

BANGCHAK SRIRACHA PLC

No. 40/2024
13 May 2024

CORPORATES

Company Rating:	A
Issue Rating:	
Senior unsecured	A
Outlook:	Stable

Last Review Date: 31/08/23

Company Rating History:

Date	Rating	Outlook/Alert
31/08/23	A	Stable
19/01/23	A+	Alert Negative
21/12/22	A+	Stable
11/06/20	A	Stable
21/11/08	A+	Stable

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RATIONALE

TRIS Rating assigns a rating of “A” to Bangchak Sriracha PLC (BSRC, previously ESSO (Thailand) PLC)’s proposed issue of up to THB4 billion senior unsecured debentures due within three years. BSRC intends to use the proceeds from the debenture issuance to refinance existing debt. At the same time, TRIS Rating affirms the company rating on BSRC at “A” with a “stable” rating outlook.

BSRC’s stand-alone credit profile (SACP) remains at “bbb+”. The “A” ratings incorporate a two-notch uplift from the SACP that reflects BSRC’s group status as a core subsidiary of Bangchak Corporation (BCP, rated “A/Stable”).

The SACP reflects a trend toward improved operating performance over the next few years, and its strengthening financial risk profile. The SACP is constrained by the high volatility inherent in the petroleum industries.

In 2023, BSRC’s earnings before interest, taxes, depreciation, and amortization (EBITDA) had been normalized to THB6.3 billion from the high level in 2022. The company’s debt to EBITDA ratio stood at 5.2 times at the end of 2023. BSRC’s refinery crude run was in line with our expectation at 118 thousand barrels per day (KBD), decreasing from 131 KBD in 2022. This was a result of scheduled refinery shutdowns in May and September 2023 for maintenance and as part of the EURO V fuel standard project. The plant shutdown together with a normalized refined product spread brought down operating gross refinery margin (GRM) by USD2 per barrel to USD3.8 per barrel.

For the first quarter of 2024, BSRC’s refinery crude run was in line with our expectation and increased to a record high of 150.3 KBD. This increase was due to the company’s effort to maximize utilization in order to meet strategic target and capture synergy benefits with Bangchak group. We expect BSRC’s higher crude run to be sustained over the next few years. Meanwhile, the operating GRM stood soundly at USD5 per barrel driven by the strong spreads of refined products. EBITDA was THB2 billion. The company’s debt to EBITDA ratio (annualized with trailing 12 months) stood at 4.2 times. We expect BSRC’s financial leverage as measured by the net debt to EBITDA ratio to improve to around 3-4 times in 2024-2025.

As of March 2024, BSRC’s consolidated debt was THB31 billion (excluding lease liabilities). BSRC did not have any priority debt in its debt structure as of March 2024.

RATING OUTLOOK

The “stable” outlook embeds our expectation that BSRC will perform satisfactorily although the refined product spreads are likely to soften from 2023. Given the potential synergies with BCP, we expect BSRC’s earnings and financial leverage to align with our estimates. Added to this, we expect BSRC to remain a core subsidiary of BCP and continue to own and operate its key operating assets.

RATING SENSITIVITIES

According to TRIS Rating’s “Group Rating Methodology”, the company rating on BSRC will move in tandem with the company rating on BCP. Hence, any change in the rating on BCP will result in the same change to the rating on BSRC. In

addition, the rating on BSRC could be downgraded if, in our view, there is a change in our assessment of BSRC's group status to a weaker level within the Bangchak Group.

BSRC's SACP could be raised upon BSRC's demonstration of successful business integration and optimization with BCP, which would result in sustained earnings improvement. Conversely, BSRC's SACP could be revised downward if BSRC's performance falls considerably short of our estimates.

RELATED CRITERIA

- Group Rating Methodology, 7 September 2022
- Corporate Rating Methodology, 15 July 2022
- Key Financial Ratios and Adjustments for Corporate Issuers, 11 January 2022
- Issue Rating Criteria, 15 June 2021

Bangchak Sriracha PLC (BSRC)

Company Rating:	A
Issue Rating:	
Up to THB4,000 million senior unsecured debentures due within 3 years	A
Rating Outlook:	Stable

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