

# ASIAN SEA CORPORATION PLC

No. 19/2024  
29 February 2024

## CORPORATES

**Company Rating:** BBB  
**Outlook:** Stable

**Last Review Date:** 28/02/23

### Company Rating History:

Date	Rating	Outlook/Alert
18/02/22	BBB	Stable
13/02/19	BBB-	Stable

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## RATIONALE

TRIS Rating affirms the company rating on Asian Sea Corporation PLC (ASIAN) at “BBB”, with a “stable” outlook. The rating reflects the company’s market standing as a pet food producer and medium-sized seafood processor in Thailand. The rating also factors in ASIAN’s diversification of products and geographic markets. In addition, ASIAN has a very sound balance sheet. However, these strengths are tempered somewhat by demand volatility, intense competition and volatile prices in the frozen seafood industry, exchange rate fluctuations, and trade barriers imposed by importing countries.

## KEY RATING CONSIDERATIONS

### Softened profitability

ASIAN’s total operating revenue in 2023 decreased by 14% year-on-year (y-o-y) to THB9.7 billion. This was mainly due to lower sales volume in the pet food and frozen seafood processing segments from customer destocking. The drop in pet food and frozen seafood revenue was partially offset by the growth in aquaculture feeds resulting from improved product quality.

Gross profit margin declined to 12.6% in 2023, down from 18.2% in 2022. This drop resulted from the less favorable product mixes, especially in pet food, and underutilized capacity.

We forecast that ASIAN will have a mere 1% increase in annual operating revenue in 2024-2025 amidst potential challenges and volatilities. Its gross profit margin is expected to range from 12%-13% in 2024-2025. Overall, net profit margin is projected at low- to mid-single digit percentage range.

### Low financial leverage

ASIAN capital structure has been strengthened and debt-free since the initial public offering (IPO) of Asian Alliance International PLC (AAI), which is a subsidiary of ASIAN, in 2022.

The company has budgeted capital expenditure of THB540-THB820 million annually in 2024-2025. The company’s funds from operations (FFO) is forecast to range from THB750-THB800 million. We expect the company’s net debt to earnings before interest, taxes, depreciation, and amortization (EBITDA) ratio to be below 0.5 times over the next few years and the debt to capitalization ratio should remain low.

### Global pet food demand continues to grow

According to Euromonitor International, the global pet food market is forecast to continue growing by 6.2% per annum during 2022-2028. This is driven by the rise of pet humanization and the increasing dog and cat populations.

Despite ASIAN’s pet food sales volume dropping in 2023, the company plans to expand annual production capacity of pet food and fishmeal to 62,000 tonnes by early 2024, from 55,500 tonnes in 2023. The aim is to satisfy the anticipated demand for pet food over the next few years. ASIAN’s strategizing the launch of more than 200 new pet food products annually to expand its customer base in many regions as well as creating more own-brand products. We expect 3%-7% annual growth in the company’s pet food segment in 2024-2025.

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### Focus on value-added products

Currently, ASIAN's gross profit margin for value-added products ranges between 10%-20%, while margins for commodity products are below 10%. Sales of value-added products accounted for 70% of total revenue from the frozen seafood segment. Going forward, ASIAN aims to expand the contribution from value-added products to enhance profit margins and mitigate the volatility inherent in commodity frozen seafood products.

### Sound liquidity

The company has outstanding debts of THB219 million due over the next 12 months. Our base-case forecast projects the FFO of THB710-THB750 million. The company had cash and cash equivalents of THB946 million and unused credit facilities of THB3.5 billion, as of December 2023.

Looking forward, ASIAN's FFO to total debt ratio is projected to remain high in 2024-2025, with the EBITDA interest coverage ratio to remain above 25 times over the same period.

As of December 2023, the company was able to comply with all financial covenants on its bank loan obligations. We expect that the company should have no problems complying with its financial covenants over the next 12 to 18 months.

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### BASE-CASE ASSUMPTIONS

- Revenue is forecast to grow by 1% per annum in 2024-2025.
- EBITDA margin is forecast to remain around 8%-9% during 2024-2025.
- Total capital spending to be THB560-THB850 million annually in 2024-2025.

