

THE BANGCHAK PETROLEUM PLC

No. 111/2013

20 December 2013

Company Rating: A-

Outlook: Stable

Rating History:

Date	Company	Issue (Secured/ Unsecured)
26/12/12	A-/Sta	-/A-
06/07/12	A-/Alert Neg	-/A-
04/04/12	A-/Sta	-/A-
12/10/10	A-/Sta	-
05/11/09	BBB+/Pos	-
05/11/08	BBB+/Sta	-

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Rating Rationale

TRIS Rating affirms the company and senior debenture ratings of The Bangchak Petroleum PLC (BCP) at "A-". The ratings reflect the proven operating record of BCP's refinery, the integration of BCP's refining and marketing businesses, its diversification into solar power business, and the support from PTT PLC (PTT). The ratings are partially weighed by the typical fluctuations in oil prices and the gross refining margin (GRM).

BCP was established in 1985 and listed on the Stock Exchange of Thailand (SET) in 1993. The company owns and operates a complex oil refinery, located in Bangkok. The refinery has a capacity of 120 thousand barrels per day (KBD), accounting for approximately 11% of the total refinery capacity in Thailand. The company operated 1,068 service stations nationwide as of September 2013 under the "Bangchak" brand. BCP also operates 70 megawatts (MW) solar power plants. For the first nine months of 2013, the refinery segment generated 70% of BCP's EBITDA (earnings before interest, tax, depreciation, and amortization), the marketing segment (sales through service stations and industrial customers) comprised 17%, while the solar power segment accounted for the remaining 13%. As of September 2013, PTT held 27.22% interest in BCP, the Ministry of Finance (MOF) held 9.98%, and the remaining 62.80% was held by the public.

BCP's strong business profile reflects the integration of its complex refinery with its marketing network. As a complex refinery, BCP is able to process a variety of crude oils, yielding high proportions of high GRM products such as diesel fuel and JET fuel. For the first nine months of 2013, crude intake was ramped up to 98.7 KBD from 73.7 KBD in 2012. The company's refined product mix was diesel (48%), gasoline (20%), fuel oil (18%), and jet fuel (11%). The base GRM was US\$6.1 per barrel for the first nine months of 2013. The uncertainty of the global economy has put pressure on the oil prices and the GRM.

The total volume of refined products sold by BCP's marketing segment have increased, rising from 375 million liters per month (ML/MO) for the first nine months of 2012 to 403 ML/MO for the first nine months of 2013. Refined products sold through BCP's service stations accounted for 60% of the total sales volume. The remainder (40% of the sales volume) was sold directly to industrial customers. For the first nine months of 2013, BCP was the third largest oil retailer in Thailand, with a market share of 14.8%, up from 13.8% for the first nine months of 2012.

BCP has diversified into solar power business since 2011. BCP has power purchase agreements totaling 118 MW. Each contract included a tariff adder of Bt8 per kilowatt-hour (kWh). As of September 2013, 70 MW of capacity was in operation and 48 MW of capacity was under construction. The plants under construction are expected to be completed within 2014. Once all the 118 MW of solar power generating capacity are in operation, BCP expects its solar power plant to generate about Bt2,500-Bt2,800 million of EBITDA per year, or about 20%-25% of the company's expected EBITDA. Cash flow generations from the solar power business are expected to serve as a cushion to protect the company's profits from the volatility of the oil refining and marketing segments.

BCP's financial profile during 2012 through the first nine months of 2013 was in line with TRIS Rating's expectation. For the first nine months of 2013, BCP's total revenue increased by 14.1% year-on-year (y-o-y) to Bt138,450 million, as higher sales volume largely offset a decrease in oil prices. The operating margin

(operating income before depreciation and amortization as a percentage of sales) was 4.2% for the first nine months of 2013. BCP's capital structure remained satisfactory, with total debt to capitalization ratio at 37.2% as of September 2013.

For the next three years, TRIS Rating's base-case expects the company's EBITDA to stay in a range of Bt7,000-Bt10,000 million per year, based on the crude intake of 100 KBD and the base GRM at about US\$6.5 per barrel on average. BCP's total capital expenditures during 2013 to 2016 are expected at approximately Bt26,400 million. The expenditures are designated for solar power projects, refinery improvements and debottlenecking program, plus the expansion of BCP's marketing network and renewable energy business. Given the expected levels of EBITDA and capital expenditures, BCP's total debt to capitalization ratio may increase slightly during the investment period. However, TRIS Rating expects that the ratio will not exceed 45% over the next three years.

Rating Outlook

The "stable" outlook reflects the expectation that BCP will sustain its strong market position in the oil retailing segment. The investments in solar power projects are expected to help generate reliable streams of income and partially offset the fluctuations in the oil business over the medium term.

The Bangchak Petroleum PLC (BCP)

Company Rating:	A-
Issue Ratings:	
BCP194A: Bt2,000 million senior debentures due 2019	A-
BCP224A: Bt1,000 million senior debentures due 2022	A-
Rating Outlook:	Stable

Financial Statistics and Key Financial Ratios*

Unit: Bt million

	----- Year Ended 31 December -----					
	Jan-Sep 2013	2012	2011	2010	2009	2008
Revenue	138,450	165,246	158,610	136,369	108,681	129,042
Gross interest expense	808	1,044	916	893	916	1,127
Net income from operations	4,196	4,023	6,320	2,422	6,817	185
Funds from operations (FFO)	6,311	6,663	8,566	4,268	7,870	1,044
Capital expenditures	3,380	5,126	5,193	1,319	3,380	7,703
Total assets	69,614	70,853	61,603	58,413	53,891	42,540
Total debts	20,301	19,023	18,582	19,617	15,920	15,678
Shareholders' equity	34,263	32,323	29,879	22,780	25,953	19,763
Operating income before depreciation and amortization as % of sales	4.2	3.3	5.6	3.5	5.1	1.3
Pretax return on permanent capital (%)	11.2 **	11.4	17.0	10.4	27.3	2.0
Earnings before interest, tax, depreciation, and amortization (EBITDA) interest coverage (times)	9.9	7.8	10.7	7.0	12.6	1.3
FFO/total debt (%)	31.1 **	35.0	46.1	21.8	49.4	6.7
Total debt/capitalization (%)	37.2	37.0	38.3	46.3	38.0	44.2

* Consolidated financial statements

** Non-annualized

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