

LVMC HOLDINGS SINGAPORE PTE. LTD.

No. 101/2020
7 July 2020

CORPORATES

Issue Rating:

Guaranteed BB

Outlook: Negative

Last Review Date: 22/07/19

Issue Rating History:

Date	Rating	Outlook/Alert
22/07/19	BB+	Negative
26/07/18	BB+	Stable
08/08/17	BBB-	Stable

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RATIONALE

TRIS Rating downgrades the rating on the guaranteed debentures of USD25.7 million issued by LVMC Holdings Singapore Pte. Ltd. (LVMCS, previously known as Kolao Holdings Singapore Pte. Ltd. (KHS)) to “BB” from “BB+”. At the same time, we maintain the outlook at “negative”. The changes reflect our downward revision on the company rating and outlook of the guarantor, LVMC Holdings (LVMC or “the Group”).

The debentures are jointly and severally guaranteed by LVMC and Kolao Developing Co., Ltd. (KDC). Therefore, the issue rating reflects the credit worthiness of LVMC and KDC. KDC, a wholly-owned subsidiary of LVMC, is classified as a “core” subsidiary of LVMC. Thus, KDC’s rating is equivalent to LVMC’s rating, or the Group’s rating.

Under the guarantee agreement, LVMC and KDC jointly and severally provide an unconditional and irrevocable guarantee to all amounts due under the debentures, including the principal amount of USD25.7 million and any interest accrued thereon and other related expenses. The guaranteed debentures rank at least equally with all other unsecured and unsubordinated obligations of LVMC and KDC.

LVMCS was incorporated in 2013 as a wholly-owned subsidiary of LVMC. LVMCS, through its subsidiaries, sells automobiles in Myanmar and Vietnam. As LVMCS’s business is currently small, the sources of interest and principal repayments to the debenture holders will come from the interest and principal repayments received from LVMC under the inter-company loan agreement between LVMCS and LVMC.