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### RATING OUTLOOK

The "stable" rating outlook reflects our expectation that ASIAN will sustain its market position in both its main businesses of pet food and frozen seafood processing. We also expect ASIAN to improve its operating performance and profitability over the next few years.

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### RATING SENSITIVITIES

We could upgrade the rating if ASIAN can attain significant growth and successful diversification in product mix, while maintaining an acceptable balance sheet. This could occur if ASIAN's EBITDA size is enlarged to over THB2.0 billion and its debt to EBITDA ratio is below 2.0 times on a sustained basis.

Conversely, a downgrade scenario could occur if the company's financial performance weakens materially for an extended period. Any debt funded expansion which leads to a significant deterioration in the balance sheet and weakens cash flow protection would also be a negative factor leading to a rating downgrade. This could arise if its debt to EBITDA ratio exceeds 3.0 times on a sustained basis.

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### COMPANY OVERVIEW

ASIAN was established in 1964 and listed on the SET in July 1994. ASIAN is a medium-sized seafood and pet food processor in Thailand. As of September 2023, the Amornrattanachaikul family held 67% of the company's shares.

Currently, the company owns and operates two frozen seafood processing plants, with a total capacity of 16,400 tonnes per year. The plants are in Samut Sakhon and Surat Thani provinces. One plant also processes tuna and pet food with total capacities of 17,500 and 55,500 tonnes per year, respectively. The company also has an aquaculture feed plant, with a total capacity of 96,000 tonnes per year.

The domestic market makes up 15% of the company's total sales. The US is the company's largest export market, accounting for 58% of exports, followed by Europe (23%), and Japan (8%). Currently, ASIAN produces and sells under customer brands. However, the company is striving to develop its own brands and more premium goods to enhance its profit margin and mitigate the volatile nature of commodity prices.

In 2023, revenues from pet food products contributed 45% of ASIAN's total revenues. The frozen segment contributed 31% while aquaculture feed products made up 12%, the tuna business 11%, and other businesses 1%.

**KEY OPERATING PERFORMANCE**
**Table 1: ASIAN's Revenue Breakdown by Business**

Unit: %

Products	2019	2020	2021	2022	2023
Petfood and Fishmeal	30	40	44	54	45
Frozen Business	42	31	32	28	31
Aquacultural Feed	13	16	13	8	12
Tuna Business	13	13	9	9	11
Others	2	-	2	1	1
<b>Total sales</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>

Source: ASIAN

**FINANCIAL STATISTICS AND KEY FINANCIAL RATIOS**

Unit: Mil. THB

	-----Year Ended 31 December -----				
	2023	2022	2021	2020	2019
Total operating revenues	9,656	11,262	9,559	8,719	8,258
Earnings before interest and taxes (EBIT)	519	1,315	1,194	903	242
Earnings before interest, taxes, depreciation, and amortization (EBITDA)	873	1,610	1,455	1,154	473
Funds from operations (FFO)	785	1,366	1,299	1,076	366
Adjusted interest expense	32	73	69	78	107
Capital expenditures	372	650	490	244	236
Total assets	9,019	9,946	7,355	6,232	5,822
Adjusted debt	0	0	2,204	1,686	2,171
Adjusted equity	7,710	7,827	4,044	3,498	2,810
<b>Adjusted Ratios</b>					
EBITDA margin (%)	9.0	14.3	15.2	13.2	5.7
Pretax return on permanent capital (%)	6.1	17.3	20.3	17.2	4.5
EBITDA interest coverage (times)	27.5	22.0	21.1	14.9	4.4
Debt to EBITDA (times)	0.0	0.0	1.5	1.5	4.6
FFO to debt (%)	n.m.	n.m.	58.9	63.8	16.8
Debt to capitalization (%)	0.0	0.0	35.3	32.5	43.6

Note: All ratios have been adjusted by operating leases.

n.m. = Not meaningful

\* Consolidated financial statements

**RELATED CRITERIA**

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

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**Asian Sea Corporation PLC (ASIAN)**

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<b>Company Rating:</b>	BBB
<b>Rating Outlook:</b>	Stable

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**TRIS Rating Co., Ltd.**

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