

Research Update

CTCI Corp. Ratings Affirmed At 'twA/twA-1'; Liquidity Revised To Exceptional From Adequate; Outlook Stable

March 26, 2020

Rating Action Overview

Taiwan Ratings Corp. today affirmed its 'twA' long-term and 'twA-1' short-term issuer credit ratings on **CTCI Corp.** The outlook on the long-term rating is stable. The ratings on CTCI reflect the company's sustained domestic market leadership, expanding overseas operating scale, and improving business diversity that will underpin its competitive position in the next one to two years. The company's smaller operating scale compared with that of its global large-scaled engineering, procurement and construction (EPC) peers and weaker profit margin in its overseas EPC business partly temper these strengths. We also expect high volatility in CTCI's working capital movement and rising capital expenditure to constrain material improvement in financial debt leverage over the next one to two years.

We have upwardly revised our assessment of CTCI's liquidity to exceptional from adequate, which has no impact on the ratings. The exceptional assessment mainly reflects a material lengthening in CTCI's debt maturity profile through the issuance of a long-term corporate bond and the withdrawal of a long-term bank loan. Given a decline in the company's short-term debt usage, we expect CTCI's ratio of liquidity sources to liquidity uses to reach 2.2x-2.6x annually over the 12 months ending Dec. 31, 2020 and for the subsequent 12 months.

We also believe the company has a well-established and solid relationship with banks as evidenced by the low interest rate on its bank loans. CTCI's high standing in local credit markets because of its domestic market leadership also supports this view. The low interest rate on the company's five-year corporate bond, sufficient undrawn bank credit lines, and flexibility to increase bank facilities provide additional evidence of this. CTCI does not carry any financial covenants on its debts.

Related Criteria

- General Criteria: Group Rating Methodology - July 01, 2019
- Criteria | Corporates | General: Corporate Methodology: Ratios And Adjustments - April 01, 2019
- Understanding Taiwan Ratings' Rating Definitions, www.taiwanratings.com - June 26, 2018
- Criteria | Corporates | General: Methodology And Assumptions: Liquidity Descriptors For Global Corporate Issuers - December 16, 2014
- Criteria | Corporates | Industrials: Key Credit Factors For The Environmental Services Industry - February 12, 2014

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- Criteria | Corporates | Industrials: Key Credit Factors For The Engineering And Construction Industry - November 19, 2013
- General Criteria: Country Risk Assessment Methodology And Assumptions - November 19, 2013
- General Criteria: Methodology: Industry Risk - November 19, 2013
- Criteria | Corporates | General: Corporate Methodology - November 19, 2013
- General Criteria: Methodology: Management And Governance Credit Factors For Corporate Entities - November 13, 2012
- General Criteria: Use Of CreditWatch And Outlooks - September 14, 2009

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Ratings List

Ratings Affirmed

CTCI Corp.

Issuer Credit Rating	twA/Stable/twA-1
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Certain terms used in this report, particularly certain adjectives used to express our view on rating relevant factors, have specific meanings ascribed to them in our criteria, and should therefore be read in conjunction with such criteria. Please see Ratings Criteria at www.taiwanratings.com for further information. Complete ratings information is available to subscribers of Rating Research Service at rrs.taiwanratings.com.tw. All ratings affected by this rating action can be found on Taiwan Ratings' public website at www.taiwanratings.com.

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