

INDORAMA VENTURES PLC

No. 10/2024

9 February 2024

CORPORATES

Company Rating:	AA-
Issue Ratings:	
Senior unsecured	AA-
Hybrid	A
Outlook:	Stable

Last Review Date: 12/10/23

Company Rating History:

Date	Rating	Outlook/Alert
23/09/21	AA-	Stable
16/10/20	AA-	Negative
26/09/19	AA-	Stable
09/08/19	AA-	Alert Developing
29/08/18	AA-	Stable
18/10/17	A+	Positive
09/09/11	A+	Stable

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RATIONALE

TRIS Rating affirms the company rating on Indorama Ventures PLC (IVL) and the ratings on IVL's existing senior unsecured debentures at "AA-", and also affirms IVL's subordinated capital debentures rating at "A", with a "stable" outlook.

At the same time, TRIS Rating assigns a rating of "AA-" to IVL's proposed issue of up to THB6 billion senior unsecured debentures and an additional greenshoe portion of up to THB4 billion. The proceeds from the debenture issuance are intended to refinance IVL's existing debts and support working capital needs.

The ratings continue to reflect the company's leading position in the polyester value chain, a competitive edge stemming from its vertical integration of production, variety of products, as well as diversification of production facilities and customers across six continents. The ratings also factor in the management team's capability and experience, as well as IVL's access to key technologies. However, the ratings are constrained by the volatile nature of the petrochemical industry.

IVL faced performance challenges in 2023 from destocking along the chemical supply chain, resulting in lower sales volumes and narrowed spreads of most petrochemical products. A slower-than-expected economic recovery in China and the excess production capacity in China further pressured IVL's earnings. We expect IVL to report softened profitability in 2023, considering the ongoing decline in core earnings before interest, taxes, depreciation, and amortization (EBITDA) per tonne of production, dropping to USD98 per tonne in the first nine months of 2023, compared to an average of USD155 in 2022. For the first nine months of 2023, IVL's EBITDA was THB31.8 billion with debt to EBITDA ratio of 7.3 times (annualized with trailing 12 months).

Although these challenges are likely to persist in 2024, we expect less earnings impacts from destocking, and thus resulting in improvements in market demand and IVL's production rate. In our view, the company's cost cutting measures, capital expenditures reduction and asset optimization, should serve to support its profitability and maintain its financial strength during this period of industry downturn. We expect IVL's financial leverage as measured by the net debt to EBITDA ratio to improve, and remain below 4.0 times in 2024-2025, from its peak in 2023.

As of September 2023, IVL's consolidated debt was about THB266 billion, including hybrid debentures. IVL's priority debt, including secured debts and subsidiaries' debts, totaled THB88.8 billion. The priority debt to total debt ratio was about 33% at the end of September 2023.

RATING OUTLOOK

The "stable" outlook reflects our expectation that IVL's performance will gradually recover during the forecast period. The high proportion of necessity products in its portfolio should help cushion the impact from weak market conditions. We also expect the company's debt to EBITDA ratio to sustain in the 3-4 times range in the next few years.

RATING SENSITIVITIES

The prospect of a rating upgrade is limited over the next 12-18 months. Conversely, the ratings could be revised downward if IVL's financial profile is materially weaker than our forecast, which could occur due to materially weaker-than-expected earnings as a result of a prolonged industry downturn or an unexpected large-scale debt-funded acquisition.

RELATED CRITERIA

- Corporate Rating Methodology, 15 July 2022
- Key Financial Ratios and Adjustments for Corporate Issuers, 11 January 2022
- Hybrid Securities Rating Criteria, 28 June 2021
- Issue Rating Criteria, 15 June 2021

Indorama Venture PLC (IVL)

Company Rating:	AA-
Issue Ratings:	
IVL243A: THB1,400 million senior unsecured debentures due 2024	AA-
IVL245A: THB1,000 million senior unsecured debentures due 2024	AA-
IVL24NA: THB300 million senior unsecured debentures due 2024	AA-
IVL24DA: THB1,475 million senior unsecured debentures due 2024	AA-
IVL256A: THB1,500 million senior unsecured debentures due 2025	AA-
IVL25NA: THB4,000 million senior unsecured debentures due 2025	AA-
IVL25DA: THB1,150 million senior unsecured debentures due 2025	AA-
IVL265A: THB2,950 million senior unsecured debentures due 2026	AA-
IVL26OA: THB200 million senior unsecured debentures due 2026	AA-
IVL26NA: THB3,000 million senior unsecured debentures due 2026	AA-
IVL274A: THB4,300 million senior unsecured debentures due 2027	AA-
IVL275A: THB2,000 million senior unsecured debentures due 2027	AA-
IVL27NA: THB700 million senior unsecured debentures due 2027	AA-
IVL27NB: THB1,990 million senior unsecured debentures due 2027	AA-
IVL285A: THB3,500 million senior unsecured debentures due 2028	AA-
IVL286A: THB1,800 million senior unsecured debentures due 2028	AA-
IVL28OA: THB2,200 million senior unsecured debentures due 2028	AA-
IVL28NA: THB2,000 million senior unsecured debentures due 2028	AA-
IVL294A: THB2,700 million senior unsecured debentures due 2029	AA-
IVL295A: THB2,000 million senior unsecured debentures due 2029	AA-
IVL306A: THB5,000 million senior unsecured debentures due 2030	AA-
IVL30NA: THB3,010 million senior unsecured debentures due 2030	AA-
IVL31OA: THB2,300 million senior unsecured debentures due 2031	AA-
IVL324A: THB5,000 million senior unsecured debentures due 2032	AA-
IVL325A: THB5,000 million senior unsecured debentures due 2032	AA-
IVL32NA: THB1,000 million senior unsecured debentures due 2032	AA-
IVL335A: THB1,550 million senior unsecured debentures due 2033	AA-
IVL336A: THB3,200 million senior unsecured debentures due 2033	AA-
IVL355A: THB2,000 million senior unsecured debentures due 2035	AA-
IVL19PA: THB15,000 million subordinated capital debentures	A
Up to THB6,000 million senior unsecured debentures and additional greenshoe portion of up to THB4,000 million due within 12 years	AA-
Rating Outlook:	Stable

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