

# INDORAMA VENTURES PLC

No. 33/2018

15 May 2018

## CORPORATES

<b>Company Rating:</b>	A+
<b>Issue Ratings:</b>	
Senior unsecured	A+
Hybrid	A-
<b>Outlook:</b>	Positive

### Company Rating History:

Date	Rating	Outlook/Alert
18/10/17	A+	Positive
09/09/11	A+	Stable

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## RATIONALE

TRIS Rating affirms the company rating of Indorama Ventures PLC (IVL) and the ratings of IVL's existing senior unsecured debentures at "A+". TRIS Rating also affirms the rating of "A-" to IVL's subordinated capital debentures. At the same time, TRIS Rating assigns the rating of "A+" to IVL's proposed issue of up to Bt20,000 million in senior unsecured debentures. The proceeds from the new debentures will be used for its business expansion.

The ratings of IVL reflect the company's leading position in the polyester value chain, competitiveness stemming from vertical integration, and geographic diversification in terms of production and customer base. The ratings also take into consideration the management team's capability and experience, as well as IVL's access to key technologies. However, the ratings are constrained by the volatile nature of the petrochemical industry.

In the first three months of 2018, IVL's revenue increased by 6.3% (year-on-year) to Bt76.14 billion, mainly due to higher sales volume and price increases. IVL's profitability also improved. The earnings before interest, tax, depreciation, and amortization (EBITDA) per tonne increased from US\$117 per tonne in the first three months of 2017 to US\$148 per tonne in the first three months of 2018.

The total debt to capitalization ratio also improved from 56.5% at the end of 2016 to 46.9% at the end of March 2018. This was due to the debt prepayment of about Bt10 billion using the proceeds from the exercise of the warrants amounting to Bt15.5 billion in the third quarter of 2017.

In March 2018, IVL announced two transactions. The first was the acquisition of a Polyethylene Terephthalate (PET) plant in Brazil from M&G Chemicals Brazil S.A. IVL then announced to enter into a joint venture to acquire from M&G USA Corp. and its affiliated debtors an integrated Purified Terephthalic Acid (PTA) and PET plant in the United States (US), which is under construction. On 14 May 2018, IVL announced to acquire 65.7% shareholding in Avgol Industries 1953 Ltd (Avgol). Avgol is the global manufacturer of non-woven fabric solution for the diapers, incontinence and hygiene markets.

IVL plans to spend about US\$1,054 million (Bt33.7 billion) in 2018 and about US\$300 million (Bt9.6 billion) in 2019-2020 to complete construction of integrated plant in the US.

These acquisitions are in line with the company's business plan to expand its polyester value chain in both North and South America. The PET plant in Brazil has a capacity of 550,000 tonnes per annum and is expected to generate EBITDA of about US\$60-US\$70 million per annum. The integrated plant in the US will produce 1.3 million tonnes per annum of PTA and 1.1 million tonnes per annum of PET when complete. Avgol has six plants located in 3 continents with total capacity of 203,000 tonnes per annum.

IVL plans to fund these acquisitions with a combination of debt and equity. The funding sources consist of Bt20 billion in new debentures plus equity injections from the exercise of outstanding warrants. Some of the warrants exercised in January 2018 brought IVL about Bt7.15 billion in new equity capital. Outstanding warrants worth Bt8.77 billion could be exercised within August

*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.*

2018. The company's debt to capitalization ratio is expected to range from 50% to 55% in the medium term.

## RATING OUTLOOK

The “positive” outlook reflects the company’s improved business profile due to successful strategies expanding into high value-added (HVA) products. It also takes into account the benefits it receives from vertical integration and geographical diversification strategies implemented during 2015-2017.

## RATING SENSITIVITIES

The ratings should be upgraded if IVL can improve its ratio of funds from operations (FFO) to total debt to about 20%-25% on a sustainable basis. The negative factor for the ratings could be a significant deterioration in financial performance. Sizable debt-funded acquisitions, which would lead to a weakening of the balance sheet, would also be a negative factor for the ratings.

