

LVMC HOLDINGS SINGAPORE PTE. LTD.

No. 110/2018
26 July 2018

CORPORATES

Issue Ratings:

Guaranteed

BB+

Outlook:

Stable

Issue Rating History:

Date	Rating	Outlook/Alert
08/08/17	BBB-	Stable

RATIONALE

TRIS Rating downgrades the rating of US\$25.7 million guaranteed debentures issued by LVMC Holdings Singapore Pte. Ltd. (LVMCS) to “BB+” from “BBB-”. LVMCS is previously known as Kolao Holdings Singapore Pte. Ltd. (KHS). The rating change reflects the downgrade of the company rating of LVMC Holdings (LVMC, the Group), one of the guarantors. The debentures are jointly and severally guaranteed by LVMC and Kolao Developing Co., Ltd. (KDC). Therefore, the issue rating reflects the credit worthiness of LVMC and KDC.

TRIS Rating downgrades the company rating of LVMC, previously known as Kolao Holdings (KOLAO), to “BB+”, from “BBB-”. The rating downgrade reflects a larger-than-expected drop in the operating performance of LVMC. KDC, a wholly-owned subsidiary of LVMC, is classified as a “core” subsidiary of LVMC. Thus, KDC’s rating is equivalent to LVMC’s rating, or the Group’s rating.

Under the guarantee agreement, LVMC and KDC jointly and severally provide unconditional and irrevocable guarantee on all amounts due under the debentures, including the principal amount of US\$25.7 million and any interest accrued thereon and other related expenses. The guaranteed debentures rank at least equally with all other unsecured and unsubordinated obligations of LVMC and KDC.

LVMCS was incorporated in 2013 as a wholly-owned subsidiary of LVMC. LVMCS, through its subsidiaries, sells automobiles in Myanmar. As LVMCS’s business is currently small, the sources of interest and principal repayments to the debenture holders will come from the interest and principal repayments received from LVMC under the inter-company loan agreement between LVMCS and LVMC.

RATING OUTLOOK

The “stable” outlook reflects the outlooks of LVMC and KDC. TRIS Rating expects the Group will be able to regain its competitiveness in its core market and restore profitability gradually. In addition, revenue from other countries should help boost the operating performance of the Group.

RATING SENSITIVITIES

The issue rating and/or outlook could be changed if the ratings and/or outlooks of the two guarantors change.

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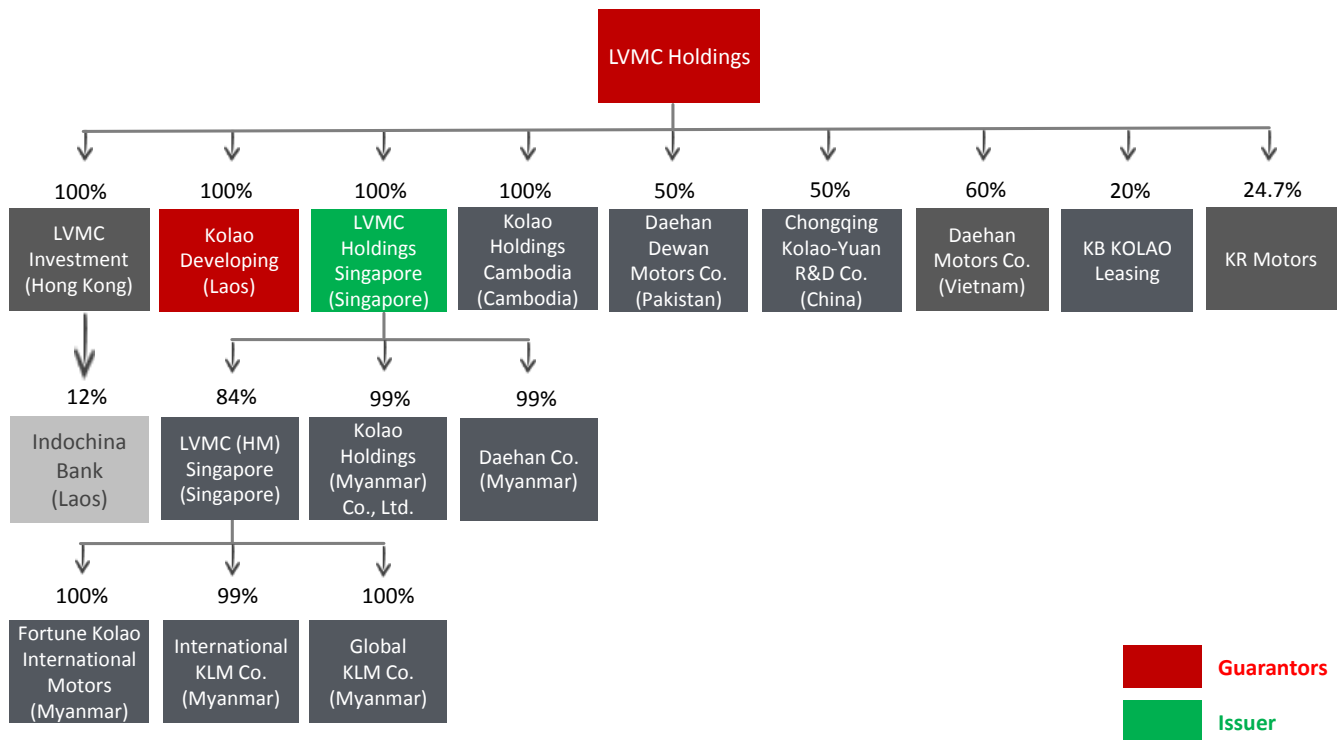
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The LVMC's Group Structure



