

BANGCHAK CORPORATION PLC

No. 19/2020
30 March 2020

CORPORATES

Company Rating:	A
Issue Ratings:	
Senior unsecured	A
Hybrid	BBB+
Outlook:	Stable

Last Review Date: 18/11/19

Company Rating History:

Date	Rating	Outlook/Alert
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

Contacts:

Sermwit Sriyotha

sermwit@trisrating.com

Narongchai Ponsirichusopol

narongchai@trisrating.com

Parat Mahuttano

parat@trisrating.com

Monthian Chantarklam

monthian@trisrating.com



WWW.TRISRATING.COM

RATIONALE

TRIS Rating affirms the company rating on Bangchak Corporation PLC (BCP) and the ratings on BCP's existing senior unsecured debentures at "A". TRIS Rating also affirms the rating of "BBB+" on BCP's subordinated capital debentures. At the same time, TRIS Rating assigns the rating of "A" to BCP's proposed issue of up to Bt10 billion in senior unsecured debentures. The proceeds from the new debentures will be used for refinancing its existing debts, expanding its business, and working capital need.

The ratings on BCP continue to reflect BCP's competitive strengths in oil refinery, solid position in the fuel marketing business, and its rewarding business diversification. Conversely, the ratings are partially offset by the volatility of oil prices and a rise in debt to fund its business expansion.

For 2019, BCP's performance was in line with our forecast. The company's earnings before interest, tax, depreciation, and amortization (EBITDA) was at Bt9.9 billion, while the adjusted debt stood at Bt53.7 billion at the end of 2019. Therefore, the debt to EBITDA ratio was 5.4 times at the end of 2019.

The current situation of the outbreak of coronavirus (COVID-19) is putting pressure on the gross refinery margin (GRM), as the demand for fuel tends to decline. The on-going oil price war has caused crude oil prices to drop dramatically in March 2020. Therefore, BCP may record a hefty inventory loss in the first quarter of 2020, like other refineries. We view that the oil price could stay low in the short-term and begin to rebound from 2021 onward. Furthermore, we also expect BCP will reduce its capital spending if the outbreak prolongs, in order to maintain sufficient levels of cash flow against debt obligations.

RATING OUTLOOK

The "stable" outlook reflects the expectation that BCP will retain its strength in the refinery and strong market position in the marketing business. The investments in the power projects are expected to generate sustainable streams of cash flow and mitigate the impact from the fluctuations in oil refining and marketing business.

RATING SENSITIVITIES

An upside on BCP's ratings could occur if the company generates sizable and recurring cash flow from its diversification efforts, while not materially affect its capital structure. A rating downside could occur if BCP's financial leverage significantly deteriorates due to an aggressive debt-funded investment or considerable losses incurred from its investments.

RELATED CRITERIA

- Rating Methodology – Corporate, 26 July 2019
- Hybrid Securities Rating Criteria, 12 September 2018
- Key Financial Ratios and Adjustments, 5 September 2018

Bangchak Corporation PLC (BCP)

Company Rating:	A
Issue Ratings:	
BCP208A: Bt3,000 million senior unsecured debentures due 2020	A
BCP214A: Bt2,500 million senior unsecured debentures due 2021	A
BCP224A: Bt1,000 million senior unsecured debentures due 2022	A
BCP238A: Bt400 million senior unsecured debentures due 2023	A
BCP244A: Bt3,500 million senior unsecured debentures due 2024	A
BCP258A: Bt600 million senior unsecured debentures due 2025	A
BCP273A: Bt2,000 million senior unsecured debentures due 2027	A
BCP28DA: Bt7,000 million senior unsecured debentures due 2028	A
BCP303A: Bt1,000 million senior unsecured debentures due 2030	A
BCP19PA: Bt10,000 million subordinated capital debentures	BBB+
Up to Bt10,000 million senior unsecured debentures due within 10 years	A
Rating Outlook:	Stable

TRIS Rating Co., Ltd.

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

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