

KNM GROUP BERHAD

No. 190/2021
28 October 2021

CORPORATES

Issue Rating:

Guaranteed AAA

Outlook:

Stable

Last Review Date: 30/10/20

Issue Rating History:

Date	Rating	Outlook/Alert
29/09/16	AAA	Stable

Contacts:

Annop Supachayanont, CFA

annop@trisrating.com

Preeyaporn Kosakarn

preeyaporn@trisrating.com

Narumol Charnchanavivat

narumol@trisrating.com



WWW.TRISRATING.COM

RATIONALE

TRIS Rating affirms the rating of “AAA” on KNM Group Berhad’s guaranteed bonds. The bonds are guaranteed by Credit Guarantee and Investment Facility (CGIF: rated “AAA/Stable” by TRIS Rating), a trust fund of the Asian Development Bank (ADB). The issue rating reflects the credit worthiness of CGIF as the guarantor of the guaranteed bonds.

KEY RATING CONSIDERATIONS

The rating on KNM’s guaranteed bonds reflects the rating on its guarantor, CGIF. Under the guarantee’s terms, CGIF provides an irrevocable and unconditional guarantee to cover 100% of the principal and interest payments for the guaranteed bonds. Its guarantee obligations rank at least pari passu with all other present and future unsecured and unsubordinated indebtedness of CGIF.

The rating on the guaranteed bonds also takes into account the following conditions, the likelihood of which TRIS Rating views as very low:

- Payment acceleration risk by the bondholders’ representative: The bondholders’ representative has the right to accelerate the guaranteed bond payments against the Issuer upon the occurrence of any event of default other than the Issuer’s non-payment. However, CGIF will no longer have obligations to make payments under the guarantee if the bondholders’ representative exercises this right.
- Foreign exchange rate risks: the bondholders might not receive the payment in Thai baht if CGIF determines that it is impossible or impracticable and that reasonable efforts have been made to obtain the baht. In such an event, CGIF may make an equivalent payment in US dollars or such other currencies as it may determine.
- CGIF’s credit rating reflects its status as a supranational institution owned by the governments of the ASEAN+3 countries and the ADB, together called “contributors”. Its rating also reflects CGIF’s strong business platform and a conservative risk management framework. The rating takes into consideration CGIF’s short operational track record and the challenges it faces as it expands.

RATING OUTLOOK

The rating and outlook on KNM’s guaranteed bonds solely reflect the creditworthiness of its guarantor, CGIF.

RATING SENSITIVITIES

The rating on KNM’s guaranteed bonds may change if the rating on its guarantor, CGIF, changes.

COMPANY OVERVIEW

KNM is an investment holding company incorporated in Malaysia. Through its subsidiaries, KNM operates as a global process equipment manufacturer and turnkey systems provider mainly for oil and gas, petrochemicals, renewable energy, and power industries. The company was listed on the Bursa Malaysia Securities Berhad in 2003. Proceeds from the Guaranteed Bonds will be used to refinance project debt of KNM's subsidiary in Thailand, Impress Ethanol Co., Ltd. (IEL), as well as to finance IEL's bio-ethanol plant expansion and meet its working capital needs.

CGIF was founded in 2010 under the initiative of 10 ASEAN countries, together with China, Japan, Korea, and the ADB. CGIF's main objectives are to provide credit guarantees which allow eligible issuers to access regional local currency bond markets. Issuers can thus avoid currency and maturity mismatches by issuing bonds within the region. ADB is the trustee of CGIF. It holds in trust all of CGIF's capital and is responsible for managing that capital. CGIF finances its operations solely from capital contributions. It is not allowed to borrow from any source, except for cash management purposes.

FINANCIAL STATISTICS AND KEY FINANCIAL RATIOS

The Guarantor Credit Guarantee and Investment Facility (CGIF), a trust fund of the Asian Development Bank (ADB)

Unit: Mil. USD

	Jan-Jun * 2021	-----Year Ended 31 December -----			
		2020	2019	2018	2017
Interest income	13.9	28.9	26.2	19.7	12.5
Guarantee income	9.4	17.4	12.9	8.7	8.4
Other revenue**	1.7	3.4	2.8	1.1	0.1
Total revenue	24.9	49.6	41.9	29.5	21.0
Net income from operations	22.6	23.7	22.6	17.5	10.7
Total assets	1,374.5	1,351.7	1,255.1	957.8	779.1
Total liabilities	80.9	87.1	76.6	46.8	39.9
Shareholders' equity	1,293.6	1,264.5	1,178.4	911.0	739.2

* Unaudited and not annualised

** Including realised gain (loss) from securities, fair value changes from derivatives, commission from reinsurance, and miscellaneous income

RELATED CRITERIA

- Issue Rating Criteria, 15 June 2021
- Rating Methodology – Corporate, 26 July 2019

KNM Group Berhad (KNM)

Issue Rating:

KNM21NA: THB2,780 million guaranteed bonds due within 2021

AAA

Rating Outlook:

Stable

TRIS Rating Co., Ltd.

Silom Complex Building, 24th Floor, 191 Silom Road, Bangkok 10500, Thailand Tel: 0-2098-3000

© Copyright 2021, TRIS Rating Co., Ltd. All rights reserved. Any unauthorized use, disclosure, copying, republication, further transmission, dissemination, redistribution or storing for subsequent use for any purpose, in whole or in part, in any form or manner or by any means whatsoever, by any person, of the credit rating reports or information is prohibited, without the prior written permission of TRIS Rating Co., Ltd. The credit rating is not a statement of fact or a recommendation to buy, sell or hold any debt instruments. It is an expression of opinion regarding credit risks for that instrument or particular company. The opinion expressed in the credit rating does not represent investment or other advice and should therefore not be construed as such. Any rating and information contained in any report written or published by TRIS Rating has been prepared without taking into account any recipient's particular financial needs, circumstances, knowledge and objectives. Therefore, a recipient should assess the appropriateness of such information before making an investment decision based on this information. Information used for the rating has been obtained by TRIS Rating from the company and other sources believed to be reliable. Therefore, TRIS Rating does not guarantee the accuracy, adequacy, or completeness of any such information and will accept no liability for any loss or damage arising from any inaccuracy, inadequacy or incompleteness. Also, TRIS Rating is not responsible for any errors or omissions, the result obtained from, or any actions taken in reliance upon such information. All methodologies used can be found at www.trisrating.com/rating-information/rating-criteria