

BANGCHAK CORPORATION PLC

No. 44/2018

28 June 2018

CORPORATES

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

Company Rating History:

Date	Rating	Outlook/Alert
04/11/15	A	Stable
26/12/12	A-	Stable
06/07/12	A-	Alert Negative
12/10/10	A-	Stable
05/11/09	BBB+	Positive
05/11/08	BBB+	Stable

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RATIONALE

TRIS Rating affirms the company rating of Bangchak Corporation PLC (BCP) and the ratings of BCP's existing senior unsecured debentures at "A". At the same time, TRIS Rating assigns the rating of "A" to BCP's proposed issue of up to Bt5,000 million in senior unsecured debentures. The proceeds from the new debentures will be used for working capital and business expansion.

The ratings reflect BCP's established refining business, advantages BCP has from integrating its refining and marketing businesses, strong market position in the fuel retailing business, and diversification into the green power business. The ratings are partially offset by the increasing leverage due to the company's investment plan.

For the first three months of 2018, BCP's total revenue slightly increased by 1% year-on-year (y-o-y) to Bt44.23 billion, as a drop in sales volume offset an increase in oil price. Sales volume through the marketing business decreased by 2% (y-o-y) to 1,514 million liters (ML), mainly due to a drop in demand for industrial users. The widening crude premium over Dubai crude price put pressure on the company's gross refinery margin (GRM). For the first three months of 2018, BCP's base GRM decreased to US\$6.7 per barrel from US\$7.1 per barrel for the first three months of 2017. As a result, the company's operating margin (operating income before depreciation and amortization as a percentage of sales) dropped to 7.1% for the first three months of 2018.

At the end of March 2018, the company's total debt was Bt40.52 billion. The capital structure remained satisfactory. The ratio of total debt to capitalization was 46.3%. Going forward, the ratio is expected to increase during the investment period, to be in the range of 50%-55% over the next three years.

RATING OUTLOOK

The "stable" outlook reflects the expectation that BCP will retain its strong market position in the marketing segment. The investments in power projects are expected to generate sustainable streams of cash and offset the impact from fluctuations in the oil refining and marketing businesses.

RATING SENSITIVITIES

An upside for BCP's ratings may occur if the company generates sizable and recurring cash flow from its diversification efforts, while not materially deteriorating its capital structure. A rating downside may occur if BCP's capital structure significantly deteriorates due to aggressive debt-funded investments or if the company incurs substantial losses from operations or investments.

FINANCIAL STATISTICS AND KEY FINANCIAL RATIOS*

Unit: Bt million

	Jan-Mar 2018	Year Ended 31 December			
		2017	2016	2015	2014
Revenue	44,226	172,138	144,705	151,140	183,016
Gross interest expense	365	1,580	1,606	1,663	1,451
Net income from operations	975	6,407	4,273	4,038	1,180
Funds from operations (FFO)	2,724	12,628	9,440	8,448	4,495
Capital expenditures	1,044	5,522	9,370	4,645	7,350
Total assets	109,391	114,110	101,783	81,942	76,966
Total debts	40,519	40,903	39,587	33,658	31,203
Shareholders' equity	51,734	52,132	43,909	35,983	33,966
Operating income before depreciation and amortization as % of sales	7.1	7.9	8.7	7.8	2.1
Pretax return on permanent capital (%)	8.3 **	9.5	8.3	9.1	3.2
Earnings before interest, tax, depreciation, and amortization (EBITDA) interest coverage (times)	7.4	8.2	6.6	5.9	3.3
FFO/total debt (%)	28.8 **	32.0	24.8	22.3	13.5
Total debt/capitalization (%)	46.3	46.4	50.6	52.8	50.7

Note: All ratios have been adjusted by operating leases

* Consolidated financial statements

** Annualized with trailing 12 months

Bangchak Corporation PLC (BCP)
Company Rating:

A

Issue Ratings:

BCP194A: Bt2,000 million senior unsecured debentures due 2019	A
BCP194B: Bt2,000 million senior unsecured debentures due 2019	A
BCP214A: Bt2,500 million senior unsecured debentures due 2021	A
BCP224A: Bt1,000 million senior unsecured debentures due 2022	A
BCP244A: Bt3,500 million senior unsecured debentures due 2024	A
BCP273A: Bt2,000 million senior unsecured debentures due 2027	A
BCP303A: Bt1,000 million senior unsecured debentures due 2030	A
Up to Bt5,000 million senior unsecured debentures due within 7 years	A

Rating Outlook:

Stable

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