

# KNM GROUP BERHAD

No. 170/2019  
15 October 2019

## CORPORATES

### Issue Rating:

Guaranteed AAA

### Outlook:

Stable

Last Review Date: 10/10/18

### Issue Rating History:

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

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## RATIONALE

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

## KEY RATING CONSIDERATIONS

The rating of KNM’s Guaranteed Bonds is equalized with the rating of 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 of 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 for KNM’s guaranteed bonds solely reflect the creditworthiness of its guarantor, CGIF.

## RATING SENSITIVITIES

The rating of KNM’s guaranteed bonds may change if the rating of 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

### Key Financial Statistics of the Guarantor Credit Guarantee and Investment Facility (CGIF), a trust fund of the Asian Development Bank (ADB)

Unit: US\$ million

	Jan-Jun 2019	-----Year Ended 31 December -----			
		*	2018	2017	2016
Interest income	12.2	19.7	12.5	10.4	9.4
Guarantee income	6.4	8.7	8.4	7.7	4.8
Other revenue**	1.3	1.1	0.1	1.1	0.8
Total revenue	19.9	29.5	21.0	19.2	14.8
Net income from operations	12.2	15.1	10.7	10.8	8.2
Total assets	1,148.2	957.8	779.1	772.0	751.6
Total liabilities	56.4	46.8	39.9	44.5	29.0
Shareholders' equity	1,092.1	911.0	739.2	727.5	722.6

\* Unaudited and not annualised

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

## RELATED CRITERIA

- Rating Methodology – Corporate, 26 July 2019

### KNM Group Berhad (KNM)

#### Issue Rating:

KNM21NA: Bt2,780 million guaranteed bonds due 2021

AAA

#### Rating Outlook:

Stable

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