

# AQUA CORPORATION PLC

No. 2/2023  
5 January 2023

## CORPORATES

**Company Rating:** BBB-  
**Issue Rating:**  
Secured BB+  
**Outlook:** Stable

**Last Review Date:** 11/08/22

### Company Rating History:

Date	Rating	Outlook/Alert
02/08/17	BBB-	Stable

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## RATIONALE

TRIS Rating affirms the company rating on Aqua Corporation PLC (AQUA) at “BBB-” with a “stable” outlook. At the same time, TRIS Rating assigns the rating of “BB+” to AQUA’s newly proposed issue of up to THB1.0 billion in senior secured debenture. The proceeds from the new debenture issuance will be used to refinance AQUA’s outstanding debt, support AQUA’s working capital needs, and planned capital expenditures.

The debenture is guaranteed by the company’s land property and equipment, common shares of Thai parcel public company limited, and common shares of Eastern Power Group PLC (EP, rated “BBB-/Negative”), with a total value of 1.2 times the debenture issue size. As most of AQUA’s debts are secured, the rating on AQUA’s senior secured debenture is rated one notch lower than the company rating.

The ratings reflect the high level of recurring income AQUA earns from long-term warehouse rental contracts and the share of profit it receives from an affiliated company. However, AQUA’s strengths are offset by its small-sized portfolio of rental properties located in limited areas. The ratings also incorporate our concern over the company’s future investments.

During the first nine months of 2022, AQUA’s total operating revenue declined by 62% year-on-year (y-o-y) after the divestiture of media business. We expect its total operating revenues to drop by 63% y-o-y to THB304 million in 2022, while its earnings before interest, taxes, depreciation, and amortization (EBITDA) staying at THB333 million.

AQUA has moderate financial leverage. Its total debt to capitalization ratio declined to 17.7% at the end of September 2022, from 34.9% at the end of 2021. The capital budgets are expected to be limited during 2023-2024. As a result, we project the company’s debt to capitalization ratio to drop to less than 10%.

Over the next 12 months, the company will have outstanding debts of THB648 million. AQUA has already refinanced the debentures of THB453 million due in December 2022. Our forecast projects the company’s funds from operations (FFO) to be THB100-THB200 million over the same period. Its liquidity buffer is acceptable with cash on hand of THB1.26 billion. Looking forward, we project AQUA’s FFO to total debt ratio to be 20%-50% in 2022-2024 while the EBITDA interest coverage ratio to be 2-3 times over the same period.

## RATING OUTLOOK

The “stable” outlook reflects our expectation that AQUA will continue to earn recurring income from long-term warehouse rental contracts and the share of profit from an affiliated company.

## RATING SENSITIVITIES

A rating downgrade could happen if AQUA’s profitability or performance deteriorates materially. Any debt-funded expansion which would significantly weaken its balance sheet and cash-flow protection, would also lead to a rating downgrade scenario. In contrast, the ratings could be upgraded if the company materially enlarges and stabilizes its cash generation on a sustained basis.

**CreditUpdate**, reviews ratings of companies or debt issues that have already been rated by TRIS Rating. The CreditUpdate occurs when new debt instruments are issued or if significant events have taken place that may impact a company’s current ratings or when current ratings are cancelled. The CreditUpdate announces whether a rating has been “upgraded,” “downgraded,” “affirmed” or “cancelled.” The update includes information to supplement the previously published ratings.

Credit Updates are part of TRIS Rating’s monitoring process. TRIS Rating monitors every rating it assigns until either the debt instrument matures or the rating contract ends. To keep the public informed of changing situations, TRIS Rating periodically issues announcements about the credit ratings it monitors.

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**RELATED CRITERIA**

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

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**Aqua Corporation PLC (AQUA)**

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<b>Company Rating:</b>	BBB-
<b>Issue Rating:</b>	
Up to THB1,000 million senior secured debentures due within 2 years 6 months	BB+
<b>Rating Outlook:</b>	Stable

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