TRIS RATING
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CreditUpdate เครดิตวาระ

BURIRAM SUGAR PLC

No. 39/2020
4 June 2020

CORPORATES

Company Rating: BB
Outlook: Stable

Last Review Date: 11/09/19

Company Rating History:

Date	Rating	Outlook/Alert
26/06/15	BBB-	Stable

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RATIONALE

TRIS Rating downgrades the company rating on Buriram Sugar PLC (BRR) to "BB" from "BBB-", with a "stable" outlook. The downgrade reflects a further material deterioration in BRR's credit metrics, and our concerns over the severe drought in Thailand and persistently low global sugar price that could deepen the deterioration. The company has requested TRIS Rating to withdraw the rating. As a result, the rating assigned to BRR will no longer be monitored from the date of this announcement.

BRR's financial results deteriorated sharply in 2019. A prolonged slump in the sugar price and the appreciation of the Thai baht led to a net loss result in 2019. BRR's total operating revenue dropped by 12% year-on-year (y-o-y) to Bt5.0 billion in 2019 and declined 7% y-o-y to Bt990 million during the first three months of 2020. BRR's earnings before interest, tax, depreciation, and amortization (EBITDA) margin dropped significantly to 5.4% in 2019, down from 18%-19% during 2017-2018. As a result, BRR reported a net loss of Bt512 million in 2019, compared with a net profit of Bt272 million in 2018 and Bt525 million in 2017. The company's EBITDA margin was reported at 19.2% in the first three months of 2020, compared with 23.9% in the same period of the prior year, following a decline in demand from international customers during the coronavirus (COVID-19) lockdown.

EBITDA decreased steeply to Bt271 million in 2019, and declined further to Bt190 million during the first three months of 2020, compared with Bt1.0-Bt1.1 billion in 2017-2018.

A plunge in the sugar price and the severe drought in the 2019/2020 crop year are likely to have material effect on BRR's revenue and margin during the next 12-18 months. We project the company's total operating revenue to drop by about 30% to Bt3.6 billion in 2020 and recover gradually to Bt3.8-Bt5.5 billion in 2021-2022. Our base-case scenario assumes the sugar price will average around 10.0 cents per pound in FY2020, and then rise to 12.0-14.0 cents per pound in 2021-2022. Thus, BRR's EBITDA margin is expected to decline to around 3.5% in 2020 and then improve to 7.0%-12.0% in 2021-2022.

BRR's total adjusted debt rose to Bt7.7 billion as of March 2020, from Bt6.6 billion as of December 2019, to support its seasonal working capital needs. The total debt to capitalization ratio consequently rose to 80.4% at the end of March 2020, from 78.4% at the end of December 2019.

We expect BRR to have adequate liquidity over the next 12 months. Funds from operations (FFO) is projected to be around Bt300 million, which should be enough to service the current portion of long-term loans totaling Bt293 million. The liquidity buffer is acceptable with cash and cash equivalents of Bt129 million, and unused credit facilities of Bt1.8 billion at the end of March 2020.

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