

MITR PHOL SUGAR CORPORATION LTD.

No. 83/2021
5 October 2021

CORPORATES

Company Rating:	A+
Issue Ratings:	
Senior unsecured	A+
Outlook:	Negative

Last Review Date: 10/03/21

Company Rating History:

Date	Rating	Outlook/Alert
04/06/20	A+	Negative
24/12/10	A+	Stable
02/11/07	A	Stable

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RATIONALE

TRIS Rating affirms the company rating on Mitr Phol Sugar Corporation Ltd. (MPSC) and the ratings on MPSC's outstanding senior unsecured debentures at "A+". At the same time, TRIS Rating assigns the rating of "A+" to MPSC's proposed issue of up to THB5,150 million senior unsecured debentures. The rating outlook remains "negative". MPSC intends to use the proceeds from the new debentures to repay its short-term debts, to finance its expansions and investments, and to fund its working capital.

The ratings continue to reflect MPSC's market position as one of the world's leading sugar producers, well-accepted brand name, efficient sugar mill operations, geographic diversification, and diversified sources of income.

After bottoming out in 2020, MPSC's operating results showed significant improvement during the first half of 2021. The recovery is mainly attributed to higher sugar prices combined with capacity expansions of MPSC's power plants, as well as increases in the price and sales volume of ethanol. MPSC's operating revenue rose by 8.2% year-on-year (y-o-y) to THB47.4 billion in the first half of 2021. Earnings before interest, taxes, depreciation, and amortization (EBITDA) edged up by 28.1% y-o-y to THB7.0 billion. EBITDA margin was reported at 14.8%, compared with 12.5% in the same period of the prior year.

MPSC's financial leverage has increased significantly in recent years, owing to sizable investments in Indonesia and declining profit during the industry downturn. The company's adjusted debt rose to THB86.3 billion in 2020 and THB106.0 billion at the end of June 2021, from THB78.9 billion in 2019. The adjusted debt to EBITDA was 7.3 times in 2020 and 7.9 times in the first half of 2021, up from and 4.6 times in 2019.

Going forward, we expect MPSC's performance to improve gradually on the back of improved rainfall and higher sugarcane output in Thailand, as well as a recovery in the sugar price. Additionally, operations of MPSC's new investments in Indonesia, efficiency improvement, as well as production of more value-added products will enhance the company's competitive edge and profitability in the medium to long term.

We assess MPSC's liquidity as adequate. As of June 2021, MPSC's interest-bearing debt was THB104 billion, comprising debentures of about THB32 billion, long-term loans totaling THB27 billion, and a short-term loan of THB45 billion. The key financial covenant on the company's debentures is an interest-bearing debt to equity ratio below 2 times. MPSC's debt to equity ratio at the end of June 2021 was 1.5 times. We expect the company to remain in compliance with these covenants over the forecast period.

RATING OUTLOOK

The "negative" outlook reflects our concerns over MPSC's weakening financial profile and escalated leverage during the recent industry downturn.

RATING SENSITIVITIES

The outlook could be revised back to “stable” if MPSC’s operating performance recovers on a sustained basis. On the contrary, we could downgrade the ratings in the case of higher-than-expected debt levels or weaker-than-expected profitability, that potentially result in the company’s adjusted debt to EBITDA ratio exceeding 7 times for a sustained period.

RELATED CRITERIA

- Issue Rating Criteria, 15 June 2021
- Rating Methodology – Corporate, 26 July 2019
- Key Financial Ratios and Adjustments, 5 September 2018

Mitr Phol Sugar Corporation Ltd. (MPSC)

Company Rating:	A+
Issue Ratings:	
MPSC210A: THB2,000 million senior unsecured debentures due 2021	A+
MPSC229A: THB2,000 million senior unsecured debentures due 2022	A+
MPSC220A: THB2,000 million senior unsecured debentures due 2022	A+
MPSC233A: THB2,500 million senior unsecured debentures due 2023	A+
MPSC236A: THB2,610 million senior unsecured debentures due 2023	A+
MPSC249A: THB3,200 million senior unsecured debentures due 2024	A+
MPSC256A: THB2,400 million senior unsecured debentures due 2025	A+
MPSC256B: THB2,210 million senior unsecured debentures due 2025	A+
MPSC259A: THB1,000 million senior unsecured debentures due 2025	A+
MPSC26DA: THB1,900 million senior unsecured debentures due 2026	A+
MPSC286A: THB1,630 million senior unsecured debentures due 2028	A+
MPSC28DA: THB2,200 million senior unsecured debentures due 2028	A+
MPSC306A: THB3,650 million senior unsecured debentures due 2030	A+
Up to THB5,150 million senior unsecured debentures due within 12 years	A+
Rating Outlook:	Negative

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