

ITALIAN-THAI DEVELOPMENT PLC

No. 35/2025
1 April 2025

CORPORATES

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|------------------------|----------|
| Company Rating: | B+ |
| Issue Ratings: | |
| Senior unsecured | B |
| Outlook: | Negative |

Last Review Date: 27/12/24

Company Rating History:

| Date | Rating | Outlook/Alert |
|----------|--------|------------------|
| 27/12/24 | BB- | Alert Developing |
| 15/03/24 | BB- | Alert Negative |
| 12/01/24 | BB+ | Alert Negative |
| 15/12/23 | BB+ | Negative |
| 10/04/23 | BBB- | Negative |
| 08/04/21 | BBB- | Stable |
| 19/01/21 | BBB- | Alert Negative |
| 30/09/13 | BBB- | Stable |
| 27/08/12 | BB+ | Negative |
| 02/07/12 | BB+ | Alert Negative |
| 08/06/12 | BBB- | Negative |
| 06/05/11 | BBB | Stable |
| 30/04/09 | BBB+ | Negative |
| 13/09/07 | BBB+ | Stable |
| 11/01/07 | A- | Negative |
| 23/11/05 | A- | Stable |

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RATIONALE

TRIS Rating downgrades the company rating on Italian-Thai Development PLC (ITD) and the ratings on its senior unsecured debentures to “B+” and “B” from “BB-” and “B+”, respectively. At the same time, we replace the “developing” CreditAlert with a “negative” outlook on these ratings.

The downgrades reflect the further deterioration of ITD’s credit profile following a significant loss of THB5.78 billion in 2024 and potential losses from recent major incidents, including the collapse of the under-construction State Audit Office Building due to an earthquake on 28 March 2025 and the collapse of the concrete beam in the Rama 3-Dao Khanong-Bangkok Western Outer Ring Road Expressway Project (Contract 3) on 15 March 2025. These incidents have exacerbated the risks to both the business and financial positions of the company. Although these projects were fully insured, the company has to allocate additional time and resources for reconstruction or repair while awaiting insurance claims. This will further strain the company’s already weak financial standing and severely limited liquidity.

Given a significant loss in 2024 and the expected weak operating performance in the next 1-2 years, the sale of its 46.64% stake in ITD Cementation India Ltd. (ITD Cem), valued at approximately THB11.9 billion may not significantly improve its liquidity profile as previously anticipated. Also, the auditor’s disclaimer of opinion on ITD’s 2024 financial statements due to material uncertainties related to the company’s ongoing operations suggests potential downside risks to its financial profile.

TRIS Rating projects that ITD’s revenues will decline following the divestment of ITD Cem in mid-2025, decreasing from THB71 billion in 2024 to THB50 billion in 2025, THB40 billion in 2026, and THB34 billion in 2027. The EBITDA margin is anticipated to fall below 5% this year but recover to around 7% in 2026 and 11% by 2027. We expect the debt to capitalization ratio to remain above 80%, with the funds from operations to debt ratio staying negative this year before improving to about 3% in 2026 and 6% in 2027. The debt to EBITDA ratio is projected to increase from 10.5 times in 2024 to around 15 times in 2025, then improve to around 10 times in 2026 and 7 times in 2027. Liquidity is expected to remain tight.

RATING OUTLOOK

The “negative” outlook reflects the company’s business and financial profiles deteriorating more than expected. Further decline in its operating performance is expected given the additional work and time needed for reconstructing or repairing the damaged projects. The auditor’s disclaimer of opinion on ITD’s 2024 financial statements also suggests potential downside risks to its financial profile.

RATING SENSITIVITIES

Considering ITD’s current financial profile, a rating upgrade is unlikely in the next 12-18 months. Leverage is projected to remain high while profit margins may be lower than those in the previous periods. Conversely, the ratings could be downgraded if the sale of ITD Cem does not proceed as planned or if its operating performance is weaker than expected.

COMPANY OVERVIEW

ITD was established in 1958 by Dr. Chaijudh Karnasuta and Mr. Giorgio Berlingieri, an Italian naval architect. The company was listed on the Stock Exchange of Thailand (SET) in 1994. ITD's business comprises three main areas: domestic construction, overseas construction, and long-term investments. ITD faced difficulties during the 1997 financial crisis. Subsequent restructuring completed in 2002 diluted the ownership stake of the Karnasuta Family to 48% from 64%. The family owned a 22% stake as of April 2024.

The company is engaged in a broad range of civil construction work, ranging from constructing buildings, industrial plants, pipelines, railways, expressways, airports, seaports, power plants, hydro-electric dams, and mines. In all, domestic projects comprise 60%-70% of the company's total revenue annually while overseas projects make up the rest. The engineering and construction (E&C) projects undertaken by its India-based subsidiary, ITD Cem, make up most of the revenue from overseas projects.

In October 2024, ITD announced that it had entered into a share purchase agreement for its entire 46.64% stake in ITD Cem with Renew Exim Dmcc, a subsidiary of the Adani Group, valued at THB11.9 billion. This agreement received approval from ITD's minority shareholders on 17 December 2024. The next steps involve obtaining acquisition approvals from Indian authorities for both ITD Cem and Renew Exim Dmcc. The company anticipates finalizing these approvals by January 2025, with the completed transaction expected by the second quarter of 2025.

Also, ITD announced the signing of a share subscription agreement for the potash mining project in October 2024 with SDIC SPV, a subsidiary of SDIC, valued at around THB8.4 billion. SDIC is a leading company in potash mining investment and operations from China. If the capital increase is successful, the shareholder structure of the potash mining project will comprise ITD (45%), SDIC SPV (45%), and the Ministry of Finance (MOF) (10%). The company expects to complete this transaction by the first quarter of 2025.

ITD-CRCC joint venture (JV), was the main contractor for the State Audit Office Building. ITD holds 51% of the JV and China Railways No. 10 (Thailand) Co., Ltd. holds 49%. The project value is worth around THB2.14 billion and the construction progress was around 30% as of December 2024. The Rama 3-Dao Khanong-Bangkok Western Outer Ring Road Expressway Project (Contract 3) is under the ITD-VCB joint venture, with ITD holding 70% and Vichitbhan Construction Co., Ltd. 30%. The project value is worth around THB7.36 billion and construction progress stands at around 84%.

RELATED CRITERIA

- Issue Rating Criteria, 26 December 2024
- Corporate Rating Methodology, 15 July 2022
- Key Financial Ratios and Adjustments for Corporate Issuers, 11 January 2022

Italian-Thai Development PLC (ITD)

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|---|----------|
| Company Rating: | B+ |
| Issue Ratings: | |
| ITD24DB _{RS} : THB1,215 million senior unsecured debentures due 2026 | B |
| ITD254A _{RS} : THB6,000 million senior unsecured debentures due 2027 | B |
| ITD266A _{RS} : THB2,785 million senior unsecured debentures due 2028 | B |
| Rating Outlook: | Negative |

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