

# INDORAMA VENTURES PLC

No. 38/2024  
30 April 2024

## CORPORATES

<b>Company Rating:</b>	AA-
<b>Issue Ratings:</b>	
Senior unsecured	AA-
Hybrid	A
<b>Outlook:</b>	Stable

Last Review Date: 09/02/24

### Company Rating History:

Date	Rating	Outlook/Alert
23/09/21	AA-	Stable
16/10/20	AA-	Negative
26/09/19	AA-	Stable
09/08/19	AA-	Alert Developing
29/08/18	AA-	Stable
18/10/17	A+	Positive
09/09/11	A+	Stable

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## RATIONALE

TRIS Rating assigns a rating of “A”, with a “stable” outlook to Indorama Ventures PLC (IVL)’s newly proposed issue of up to THB15 billion hybrid debentures. The assigned issue rating of two notches below the company rating reflects the subordinated nature of the hybrid debentures and the option of the issuer to defer coupon payments on a cumulative basis. The proceeds from the issuance are intended to replace IVL’s existing hybrid debenture, which is likely to be called in November 2024. The proposed hybrid debentures are consistent with the replacement capital covenant (RCC) clause specified in the outstanding hybrid debentures’ terms and conditions.

At the same time, TRIS Rating affirms the company rating on IVL and the ratings on IVL’s existing senior unsecured debentures at “AA-”, and also affirms IVL’s existing subordinated capital debentures (hybrid debentures) rating at “A”, with a “stable” outlook.

The ratings continue to reflect the company’s leading position in the polyester value chain, a competitive edge stemming from its vertical integration of production, variety of products, as well as diversification of production facilities and customers across six continents. The ratings also factor in the management team’s capability and experience, as well as IVL’s access to key technologies. However, the ratings are constrained by the volatile nature of the petrochemical industry.

The characteristics of the proposed hybrid debentures include subordination of claims, interest payment deferral at the discretion of the company, a five-year non-call period, and sufficient permanence. These characteristics make the debentures qualify for the treatment of “intermediate” equity content according to TRIS Rating’s “Hybrid Securities Rating Criteria”. We will treat 50% of the outstanding amount of the hybrid debentures as equity and the other 50% as debt when calculating financial ratios. The “intermediate” equity content will change to “nil” (or 0% equity treatment) at the end of the fifth year from the issuance date since the remaining effective maturity of the issue will be less than 20 years. The effective maturity date of the issue is defined as the date when there is a material step up of the coupon rate (equal to or more than 100 basis points) or at the end of the 25<sup>th</sup> year in this case.

Except for certain events as specified in the terms and conditions (e.g. changes in the tax and accounting treatments of hybrid securities or a change in the rating agency’s criteria used to assess the equity content of the issue), IVL intends (but is not obliged) to replace, redeem, or repurchase the hybrid debentures with an instrument that has similar or higher equity content. TRIS Rating could lower the equity content of the proposed hybrid debentures to “nil” from “intermediate” if we believe the company intends to deviate from the RCC.

IVL’s financial results in 2023 were significantly impacted by the petrochemicals industry downturn, primarily driven by the overcapacity in Asia and the destocking amid global economic challenges. In 2023, IVL reported earnings before interest, taxes, depreciation, and amortization (EBITDA) of about THB38.5 billion, decreasing by 53% year-on-year (y-o-y) from its unusually high level in 2022. As a result, the company’s net debt to EBITDA ratio increased to 6.5 times at the end of 2023. IVL also recorded a THB10.73 billion non-cash impairment

**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.

charge related to Corpus Christi assets due to rising project costs and reduced asset valuation, resulting in a loss for IVL.

However, we maintain our view that IVL's operational and financial performance is likely to improve from 2024 onwards as destocking impacts are expected to lessen. We expect IVL's net debt to EBITDA ratio to improve and remain below 4.0 times in 2024-2025.

IVL's recent announcement of its "IVL 2.0" strategic roadmap also underscores the management's commitment to bolster its financial recovery over the next three years. The strategy aims to enhance earnings through optimizing its global asset portfolio and overall operating cost, augmenting its cash flow generation and reducing financial leverage. The company expects this strategy will help improve its net debt to EBITDA ratio to stay below 3.0 times by 2026.

