.

RATING SENSITIVITIES

The outlook could be revised to “stable” if the company delivers stronger-than-expected performance and there are clear signs the performance of the offshore services business is on a sustainable recovery path. A rating downgrade could occur from persistent deterioration in operating results or any sizable debt-funded investments.

RELATED CRITERIA

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

Thoresen Thai Agencies PLC (TTA)

Company Rating:	BBB
Issue Ratings:	
TTA213A: THB1,805.2 million senior unsecured debentures due 2021	BBB
TTA221A: THB1,500 million senior unsecured debentures due 2022	BBB
TTA233A: THB716.2 million senior unsecured debentures due 2023	BBB
Up to THB1,500 million senior unsecured debentures due within 3 years	BBB
Rating Outlook:	Negative

TRIS Rating Co., Ltd.

Silom Complex Building, 24th Floor, 191 Silom Road, Bangkok 10500, Thailand Tel: 0-2098-3000

© Copyright 2021, TRIS Rating Co., Ltd. All rights reserved. Any unauthorized use, disclosure, copying, republication, further transmission, dissemination, redistribution or storing for subsequent use for any purpose, in whole or Any unauthorized use, disclosure, copying, republication, further transmission, dissemination, redistribution, or storing for subsequent use for any purpose, in whole or in part, in any form or manner or by any means whatsoever, by any person, of the credit rating reports or information is prohibited, without the prior written permission of TRIS Rating Co., Ltd. The credit rating is not a statement of fact or a recommendation to buy, sell or hold any debt instruments. It is an expression of opinion regarding credit risks for that instrument or particular company. The opinion expressed in the credit rating does not represent investment or other advice and should therefore not be construed as such. Any rating and information contained in any report written or published by TRIS Rating has been prepared without taking into account any recipient’s particular financial needs, circumstances, knowledge and objectives. Therefore, a recipient should assess the appropriateness of such information before making an investment decision based on this information. Information used for the rating has been obtained by TRIS Rating from the company and other sources believed to be reliable. Therefore, TRIS Rating does not guarantee the accuracy, adequacy, or completeness of any such information and will accept no liability for any loss or damage arising from any inaccuracy, inadequacy or incompleteness. Also, TRIS Rating is not responsible for any errors or omissions, the result obtained from, or any actions taken in reliance upon such information. All methodologies used can be found at www.trisrating.com/rating-information/rating-criteria