

# BANGCHAK SRIRACHA PLC

No. 98/2024

28 November 2024

## CORPORATES

<b>Company Rating:</b>	A+
<b>Issue Ratings:</b>	
Senior unsecured	A+
<b>Outlook:</b>	Stable

Last Review Date: 30/09/24

### Company Rating History:

Date	Rating	Outlook/Alert
30/09/24	A+	Stable
31/08/23	A	Stable
19/01/23	A+	Alert Negative
21/12/22	A+	Stable
11/06/20	A	Stable
21/11/08	A+	Stable

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## RATIONALE

TRIS Rating assigns a rating of “A+” to proposed issue of up to THB8 billion senior unsecured debentures due within 10 years of Bangchak Sriracha PLC (BSRC). BSRC intends to use the proceeds from the debenture issuance to refinance existing debt. At the same time, TRIS Rating affirms the company rating on BSRC and the ratings on its outstanding senior unsecured debentures at “A+”. The rating outlook is “stable”.

We maintain our assessment of BSRC as a “core subsidiary” of Bangchak Corporation PLC (BCP, rated “A+/Stable”), resulting in the ratings on BSRC being at the same level as those assigned to BCP. BSRC’s stand-alone credit profile (SACP) remains at “a-”, reflecting improved operating efficiency from integrated refinery operations with BCP as well as an expected improvement in its financial profile. However, the SACP is constrained by the inherent high volatility in the petroleum industry and anticipated pressure on the marketing margin due to new refining capacity projected to come online in 2025.

BSRC’s financial performance fell short of our expectations in the first nine months of 2024. The company’s EBITDA was only THB2.4 billion, impacted by a significant inventory loss of about THB2.6 billion or USD6 per barrel, due to a sharp drop in the crude oil price and lower operating gross refining margins in the third quarter of 2024. Specifically, the price of Dubai crude oil fell from USD82.7 per barrel in June 2024 to USD73.2 per barrel in September 2024. Operating gross refining margins decreased from USD2.7 per barrel in the second quarter of 2024 to USD1.6 per barrel in the third quarter of 2024, primarily driven by lower crack spreads. Despite these inventory loss and lower operating gross refinery margins, the company’s net cash flow from operations of THB5.04 billion remained in line with our forecast for 2024, and the net adjusted debt of THB29.6 billion was also in line with our expectations. We anticipate a gradual improvement in the crude oil price and product spread for all refining products, which should help improve the company’s performance in the fourth quarter of 2024.

BSRC’s refinery crude run for the first nine month of 2024 was 147 thousand barrels per day (KBD). This was higher than the typical annual crude run of 130-143 KBD during 2013 to 2018 based on normal operations. This increase is attributed to synergy benefits with the Bangchak Group. However, the crude run temporarily decreased to 137 KBD in the third quarter of 2024 due to minor planned maintenance. We expect BSRC’s refinery crude run to rebound to around 150-152 KBD in the last quarter of 2024.

As of September 2024, BSRC’s consolidated debt was THB27 billion (excluding lease liabilities). BSRC did not have any priority debt as of September 2024.

## RATING OUTLOOK

The “stable” outlook reflects our expectation that BSRC will maintain its status as a core subsidiary of BCP and continue to receive strong supports from its parent company. The outlook further reflects our expectation that BSRC will perform in line with our projections. Given the planned actions for business improvement, we expect BSRC’s earnings and financial leverage to align with our estimates.

**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.

## RATING SENSITIVITIES

The ratings and/or outlook for BSRC could be revised upward or downward should there be any changes in BCP's credit profile or if there are changes in BSRC's strategic importance to BCP.

## RELATED CRITERIA

- Group Rating Methodology, 7 September 2022
- Corporate Rating Methodology, 15 July 2022
- Key Financial Ratios and Adjustments for Corporate Issuers, 11 January 2022
- Issue Rating Criteria, 15 June 2021

## Bangchak Sriracha PLC (BSRC)

<b>Company Rating:</b>	A+
<b>Issue Ratings:</b>	
BSRC267A: THB2,500 million senior unsecured debentures due 2026	A+
BSRC277A: THB1,500 million senior unsecured debentures due 2027	A+
Up to THB8,000 million senior unsecured debentures due within 10 years	A+
<b>Rating Outlook:</b>	Stable

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