

EK-CHAI DISTRIBUTION SYSTEM CO., LTD.

No. 17/2024
29 February 2024

CORPORATES

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

Last Review Date: 05/07/23

Company Rating History:

Date	Rating	Outlook/Alert
05/07/23	A+	Positive
11/07/22	A+	Stable

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RATIONALE

TRIS Rating affirms the company rating on Ek-Chai Distribution System Co., Ltd. (LOTUSS) and the ratings on LOTUSS's senior unsecured debentures at "A+" with a "positive" outlook. At the same time, TRIS Rating assigns the rating of "A+" to LOTUSS's proposed issue of up to THB7 billion senior unsecured debentures and an additional greenshoe portion of up to THB3 billion, with a tenor of up to 10 years. The proceeds from the debenture issuance will be used for debt refinancing and working capital needs.

The ratings incorporate our view on LOTUSS's status as a core subsidiary of CP All PLC (CPALL, rated "A+/positive"). The company's group status reflects its importance in cementing the group's leading position in the grocery retail and rental property businesses, coupled with its significant earnings contribution to CPALL.

LOTUSS's profitability in 2023 was squeezed from adjusting the sales mix and marketing activities. The company's earnings before interest, taxes, depreciation, and amortization (EBITDA) were THB16.4 billion in 2023, compared with THB18.9 billion in 2022. However, LOTUSS's leverage declined significantly. As of December 2023, an adjusted debt was THB74.1 billion, down from THB103.7 billion in 2022. The adjusted debt to EBITDA ratio decreased to 4.5 times in 2023 compared with around 5.5 times in 2021-2022.

We assess LOTUSS's liquidity to be sufficient over the next 12 months. Cash on hand plus cash flow from operations should be sufficient to cover capital spending and interest expense of around THB11 billion. As of December 2023, the company had a liquidity buffer with cash on hand of around THB18.4 billion and numerous credit facilities from commercial banks.

The financial covenant on LOTUSS's debenture obligations requires the company's net interest-bearing debt to equity ratio (excluding lease liability) to remain below 2.5 times. As of December 2023, LOTUSS's net interest-bearing debt to equity ratio was 1.0 times.

On 14 February 2024, CP Aextra PLC (CPAXT) announced a group business restructuring plan that involves the amalgamation of CPAXT and LOTUSS. CPAXT and LOTUSS will be merged into a new legal entity that will assume all assets, liabilities, rights, duties, and responsibilities of CPAXT and LOTUSS. This transaction is expected to be completed by the fourth quarter of 2024.

We view the reorganization will have no impact on the financial risk profiles of CPAXT and LOTUSS, since CPAXT currently indirectly holds 99.99% stakes in LOTUSS. Thus, our assessment of the group status of CPAXT and LOTUSS as CPALL's core subsidiaries remains unchanged.

RATING OUTLOOK

The "positive" outlook follows CPALL's rating outlook and our expectation that LOTUSS will maintain its group status as a core subsidiary of CPALL. We believe LOTUSS will continue to represent a core component of CPALL's revenue and business profile.

RATING SENSITIVITIES

As a core subsidiary of CPALL, the ratings on LOTUSS are tied to the rating on CPALL. Any change in the rating on CPALL, or LOTUSS's group status, will affect the ratings on LOTUSS accordingly.

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
- Group Rating Methodology, 13 January 2021

Ek-Chai Distribution System Co., Ltd. (LOTUSS)

Company Rating:	A+
Issue Ratings:	
LOTUSS244A: THB9,848 million senior unsecured debentures due 2024	A+
LOTUSS240A: THB7,454.7 million senior unsecured debentures due 2024	A+
LOTUSS240B: THB350 million senior unsecured debentures due 2024	A+
LOTUSS250A: THB8,533.8 million senior unsecured debentures due 2025	A+
LOTUSS264A: THB10,374.7 million senior unsecured debentures due 2026	A+
LOTUSS270A: THB1,179.7 million senior unsecured debentures due 2027	A+
LOTUSS284A: THB5,356 million senior unsecured debentures due 2028	A+
LOTUSS290A: THB3,931.1 million senior unsecured debentures due 2029	A+
LOTUSS314A: THB1,111.4 million senior unsecured debentures due 2031	A+
LOTUSS334A: THB5,803.2 million senior unsecured debentures due 2033	A+
LOTUSS334B: THB1,050 million senior unsecured debentures due 2033	A+
Up THB7,000 million senior unsecured debentures and additional greenshoe portion of up to THB3,000 million due within 10 years	A+
Rating Outlook:	Positive

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