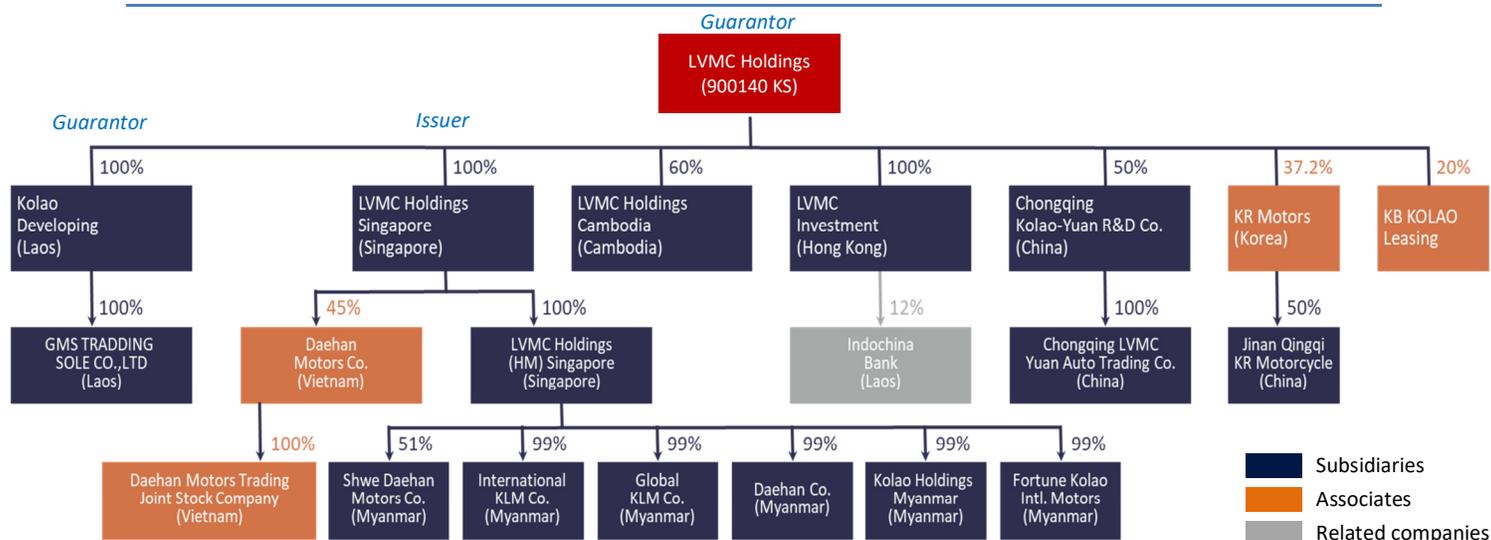
RATING OUTLOOK

The “negative” outlook reflects the rating outlooks on LVMC and KDC. TRIS Rating expects the highly competitive and uncertain business environments in which LVMC operates will continue and the recovery prospects of LVMC are uncertain. Also, LVMC was unable to comply with the financial covenant in the guaranteed debentures of USD25.7 million issued by LVMCS.

RATING SENSITIVITIES

The issue rating and/or outlook could be changed if the ratings and/or outlooks of the two guarantors change.

LVMC'S GROUP STRUCTURE



Source: LVMC

FINANCIAL STATISTICS AND KEY FINANCIAL RATIOS

LVMC Holdings (LVMC)

Unit: Mil. USD

	Jan-Mar 2020	----- Year Ended 31 December -----			
		2019	2018	2017	2016
Total operating revenues	97	339	318	353	373
Earnings before interest and taxes (EBIT)	5	(14)	(23)	23	47
Earnings before interest, taxes, depreciation, and amortization (EBITDA)	10	22	11	43	61
Funds from operations (FFO)	3	(3)	(5)	31	50
Adjusted interest expense	7	22	16	11	11
Capital expenditures	27	25	14	14	14
Total assets	585	586	585	589	571
Adjusted debt	212	225	196	146	128
Adjusted equity	275	282	322	371	362
Adjusted Ratios					
EBITDA Margin (%) *	4.39	1.31	(0.96)	9.19	13.69
Pretax return on permanent capital (%)	(1.90) **	(2.68)	(4.25)	4.38	9.72
EBITDA interest coverage (times)	1.38	0.99	0.69	3.83	5.70
Debt to EBITDA (times)	8.46 **	10.32	17.32	3.42	2.11
FFO to debt (%)	(0.98) **	(1.34)	(2.76)	21.36	38.93
Debt to capitalization (%)	43.59	44.41	37.87	28.23	26.11

Note: Consolidated financial statements

* Including net interest income from installment sales

** Adjusted with trailing 12 months

Kolao Developing Co., Ltd. (KDC)

Unit: Mil. USD

	Jan-Mar 2020	----- Year Ended 31 December -----			
		2019	2018	2017	2016
Total operating revenues	57	245	291	341	360
Earnings before interest and taxes (EBIT)	4	13	15	44	58
Earnings before interest, taxes, depreciation, and amortization (EBITDA)	7	30	29	55	66
Funds from operations (FFO)	3	19	19	47	59
Adjusted interest expense	4	12	9	8	7
Capital expenditures	27	22	10	13	14
Total assets	439	450	463	496	483
Adjusted debt	106	120	132	147	156
Adjusted equity	306	306	306	300	267
Adjusted Ratios					
EBITDA Margin (%) *	5.79	7.85	7.00	14.12	16.49
Pretax return on permanent capital (%)	2.96 **	2.95	3.34	9.84	14.66
EBITDA interest coverage (times)	1.89	2.60	3.14	7.30	9.32
Debt to EBITDA (times)	3.56 **	3.93	4.61	2.69	2.36
FFO to debt (%)	15.41 **	15.60	14.59	31.85	37.71
Debt to capitalization (%)	25.75	28.13	30.06	32.93	36.87

Note: Consolidated financial statements

* Including net interest income from installment sales

** Adjusted with trailing 12 months

RELATED CRITERIA

- Rating Methodology – Corporate, 26 July 2019
- Key Financial Ratios and Adjustments, 5 September 2018

LVMC Holdings Singapore Pte. Ltd. (LVMCS)

Issue Rating:

KHS208A: USD25.7 million guaranteed debentures due 2020

BB

Rating Outlook:

Negative

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