

PRECIOUS SHIPPING PLC

No. 62/2020
19 August 2020

CORPORATES

Company Rating:	BB+
Issue Ratings:	
Senior unsecured	BB
Outlook:	Negative

Last Review Date: 24/04/20

Company Rating History:

Date	Rating	Outlook/Alert
24/04/20	BB+	Alert Negative
31/08/17	BBB-	Stable
26/08/16	BBB-	Negative
13/11/15	BBB	Stable

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RATIONALE

TRIS Rating removes the “CreditAlert” with “negative” implication and affirms the company rating on Precious Shipping PLC (PSL) at “BB+” and the rating on its existing senior unsecured debentures at “BB”. At the same time, TRIS Rating assigns a “negative” outlook to the ratings.

The rating action reflects PSL’s reduced near-term liquidity risk following the debenture holders’ agreement to extend the maturity dates of debentures plus cash received from a settlement with a shipyard. PSL reached an agreement with debenture holders to extend the maturity date of the PSL206A debentures of USD54.9 million for 1.5 years from 9 June 2020 to 9 December 2021. The current outstanding balance of PSL206A debentures is USD50.47 million (THB1.57 billion). The company also reached an agreement with debenture holders to extend the maturity date of the PSL211A debentures of USD99.72 million (swapped from THB3.59 billion) for 1.5 years from 22 January 2021 to 22 July 2022. In addition, the company has settled all disputes and claims with a shipyard and received back USD40.50 million of advances paid for vessel constructions. PSL recorded a loss on the settlement agreement in the amount of USD27.40 million.

For the first half of 2020, PSL’s performance was significantly hit by the Coronavirus Disease 2019 (COVID-19) pandemic. The average time charter (TC) rate fell by 20% year-on-year (y-o-y) to USD7,249 per ship per day in the first six months of 2020. Earnings weakened in line with the charter rate. Earnings before interest, taxes, depreciation, and amortization (EBITDA) stood at USD16 million and funds from operations (FFO) at USD6 million for the period. Leverage remained high. At the end of June 2020, PSL’s adjusted debt was USD377 million. The adjusted ratio of debt to EBITDA was 9.2 times and the adjusted FFO to total debt ratio was 5.2% (annualized, from the trailing 12 months).

Although the liquidity pressure has eased and is likely to be so over the next 12 months, we are of the view that PSL will continue to face immense operational challenges through 2020-2021 from the on-going global recession, the lingering effects of the COVID-19 fallout, and US-China trade tensions.

RATING OUTLOOK

The “negative” outlook reflects our view that PSL’s operating performance and financial profile will continue to be under pressure through 2020-2021 from the on-going global recession, the lingering effect of the COVID-19 fallout, and the US-China trade tensions.

RATING SENSITIVITIES

The outlook could be revised to “stable” if there are clear signs that PSL is able to withstand the down cycle, its operating performance continues to improve, and the company maintains sufficient liquidity. The ratings could be downgraded if the unfavourable operating conditions persist for an extended period of time leading to further weakening of PSL’s financial metrics and/or material deterioration in its liquidity position.

COMPANY OVERVIEW

PSL was established in 1989 and listed on the Stock Exchange of Thailand (SET) in 1993. PSL is a shipping company, owning and operating dry-bulk ships as a tramp shipper. As of May 2020, PSL's major shareholders comprised Ms. Nishita Shah and group, holding 44.5% of PSL's shares, followed by Mr. Khalid Moinuddin Hashim, holding 8.4%.

As of May 2020, PSL had 36 vessels with a total of 1.59 million deadweight tonnage (DWT) in its fleet, comprising 15 handy size vessels, four cement carriers, nine supramax vessels, and eight ultramax vessels. The average age of the fleet is 8.8 years.

RELATED CRITERIA

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

Precious Shipping PLC (PSL)

Company Rating:	BB+
Issue Rating:	
PSL211A: THB3,590 million senior unsecured debentures due 2021	BB
Rating Outlook:	Negative

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