

PRECIOUS SHIPPING PLC

No. 11/2020
24 April 2020

CORPORATES

Company Rating:	BB+
Issue Ratings:	
Senior unsecured	BB
CreditAlert:	Negative

Last Review Date: 08/10/19

Company Rating History:

Date	Rating	Outlook/Alert
31/08/17	BBB-	Stable
26/08/16	BBB-	Negative
13/11/15	BBB	Stable

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RATIONALE

TRIS Rating downgrades the company's rating on Precious Shipping PLC (PSL) to "BB+" from "BBB-" and downgrades its senior unsecured issue rating to "BB" from "BB+". At the same time, we place the ratings on CreditAlert with a "negative" implication. The rating actions reflect our concerns over the refinancing risk of its debentures coming due amid unfavorable financial market conditions, and the economic fallout from the impact of the coronavirus (COVID-19) outbreak that will likely result in the company's materially weakening operating performance.

PSL has a total of US\$218 million debt repayments due over the next 12 months from April 2020 to March 2021. The repayments include debentures of US\$54.9 million (swapped from Bt1.96 billion) due in June 2020 and US\$99.72 million (swapped from Bt3.59 billion) due in January 2021. We expect the company's operating performance in 2020-2021 will be materially weaker than our previous base-case assumptions. The COVID-19 pandemic has also disrupted industry activities and the demand for dry-bulk shipping. We expect the subdued demand to continue well into 2021 as the economic recovery path is likely to be gradual after the peak of the pandemic. With the weakening operating cash flow, the company will have to rely largely on refinancing to meet the coming due debentures repayments. However, the currently limited risk appetite in the financial markets has raised our concern on its ability to secure sufficient funding in a timely manner for the refinancing.

According to PSL, at the end of March 2020, it expected to have cash and cash equivalent on hand of US\$37 million. In addition, it has nine collateral-free vessels with total market value of around US\$85-US\$90 million. To redeem the debentures coming due in June 2020, the company is in talks with banks for new loans, both in terms of using its free vessels as collateral and topping up some of its existing loans which currently have low loan-to-value ratios. If PSL cannot secure a sufficient amount of loans from banks, it is highly likely that the company will inevitably seek an agreement from the debentures holders for a partial or deferred payment for the debentures due in June 2020. In case that the company can manage to repay or rollover the debentures due in June, the company would still be under significant liquidity pressure to secure funding for the redemption of US\$99.72 million debentures due in January 2021.

TRIS Rating will keep monitoring the situation. The ratings could be downgraded further if PSL cannot demonstrate sufficient liquidity sources to cover its debt servicing obligations and/or there are signs of deepened deterioration in its operating performance caused by the COVID-19 pandemic.

RELATED CRITERIA

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

Precious Shipping PLC (PSL)

Company Rating:	BB+
Issue Rating:	
PSL211A: Bt3,590 million senior unsecured debentures due 2021	BB
CREDITALERT:	Negative

TRIS Rating Co., Ltd.

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