TRIS RATING
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CreditUpdate เครดิตวาระ
New Issue Report

THORESEN THAI AGENCIES PLC

No. 18/2018

2 March 2018

CORPORATES

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

Company Rating History:

Date	Rating	Outlook/Alert
29/12/16	BBB	Stable
02/12/14	BBB+	Stable

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RATIONALE

TRIS Rating affirms the company rating of Thoresen Thai Agencies PLC (TTA) at "BBB" and affirms the rating of TTA's senior unsecured debentures at "BBB". At the same time, TRIS Rating assigns the rating of "BBB" to TTA's proposed issue of up to Bt2,500 million in senior unsecured debentures. The proceeds of Bt2 billion from the new issues will be used to refinance the existing debentures and the rest is for working capital.

The ratings reflect TTA's adequate competitive position in the dry-bulk shipping and offshore service segments, continuing business diversification, and solid balance sheet. The ratings are constrained by the uncertainties inherent in the cyclical nature of dry-bulk shipping, the lower vessel utilization rate and reduction in day rates of the offshore service, as well as the limited track record in executing acquisition strategies.

TRIS Rating views that TTA's dry-bulk shipping business is recovering, as seen from an ongoing rise in dry-bulk shipping rate and improved balance between demand and supply in the industry. TTA's average time-charter equivalent (TCE) rate rose from US$5,155 per day in 2016 to US$8,469 per day in 2017. The offshore service segment remains under pressure from underutilized fleets and a reduction in profit-sharing from Asia Offshore Drilling Co., Ltd. (AOD). However, the offshore service segment is expected to gradually restore, backed by the prospect of an oil price uptrend which should encourage drilling activities in the market.

TTA's financial profile remains healthy, underpinned by lowering debt and adequate liquidity. Its debt to capitalization ratio was 24.5% at the end of December 2017, the lowest over the last five years. TTA's adequate liquidity is supported by cash on hand of about Bt6.4 billion at the end of December 2017, which can cover its loan repayments of Bt1.4 billion and total capital expenditure of Bt1.2 billion over the next 12 months. Since TTA still has no plans for any large investments or acquisitions, its financial profile should strengthen in the foreseeable future.

RATING OUTLOOK

The "stable" outlook anticipates that both dry-bulk shipping and offshore service segments will remain TTA's key drivers for revenue and earnings before interest, tax, depreciation, and amortization (EBITDA). TRIS Rating also believes that the company will sustain a good liquidity profile and satisfactory debt service capability over the next year.

Under TRIS Rating's base-case, TTA's performance is expected to improve. During 2018-2020, funds from operations (FFO) should increase and generate at around Bt1.4 billion per annum or higher. The debt to capitalization ratio should stay below 30% over the next three years. The EBITDA interest coverage ratio is expected to stay above 5 times. The FFO to total debt ratio should stay above 15% on average.

RATING SENSITIVITIES

The potential for a rating upgrade is unlikely in the near term, given uncertainty in the performance of TTA's dry-bulk shipping and offshore service segments.

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.

However, the ratings could be upgraded if the company's financial performance exceeds TRIS Rating's base-case projection over a sustained period. This may occur from a successfully diversified portfolio investment, leading to more stable cash flows while maintaining a healthy balance sheet.

The ratings or outlook could be revised downward if the company's operating performance or cash flow deteriorates significantly from the current projection. This could arise from a weakening in the shipping and offshore service markets, and also large loss contribution from its investments.

FINANCIAL STATISTICS AND KEY FINANCIAL RATIOS*

Unit: Bt million

	------- Year Ended 31 December ------			
	2017	**2016**	**2015**	**Oct-Sep 2014**
Revenues	13,392	13,662	21,426	21,431
Finance costs	403	530	570	492
Net income from operations	436	(110)	(1,183)	853
Funds from operations (FFO)**	908	1,236	1,515	1,849
Capital expenditures	2,004	579	1,333	6,958
Total assets	35,585	41,620	45,346	49,331
Total debts	8,109	12,154	14,401	13,731
Total liabilities	10,531	15,125	18,358	17,731
Shareholders' equity	25,054	26,495	26,988	31,599
Depreciation & amortization**	1,111	1,165	1,779	1,534
Dividends	128	128	539	159
Operating income before depreciation and amortization as % of sales**	11.0	6.5	1.3	11.5
Pretax return on permanent capital (%)	2.9	1.8	(1.5)	5.3
Earnings before interest, tax, depreciation, and amortization (EBITDA) interest coverage (times)**	5.3	3.5	1.9	7.7
FFO/total debt (%)**	11.2	10.2	10.5	13.5
Total debt/capitalization (%)	24.5	31.4	34.8	30.3

* *Consolidated financial statements: TTA has changed the accounting period starting from 1 October to 30 September of the following year to the period starting from 1 January to 31 December of every year since September 2014.*

** *Adjusted by excluding dry-docking expenses*

Note: *TRIS Rating excludes TTA's dry-docking expenses from depreciation and amortization (non-cash expense). The dry-docking is treated as part of cash cost. The new calculation reflects a more conservative assessment of TTA's financial profile. Consequently, the revision results in a decrease in FFO, EBITDA, and other related financial rations.*

Thoreesen Thai Agencies PLC (TTA)

Company Rating:	BBB
Issue Ratings:	
TTA187A: Bt2,000 million senior unsecured debentures due 2018	BBB
Up to Bt2,500 million senior unsecured debentures due within 5 years	BBB
Rating Outlook:	Stable

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