

EAST COAST FURNITECH PLC

No. 3/2024
9 April 2024

CORPORATES

Company Rating: B+
CreditAlert: Negative

Last Review Date: 19/07/23

Company Rating History:

Date	Rating	Outlook/Alert
19/07/23	BB-	Stable
27/07/22	BB	Stable
30/07/21	BB+	Stable
23/07/20	BB+	Negative
25/07/18	BB+	Stable
19/06/17	BB	Stable

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RATIONALE

TRIS Rating downgrades the company rating on East Coast Furnitech PLC (ECF) to B+ from BB-. At the same time, we place the rating on CreditAlert with a “negative” implication. The downgrade reflects weaker-than-projected operating results in 2023, uncertainty in the company’s plan to restore profitability, and ongoing high financial leverage with tightening liquidity.

The CreditAlert with “negative” implication reflects heightened refinancing risk in relation to ECF’s maturing debentures issues. ECF has two debentures, totaling THB609.5 million, with one maturing in May and the other in June 2024. Considering the sentiment in the debt market and the relatively large repayment amount coming due, it could be a challenge for the company to secure enough fresh issuances to cover the entire amount of the maturing obligations. The company has been seeking multiple funding options; however, available funding sources remain uncertain. ECF is currently in a process of arranging a bondholders’ meeting on 30 April 2024 to seek an extension of the principal repayment dates of the maturing debentures.

ECF’s cash flows and profitability deteriorated significantly in 2023. Earnings before interest, tax, depreciation, and amortization (EBITDA) dropped to THB42 million in 2023, much lower than an average of approximately THB200 million per annum in prior years. Funds from operations (FFO) were negative at minus THB142 million in 2023. The plunge in its profit margin was mainly due to the operational impact on some production lines from the fire accident in the second quarter of 2023. Also, the profit was affected by several one-time charges, totaling THB64 million, such as the write-down of inventory and a rising allowance in recording slow-moving and obsolete inventories.

ECF’s operations could recover gradually with work shift adjustments aimed at reducing overtime costs. The replacement of damaged machines and improvements in production costs will be key factors in restoring profitability, in our view. The company is in the process of ordering replacement machines, with the expected completion of installation by the middle of 2024, subject to the company’s ability to secure bank loan financing.

We will resolve the CreditAlert once results from the bondholder’s meeting are concluded or when ECF has a clear funding plan for the repayment of the above-mentioned maturing debentures. In case of the company’s failure to obtain bondholders’ agreement on extended maturing dates without securing other funding sources, the credit rating may face further downgrade.

RELATED CRITERIA

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

East Coast Furnitech PLC (ECF)

Company Rating:	B+
CreditAlert:	Negative

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