

MITR PHOL SUGAR CORPORATION LTD.

No. 122/2023
18 October 2023

CORPORATES

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

Last Review Date: 18/05/23

Company Rating History:

Date	Rating	Outlook/Alert
15/03/22	A	Stable
04/06/20	A+	Negative
24/12/10	A+	Stable
02/11/07	A	Stable

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RATIONALE

TRIS Rating affirms the company rating on Mitr Phol Sugar Corporation Ltd. (MPSC) and the ratings on MPSC's outstanding senior unsecured debentures at "A", with a "stable" outlook.

At the same time, we assign the rating of "A" to MPSC's proposed issue of up to THB4 billion senior unsecured debentures and an additional greenshoe portion of up to THB1.5 billion with a tenor of up to 10 years. The proceeds from the new debentures will be used to refinance the company's existing debt and for working capital.

The ratings continue to reflect MPSC's market position as one of the world's leading sugar producers, as well as its well-accepted brand name, geographic diversification, and diversified sources of income. However, the ratings are constrained by the volatility of sugarcane supplies and sugar prices, plus the company's operational risk associated with its overseas sugar plants.

For the first half of 2023, MPSC's operating results were below our expectation. This was due to a sizable derivative loss, which came from sugar price volatiles and lower-than-expected sugarcane supplies. MPSC's earnings before interest, taxes, depreciation, and amortization (EBITDA) declined by 23% year-on-year (y-o-y) to THB10.4 billion. EBITDA margin in the first half of 2023 dropped to 13.7%, below our forecast of 16%. The adjusted debt to EBITDA ratio was at 6.5 times from 5.8 times during the same period of 2022.

Despite a steep rise in worldwide sugar prices, we anticipate MPSC's operating performance will come under pressure in 2024-2025 given the prospect of falling sugarcane supplies, driven by an El Nino phenomenon. Based on our revised projection, MPSC's EBITDA is forecast at THB18 billion in 2023 and THB16-THB17 billion in 2024-2025. The debt to EBITDA ratio is forecast to hover around 5.0-5.5 times in 2023-2025, while the debt to capitalization ratio should be about 50%.

We assess MPSC to have adequate liquidity over the next 12 months. Funding needs will include THB2 billion for maturing long-term loans and capital expenditures of about THB10 billion. The sources of funds will come from funds from operations (FFO) of around THB14 billion and undrawn short-term credit facilities of about THB22 billion. The liquidity buffer is backed by cash on hand and short-term securities totaling THB7.5 billion as of June 2023.

The key financial covenant on MPSC's debenture obligations requires the company's interest-bearing debt to equity ratio to stay below 2.0 times. As of June 2023, the ratio was 1.4 times. We believe the company should have no problem complying with the financial covenant over the forecast period.

RATING OUTLOOK

The "stable" outlook reflects TRIS Rating's expectation that MPSC will maintain its leading position in both the Thai and Chinese sugar industries. Competitive edges from MPSC's diverse range of operations and sources of income should partly alleviate the effect of volatility inherent in the sugar production business.

RATING SENSITIVITIES

The ratings on MPSC could be upgraded if the company is able to improve its operating cash flow and lower its leverage, with the net debt to EBITDA ratio staying below 5 times on a sustained basis.

On the contrary, the ratings could be downgraded in a scenario of materially higher-than-expected debt levels or weaker-than-expected profitability, that could potentially result in the company's adjusted debt to EBITDA ratio exceeding 8 times for a prolonged period.

RELATED CRITERIA

- Corporate Rating Methodology, 15 July 2022
- Key Financial Ratio and Adjustments for Corporate Issuers, 11 January 2022
- Issue Rating Criteria, 15 June 2021

Mitr Phol Sugar Corporation Ltd. (MPSC)

Company Rating:	A
Issue Ratings:	
MPSC249A: THB3,200 million senior unsecured debentures due 2024	A
MPSC256A: THB2,400 million senior unsecured debentures due 2025	A
MPSC256B: THB2,210 million senior unsecured debentures due 2025	A
MPSC259A: THB1,000 million senior unsecured debentures due 2025	A
MPSC26DA: THB1,900 million senior unsecured debentures due 2026	A
MPSC286A: THB1,630 million senior unsecured debentures due 2028	A
MPSC28DA: THB2,200 million senior unsecured debentures due 2028	A
MPSC306A: THB3,650 million senior unsecured debentures due 2030	A
MPSC31NA: THB3,000 million senior unsecured debentures due 2031	A
MPSC33NA: THB2,150 million senior unsecured debentures due 2033	A
Up to THB4,000 million senior unsecured debentures and additional greenshoe portion of up to THB1,500 million due within 10 years	A
Rating Outlook:	Stable

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