

## Press Release

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### **TRIS Rating Assigns "A+/Stable" Rating to Senior Unsecured Debt Worth Up to Bt10,000 Million of "IVL"**

TRIS Rating has assigned the rating of "A+" to the proposed issue of up to Bt10,000 million in senior unsecured debentures of Indorama Ventures PLC (IVL). The proceeds from the new debentures will be used for refinancing and business expansion. At the same time, TRIS Rating has affirmed the company rating of IVL and the ratings of IVL's existing senior unsecured debentures at "A+". TRIS Rating has also affirmed the rating of "A-" to IVL's subordinated capital debentures. The outlook remains "stable". The two notches below the corporate credit rating of IVL reflect the interest payment deferability and deep subordination characters of the subordinated capital debentures.

The ratings of IVL and its debentures reflect the company's leading position in the polyester value chain, its competitiveness stemming from the vertical integration, geographic diversification in terms of production and customer bases, and its successful effort to blend the high-value-added (HVA) products into portfolio. The ratings also take into consideration the capability and experience of the management team, as well as IVL's access to key technologies. However, the ratings are constrained by the volatile nature of the petrochemical industry, the uncertain outlook of the global economy, and the company's high leveraged balance sheet.

The "stable" outlook is based on TRIS Rating's assumption that the industry margin will gradually recover from the current level. In addition, IVL should be able to demonstrate more stable cash flow generation and maintain sufficient liquidity to serve as a cushion against the volatility inherent in the petrochemical industry. The negative factor for the rating could be a prolonged industry down cycle, which will deteriorate IVL's profitability and finally reduce the funds from operations (FFO) to total debt ratio below 15% on a sustainable basis.

The upside factor for IVL's ratings is a significant improvement of the company's cash flow generation and an increase of the FFO to total adjusted debt ratio over 20% - 25% on a sustainable basis.

IVL was established by the Lohia family on 21 February 2003 as a holding company to invest mainly in businesses along the polyester value chain. IVL was listed on the Stock Exchange of Thailand (SET) on 5 February 2010. As of March 2017, the Lohia family held a 66.4% stake in IVL. The company's core businesses comprise the polyethylene terephthalate (PET) segment, the fiber segment, and the feedstock segment. At the end of December 2016, IVL's total installed capacity was 10.6 million tonnes per annum (MTA), of which 43% was PET capacity, 15% was fiber capacity and 42% belonged to the feedstock segment. The PET segment includes the PET resin and PET preforms. The fiber segment comprises the polyester fiber and yarn and other HVA fibers such as Nylon filament yarns and bicomponent staple fibers. The feedstock segment mainly involves PTA and monoethylene glycol (MEG), which are main raw materials used to produce PET and polyester fiber, and other HVA feedstock products as Purified Ethylene Oxide (PEO) and Isophthalic Acid (IPA).

IVL's production bases are well geographically diversified. As of December 2016, IVL had 67 plants located in 21 countries across four continents: Asia, Europe, North America, and Africa. IVL's business model is aimed at full vertical integration and a diversified presence around the globe. This model should enhance the company's profitability and competitive advantage, as well as reduce the risks associated with the volatility of the petrochemical industry and trade barriers. During 2015 - 2016, the company spent about Bt38,600 million to conclude seven acquisition transactions. The acquisitions increased IVL's total capacity from 7.5 MTA in 2014 to 10.6 MTA in 2016. The acquisitions included PTA plants in Canada and Spain, the integrated paraxylene (PX) and PTA plant in the United States (US), a high value added (HVA) yarns production facility in China, and PET plants in Turkey and Thailand. In addition, IVL also acquired a 76% stake in an ethylene cracker, which is under refurbishment and expected to commence operation in late 2017. This investment is another step of backward integration, as ethylene is a raw material of MEG.

In 2016, IVL's total revenue was Bt254,620 million, an 8% year-on-year (y-o-y) increase, mainly due to a higher sales volume from the acquisitions, which largely offset a decline in the average selling price caused by the lower crude price. The operating margin (operating income before depreciation and amortization, as percentage of sales) improved from 7% in 2015 to 10.1% in 2016. This was partly due to an improvement in the PTA margin, resulting from the acquisition of the PTA plants in Canada and Spain together with the widening of PTA spread in Asia. IVL's profitability, in terms of earnings before interest,

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tax, depreciation, and amortization (EBITDA) per tonne of production volume, improved from US\$81 per tonne in 2015 to US\$90 per tonne in 2016.