FINANCIAL STATISTICS AND KEY FINANCIAL RATIOS*

LVMC Holdings (LVMC)

Unit: US\$ million

	Jan-Mar 2018	Year Ended 31 December			
		2017	2016	2015	2014
Revenue	68	295	338	393	361
Gross interest expense	5	10	10	5	5
Net income from operations	(4)	12	36	41	40
Funds from operations (FFO)	10	34	54	49	24
Capital expenditures	1	16	14	13	25
Total assets	615	589	571	512	416
Total debts	174	175	142	136	101
Shareholders' equity	369	371	362	329	290
Operating income before depreciation and amortization as % of sales ***	1.2	11.2	13.6	12.1	10.9
Pretax return on permanent capital (%)	3.0 **	5.7	9.4	9.8	10.6
Earnings before interest, tax, depreciation, and amortization (EBITDA) interest coverage (times)	0.9	3.9	5.5	8.3	7.1
FFO/total debt (%)	18.0 **	21.6	41.4	38.4	26.6
Total debt/capitalization (%)	32.1	32.0	28.1	29.3	25.9
Total debt/capitalization (%) ****	31.1	30.2	26.6	27.1	24.0

Note: All ratios are operating lease adjusted.

* Consolidated financial statements

** Adjusted with trailing 12 months

*** Including net interest income from installment sales

**** Excluding capitalized annual leases

Kolao Developing Co., Ltd. (KDC)

Unit: US\$ million

	Jan-Mar 2018	Year Ended 31 December			
		2017	2016	2015	2014
Revenue	64	283	326	388	350
Gross interest expense	2	7	7	4	4
Net income from operations	5	34	51	44	37
Funds from operations (FFO)	12	46	63	56	29
Capital expenditures	0	14	9	12	18
Total assets	486	496	483	421	329
Total debts	134	162	159	167	136
Shareholders' equity	306	300	267	216	172
Operating income before depreciation and amortization as % of sales ***	7.3	14.7	17.4	13.9	12.6
Pretax return on permanent capital (%)	7.7 **	9.9	14.1	15.0	15.9
Earnings before interest, tax, depreciation, and amortization (EBITDA) interest coverage (times)	5.6	7.6	9.1	11.6	10.5
FFO/total debt (%)	33.5 **	31.2	42.3	35.4	23.3
Total debt/capitalization (%)	30.5	35.0	37.3	43.6	44.1
Total debt/capitalization (%) ****	29.1	32.9	35.7	41.4	42.3

Note: All ratios are operating lease adjusted.

* Consolidated financial statements

** Adjusted with trailing 12 months

*** Including net interest income from installment sales

**** Excluding capitalized annual leases

LVMC Holdings Singapore Pte. Ltd. (LVMCS)

Issue Rating:

KHS208A: US\$25.7 million guaranteed debentures due 2020

BB+

Rating Outlook:Stable

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