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#### **RATING OUTLOOK**

The "stable" outlook reflects our expectation that IVL's performance will gradually recover during the forecast period. The high proportion of necessity products in its portfolio should help cushion the impact from weak market conditions. We also expect the company's debt to EBITDA ratio to sustain in the 3-4 times range over the next few years.

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#### **RATING SENSITIVITIES**

The prospect of a rating upgrade is limited over the next 12-18 months. Conversely, the ratings could be revised downward if IVL's financial profile is materially weaker than our forecast. This could occur due to materially weaker-than-expected earnings resulting from a prolonged industry downturn or an unexpected large-scale debt-funded acquisition.

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#### **RELATED CRITERIA**

- Corporate Rating Methodology, 15 July 2022
- Key Financial Ratios and Adjustments for Corporate Issuers, 11 January 2022
- Hybrid Securities Rating Criteria, 28 June 2021
- Issue Rating Criteria, 15 June 2021

**Indorama Venture PLC (IVL)**

<b>Company Rating:</b>	AA-
<b>Issue Ratings:</b>	
IVL245A: THB1,000 million senior unsecured debentures due 2024	AA-
IVL24NA: THB300 million senior unsecured debentures due 2024	AA-
IVL24DA: THB1,475 million senior unsecured debentures due 2024	AA-
IVL256A: THB1,500 million senior unsecured debentures due 2025	AA-
IVL25NA: THB4,000 million senior unsecured debentures due 2025	AA-
IVL25DA: THB1,150 million senior unsecured debentures due 2025	AA-
IVL265A: THB2,950 million senior unsecured debentures due 2026	AA-
IVL26OA: THB200 million senior unsecured debentures due 2026	AA-
IVL26NA: THB3,000 million senior unsecured debentures due 2026	AA-
IVL26DA: THB1,200 million senior unsecured debentures due 2026	AA-
IVL273A: THB1,300 million senior unsecured debentures due 2027	AA-
IVL274A: THB4,300 million senior unsecured debentures due 2027	AA-
IVL275A: THB2,000 million senior unsecured debentures due 2027	AA-
IVL27NA: THB700 million senior unsecured debentures due 2027	AA-
IVL27NB: THB1,990 million senior unsecured debentures due 2027	AA-
IVL285A: THB3,500 million senior unsecured debentures due 2028	AA-
IVL286A: THB1,800 million senior unsecured debentures due 2028	AA-
IVL28OA: THB2,200 million senior unsecured debentures due 2028	AA-
IVL28NA: THB2,000 million senior unsecured debentures due 2028	AA-
IVL293A: THB2,800 million senior unsecured debentures due 2029	AA-
IVL294A: THB2,700 million senior unsecured debentures due 2029	AA-
IVL295A: THB2,000 million senior unsecured debentures due 2029	AA-
IVL306A: THB5,000 million senior unsecured debentures due 2030	AA-
IVL30NA: THB3,010 million senior unsecured debentures due 2030	AA-
IVL313A: THB1,200 million senior unsecured debentures due 2031	AA-
IVL31OA: THB2,300 million senior unsecured debentures due 2031	AA-
IVL324A: THB5,000 million senior unsecured debentures due 2032	AA-
IVL325A: THB5,000 million senior unsecured debentures due 2032	AA-
IVL32NA: THB1,000 million senior unsecured debentures due 2032	AA-
IVL335A: THB1,550 million senior unsecured debentures due 2033	AA-
IVL336A: THB3,200 million senior unsecured debentures due 2033	AA-
IVL343A: THB1,100 million senior unsecured debentures due 2034	AA-
IVL355A: THB2,000 million senior unsecured debentures due 2035	AA-
IVL363A: THB2,400 million senior unsecured debentures due 2036	AA-
IVL19PA: THB15,000 million subordinated capital debentures	A
Up to THB15,000 million subordinated capital debentures	A
<b>Rating Outlook:</b>	Stable

**TRIS Rating Co., Ltd.**

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