

BBGI PLC

No. 113/2022
27 October 2022

CORPORATES

Company Rating: A-
Outlook: Stable

Last Review Date: 11/10/22

Company Rating History:

Date	Rating	Outlook/Alert
27/10/20	BBB+	Stable

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RATIONALE

TRIS Rating upgrades the company rating on BBGI PLC (BBGI) to “A-” from “BBB+” with a “stable” rating outlook. The upgrade follows the upgrade of company rating on Bangchak Corporation PLC (BCP) to “A/Stable” from “A-/Stable”, on 27 October 2022.

The “A-” rating incorporates a two-notches uplift from BBGI’s stand-alone credit profile (SACP) of “bbb”, reflecting our view of BBGI as a strategically important subsidiary of BCP.

The SACP of BBGI continues to reflect its strong market presence in domestic biofuel, leveraging the strengths of its major shareholders in securing feedstock and output offtakes. However, these strengths are held back by the lingering oversupply of biofuel, highly competitive marketplace, and volatile operating spreads.

The rating also takes into consideration BBGI’s strengthened capital structure, from the proceeds of the initial public offering (IPO) in March 2022. However, its credit profile is pressured by a deteriorating operating performance due to a hike in raw materials cost in 2022.

RATING OUTLOOK

The “stable” outlook reflects our expectation that the operating performance of BBGI will gradually recover in 2023-2024. We also expect the debt to earnings before interest, taxes, depreciation, and amortization (EBITDA) ratio to stay below 3.0 times in 2023-2024, despite its sizable investment plan.

RATING SENSITIVITIES

A rating upgrade could develop if the company can significantly enlarge its cash flow from existing operation and/or new businesses, while maintaining its financial leverage at acceptable levels. In contrast, a rating downgrade could occur if the company’s performance materially deviates from our expectation.

Any material changes in the credit profile of BCP or a weakened linkage between BBGI and BCP could also impact the rating on BBGI.

COMPANY OVERVIEW

BBGI was established in October 2017 by an amalgamation between biofuel businesses of BCP and Khon Kaen Sugar Industry PLC (KSL). After the IPO in March 2022, BBGI is held by BCP for 45% and KSL for 30%. Currently, there are two main biofuel business lines -- ethanol and biodiesel. As of June 2022, BBGI’s ethanol capacity was 600 kiloliters per day (KL/D) and biodiesel capacity was 1,000 KL/D. However, the company’s ethanol capacity will increase to 800 KL/D in 2023. BCP is also a major off-taker for both ethanol and biodiesel, as these two products are mandated for blending with gasoline and regular diesel with specific proportion for selling as fuel across Thailand.

BBGI not only focuses on the biofuel business but also on entering the biotechnology business. In addition to Manus Bio Inc. and WIN Ingredients Co., Ltd, BBGI has also committed to investing in the Contract Development and Manufacturing Organization (CDMO) business, and in the sustainable aviation

fuel business under a joint venture led by BCP.

RELATED CRITERIA

- Group Rating Methodology, 7 September 2022
- Corporate Rating Methodology, 15 July 2022
- Key Financial Ratios and Adjustments for Corporate Issuers, 11 January 2022

BBGI PLC (BBGI)

Company Rating:	A-
Rating Outlook:	Stable

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