## FINANCIAL STATISTICS AND KEY FINANCIAL RATIOS\*

Unit: Bt million

	Jan-Mar 2018	----- Year Ended 31 December -----			
		2017	2016	2015	2014
Revenue	76,143	286,332	254,620	234,698	243,907
Gross interest expense	891	3,864	4,601	3,787	3,622
Net income from operations	4,921	18,171	9,563	2,935	234
Funds from operations (FFO)	9,843	28,554	21,469	15,347	12,274
Earnings before interest, tax, depreciation, and amortization (EBITDA)	9,772	33,070	27,075	18,073	13,598
Capital expenditures and investments	4,427	29,014	38,537	26,385	13,716
Total assets	286,868	282,358	258,380	221,641	194,534
Total debts	90,728	95,785	102,106	83,606	73,294
Total adjusted debts	98,165	103,222	109,543	91,043	80,731
Shareholders' equity	127,913	118,987	91,815	82,953	74,610
Operating income before depreciation and amortization as % of sales	12.5	11.1	10.1	7.1	5.5
Pretax return on permanent capital (%)	10.3 **	10.2	8.9	5.6	3.9
EBITDA interest coverage (times)	9.5	7.5	5.3	4.2	3.8
FFO/total debt (%)	30.3 **	27.2	19.1	16.3	15.2
Total debt/capitalization (%)	44.9	48.1	56.5	4.7	54.6

Note: All ratios have been adjusted by the subordinated capital debentures (50% of the outstanding is treated as debt and the rest is treated as equity.)

\* Consolidated financial statements

\*\* Annualized with trailing 12 months

**Indorama Ventures PLC (IVL)**

<b>Company Rating:</b>	A+
<b>Issue Ratings:</b>	
IVL186A: Bt550 million senior unsecured debentures due 2018	A+
IVL180A: Bt98 million senior unsecured debentures due 2018	A+
IVL180B: Bt1,302 million senior unsecured debentures due 2018	A+
IVL18DA: Bt780 million senior unsecured debentures due 2018	A+
IVL193A: Bt800 million senior unsecured debentures due 2019	A+
IVL194A: Bt1,500 million senior unsecured debentures due 2019	A+
IVL205A: Bt2,000 million senior unsecured debentures due 2020	A+
IVL206A: Bt520 million senior unsecured debentures due 2020	A+
IVL20DA: Bt880 million senior unsecured debentures due 2020	A+
IVL210A: Bt37 million senior unsecured debentures due 2021	A+
IVL210B: Bt3,163 million senior unsecured debentures due 2021	A+
IVL210C: Bt300 million senior unsecured debentures due 2021	A+
IVL224A: Bt1,250.5 million senior unsecured debentures due 2022	A+
IVL224B: Bt2,649.5 million senior unsecured debentures due 2022	A+
IVL225A: Bt500 million senior unsecured debentures due 2022	A+
IVL22DA: Bt1,645 million senior unsecured debentures due 2022	A+
IVL236A: Bt1,100 million senior unsecured debentures due 2023	A+
IVL243A: Bt1,400 million senior unsecured debentures due 2024	A+
IVL245A: Bt1,000 million senior unsecured debentures due 2024	A+
IVL24NA: Bt300 million senior unsecured debentures due 2024	A+
IVL24DA: Bt1,475 million senior unsecured debentures due 2024	A+
IVL25DA: Bt1,150 million senior unsecured debentures due 2025	A+
IVL260A: Bt200 million senior unsecured debentures due 2026	A+
IVL275A: Bt2,000 million senior unsecured debentures due 2027	A+
IVL27NA: Bt700 million senior unsecured debentures due 2027	A+
IVL280A: Bt2,200 million senior unsecured debentures due 2028	A+
IVL295A: Bt2,000 million senior unsecured debentures due 2029	A+
IVL310A: Bt2,300 million senior unsecured debentures due 2031	A+
IVL32NA: Bt1,000 million senior unsecured debentures due 2032	A+
IVL14PA: Bt15,000 million subordinated capital debentures	A-
Up to Bt20,000 million senior unsecured debentures due within 15 years	A+
<b>Rating Outlook:</b>	Positive

**TRIS Rating Co., Ltd.**

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