

# BANGCHAK CORPORATION PLC

No. 85/2022  
18 August 2022

## CORPORATES

|                        |        |
|------------------------|--------|
| <b>Company Rating:</b> | A-     |
| <b>Issue Ratings:</b>  |        |
| Senior unsecured       | A-     |
| Hybrid                 | BBB    |
| <b>Outlook:</b>        | Stable |

**Last Review Date:** 27/07/22

### Company Rating History:

| Date     | Rating | Outlook/Alert  |
|----------|--------|----------------|
| 09/12/20 | A-     | Stable         |
| 11/06/20 | A      | Negative       |
| 04/11/15 | A      | Stable         |
| 26/12/12 | A-     | Stable         |
| 06/07/12 | A-     | Alert Negative |
| 12/10/10 | A-     | Stable         |
| 05/11/09 | BBB+   | Positive       |
| 05/11/08 | BBB+   | Stable         |

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## RATIONALE

TRIS Rating assigns an “A-” rating on the proposed issue of up to THB3 billion in senior unsecured debentures of Bangchak Corporation PLC (BCP). BCP will use the proceeds from the new debentures for working capital needs. All the ratings on BCP remain unchanged. These include the company rating and the ratings on its senior unsecured debentures of “A-”, as well as the rating on BCP’s subordinated capital debentures of “BBB”. The rating outlook remains “stable”.

The ratings continue to reflect BCP’s solid business profile based on its refinery’s operating flexibility, the benefits from the integration between its refinery and marketing businesses, as well as business diversification, and strong market presence in the fuel marketing business. On the other hand, the ratings are constrained by volatile gross refinery margins (GRM) and oil prices, as well as pressure on marketing margins. The ratings are also tempered by BCP’s planned investments which potentially heighten its financial leverage.

For the first six months of 2022, BCP’s performance was better than our forecast. The company’s earnings before interest, taxes, depreciation and amortization (EBITDA) increased by 175%, year-on-year (y-o-y), to THB23.7 billion. The robust growth of EBITDA was led by the soaring crude oil price and GRM, as well as the earnings contribution from OKEA ASA (OKEA), which BCP has consolidated since the second half of 2021. OKEA meaningfully made up about 32% of BCP’s EBITDA, or THB7.8 billion in the first six months of 2022.

As of June 2022, BCP’s debt to EBITDA ratio improved to 1.6 times (annualized with trailing 12 months) due to higher-than-expected EBITDA and lower adjusted debt. That said, we project BCP’s financial leverage to rise, given its planned capital expenditures and investments. We view the divestment of the geothermal project in Indonesia worth USD440 million or THB14.55 billion should support the company’s capital structure during the business expansion.

As of June 2022, BCP’s consolidated debt was THB83.3 billion (including hybrid debentures). BCP’s priority debt consisted of THB18.7 billion in secured debt and THB20.1 billion in senior unsecured debt owed by its subsidiaries. The ratio of priority debt to total consolidated debt was 46.6%.

## RATING OUTLOOK

The “stable” outlook reflects our expectation that BCP continues to maintain its strengths in the refinery business and solid market position in its marketing business, and that the expansion of its power business will add sizable and more predictable earnings to the company.

## RATING SENSITIVITIES

An upgrade for BCP’s ratings could occur if the company arrives at sizable and recurring earnings from its diversification efforts, without materially weakening its capital structure. Conversely, negative rating pressure would develop if BCP’s operating performance is significantly worse than our expectation or its capital structure materially weakens, which could develop from a deluge of debt-funded investments or considerable losses incurred from its investments, such that the company’s debt to EBITDA ratio stays over 8 times for a sustained period.

**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.

## RELATED CRITERIA

- Corporate Rating Methodology, 15 July 2022
- Key Financial Ratio and Adjustments for Corporate Issuers, 11 January 2022
- Hybrid Securities Rating Criteria, 28 June 2021
- Issue Rating Criteria, 15 June 2021

## Bangchak Corporation PLC (BCP)

|   |        |
|---|--------|
| <b>Company Rating:</b>  | A-     |
| <b>Issue Ratings:</b>   |        |
| BCP238A: THB400 million senior unsecured debentures due 2023            | A-     |
| BCP23NA: THB2,000 million senior unsecured debentures due 2023          | A-     |
| BCP244A: THB3,500 million senior unsecured debentures due 2024          | A-     |
| BCP258A: THB600 million senior unsecured debentures due 2025            | A-     |
| BCP26NA: THB1,000 million senior unsecured debentures due 2026          | A-     |
| BCP273A: THB2,000 million senior unsecured debentures due 2027          | A-     |
| BCP275A: THB500 million senior unsecured debentures due 2027            | A-     |
| BCP28DA: THB7,000 million senior unsecured debentures due 2028          | A-     |
| BCP29NA: THB1,400 million senior unsecured debentures due 2029          | A-     |
| BCP303A: THB1,000 million senior unsecured debentures due 2030          | A-     |
| BCP305A: THB4,500 million senior unsecured debentures due 2030          | A-     |
| BCP31NA: THB2,600 million senior unsecured debentures due 2031          | A-     |
| BCP19PA: THB10,000 million subordinated capital debentures              | BBB    |
| Up to THB12,000 million senior unsecured debentures due within 15 years | A-     |
| Up to THB3,000 million senior unsecured debentures due within 15 years  | A-     |
| <b>Rating Outlook:</b>  | Stable |

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