The company's total adjusted debt for hybrid debentures (total adjusted debt) increased along with the acquisition activities. At the end 2016, the company's total adjusted debt was Bt109,543 million, with the total adjusted debt to capitalization ratio of 56.5%. The company's FFO to total adjusted debt ratio for 2016 was 19.1%, improved from about 12%-16% during 2013 to 2015, due mainly to contributions from recently acquired assets. Looking forward, the company's financial ratios are expected to continue to improve from the current level, as the company has a policy to lower acquisition activities and focus more on its existing operation, which should relieve the pressure on the leverage over the next two years.

TRIS Rating's base case scenario has incorporated the company's capital expenditure plans for maintenance, debottlenecking, and expansion of its current facilities, including a refurbishment of the ethylene cracker in the US. This expenditure is projected at about Bt39,200 million spanning 2017-2019. With its investment and capital expenditure plan, the company's total installed capacity will increase from 10.6 MTA in 2016 to about 11.9 MTA by 2019. TRIS Rating expects that IVL will keep the leverage level to maintain the ratio of net interest bearing debt to equity at lower than 1 times, in accordance with the company's policy. Based on the expected mix of HVA products and the gradual recovery of the industry margin, TRIS Rating's projection expects the company's profitability in terms of EBITDA per tonne of production will improve from the current level over the next three years. The company's FFO is expected to exceed Bt20,000 million in 2017 and increase further in the following years. This level of FFO is sufficient to service IVL's debt obligations. Approximately Bt10,000 million in debt will come due in 2017, while the Bt14,400 million will be due in 2018 and about Bt17,200 million will be due in 2019. The FFO to total adjusted debt ratio is expected to range between 15%-25% over the next three years.

### **Indorama Ventures PLC (IVL)**

#### **Company Rating:**

A+

#### **Issue Ratings:**

IVL174A: Bt1,500 million senior unsecured debentures due 2017	A+
IVL174B: Bt2,500 million senior unsecured debentures due 2017	A+
IVL186A: Bt550 million senior unsecured debentures due 2018	A+
IVL180A: Bt98 million senior unsecured debentures due 2018	A+
IVL180B: Bt1,302 million senior unsecured debentures due 2018	A+
IVL18DA: Bt780 million senior unsecured debentures due 2018	A+
IVL193A: Bt800 million senior unsecured debentures due 2019	A+
IVL194A: Bt1,500 million senior unsecured debentures due 2019	A+
IVL206A: Bt520 million senior unsecured debentures due 2020	A+
IVL20DA: Bt880 million senior unsecured debentures due 2020	A+
IVL210A: Bt37 million senior unsecured debentures due 2021	A+
IVL210B: Bt3,163 million senior unsecured debentures due 2021	A+
IVL210C: Bt300 million senior unsecured debentures due 2021	A+
IVL224A: Bt1,250.5 million senior unsecured debentures due 2022	A+
IVL224B: Bt2,649.5 million senior unsecured debentures due 2022	A+
IVL22DA: Bt1,645 million senior unsecured debentures due 2022	A+
IVL236A: Bt1,100 million senior unsecured debentures due 2023	A+
IVL243A: Bt1,400 million senior unsecured debentures due 2024	A+
IVL24DA: Bt1,475 million senior unsecured debentures due 2024	A+
IVL25DA: Bt1,150 million senior unsecured debentures due 2025	A+
IVL260A: Bt200 million senior unsecured debentures due 2026	A+
IVL280A: Bt2,200 million senior unsecured debentures due 2028	A+
IVL310A: Bt2,300 million senior unsecured debentures due 2031	A+
IVL14PA: Bt15,000 million subordinated capital debentures	A-
Up to Bt10,000 million senior unsecured debentures due within 12 years	A+
<b>Rating Outlook:</b>	Stable

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