

THORESEN THAI AGENCIES PLC

No. 135/2023
23 November 2023

CORPORATES

Company Rating:	BBB+
Issue Ratings:	
Senior unsecured	BBB+
Outlook:	Stable

Last Review Date: 27/09/23

Company Rating History:

Date	Rating	Outlook/Alert
08/09/22	BBB+	Stable
23/08/21	BBB	Stable
14/10/20	BBB	Negative
29/12/16	BBB	Stable
02/12/14	BBB+	Stable

Contacts:

Chanaporn Pinphithak
chanaporn@trisrating.com

Tulyawat Chatkam
tulyawatc@trisrating.com

Parat Mahuttano
parat@trisrating.com

Thiti Karoonyanont, Ph.D., CFA
thiti@trisrating.com



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RATIONALE

TRIS Rating affirms the company rating on Thoresen Thai Agencies PLC (TTA) and the ratings on its outstanding senior unsecured debentures at “BBB+” with a “stable” outlook. At the same time, we assign a rating of “BBB+” to TTA’s proposed issue of up to THB3.5 billion senior unsecured debentures. The proceeds from the new debentures will be used to fund its investments and for working capital, primarily in the offshore services business.

The ratings continue to reflect TTA’s strength in its two core businesses, dry-bulk shipping and offshore services. We expect that modest supply growth in the dry-bulk shipping industry and a strong orderbook with a growing scale of operations in the company’s offshore services business will continue to support TTA’s operating performance over the next few years. However, the inherent high business risk associated with the volatile and cyclical nature of the company’s two core businesses, from which it derives its core earnings, continues to weigh on the ratings. The ratings also take into consideration TTA’s low but rising financial leverage.

For the first nine months of 2023, TTA reported THB17.4 billion in revenue and THB2.9 billion in earnings before interest, taxes, depreciation, and amortization (EBITDA). While performance of the dry-bulk shipping business was in line with our forecast, the offshore services business delivered stronger-than-expected results. Expansion of the offshore services business, both in terms of scope of services and geographies, resulted in an orderbook of USD697 million as of September 2023, a record high for the past 10 years.

At the end of September 2023, TTA’s leverage as measured by the adjusted debt to EBITDA ratio, was 0.5 times (annualized from the trailing 12 months). Considering the company’s planned use of proceeds from the new debenture issue, the leverage ratio could rise closer to 1.5 times, which is our downgrade threshold for the current ratings. However, given our expectation of the company’s strong cash flow and a conservative dividend policy, we anticipate the company’s leverage level to gradually come down, assuming there are no additional major investment needs in the near term.

RATING OUTLOOK

The “stable” outlook is based on our expectation that TTA will be prudent in its investment decisions and will keep its adjusted net debt to EBITDA ratio below 1.5 times on a sustainable basis.

RATING SENSITIVITIES

A rating upgrade is unlikely in the near term. Conversely, the ratings or outlook could be revised downward if TTA’s financial profile is weaker than expected, either from a consistent deterioration in operating results or due to more aggressive investments.

RELATED CRITERIA

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

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.

Thoresen Thai Agencies PLC (TTA)

Company Rating:	BBB+
Issue Ratings:	
TTA252A: THB800 million senior unsecured debentures due 2025	BBB+
TTA265A: THB1,200 million senior unsecured debentures due 2026	BBB+
TTA260A: THB1,698.1 million senior unsecured debentures due 2026	BBB+
TTA281A: THB2,074.4 million senior unsecured debentures due 2028	BBB+
Up to THB3,500 million senior unsecured debentures due within 3 years 6 months	BBB+
Rating Outlook:	Stable

TRIS Rating Co., Ltd.

Silom Complex Building, 24th Floor, 191 Silom Road, Bangkok 10500, Thailand Tel: +66 2 098 3000

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