

Media Release:

# Asia Cement Corp. Ratings Affirmed At 'twAA-/twA-1+'; Liquidity Revised To Strong From Adequate; Outlook Stable

September 22, 2022

## Rating Action Rationale

Taiwan Ratings Corp. today affirmed its 'twAA-' long-term and 'twA-1+' short-term issuer credit ratings on **Asia Cement Corp.** The outlook on the long-term rating is stable. The ratings reflect Asia Cement's satisfactory market position in Taiwan and key operating regions in China and the company's growing business and cash flow diversity, underpinned by its independent power generation business and stable cash dividend from equity holdings in the **Far Eastern New Century Corp.** (FENC) group. These, together with moderating capital expenditure could enable Asia Cement to generate positive discretionary cash flow and cap its debt growth to keep its ratio of debt to EBITDA at about 2x in 2022-2023. This is despite weak profitability as a result of a downturn in China's cement market. Asia Cement's high growth appetite and high volatility in the cement industry, particularly in China, temper these strengths and could lead to significant volatility in the company's profitability and hike its debt leverage over the next two to three years.

We have upwardly revised our assessment of Asia Cement's liquidity to strong from adequate, which has no impact on the ratings. The strong assessment mainly reflects our view of Asia Cement's rising cash balance with continued positive discretionary cash flow and prudent capital spending. We forecast Asia Cement's ratio of liquidity sources to liquidity uses will remain in the range 1.7x-2.0x over the 24 months ending June 30, 2023. We also believe that Asia Cement's liquidity sources will continue to exceed uses even if EBITDA declined by 30%. Moreover, we believe the company has a sound relationship with banks and a generally high standing in the credit market in Taiwan, supported by Asia Cement's membership of the FENC group. There are no financial covenants associated with Asia Cement's or its subsidiaries' debt as of June 30, 2022.

## Related Criteria & Research

### Related Criteria

- General Criteria: Methodology For National And Regional Scale Credit Ratings - June 25, 2018
- General Criteria: Environmental, Social, And Governance Principles In Credit Ratings - October 10, 2021
- General Criteria: Group Rating Methodology - July 01, 2019
- Criteria | Corporates | General: Corporate Methodology: Ratios And Adjustments - April 01, 2019
- Criteria | Corporates | General: Methodology And Assumptions: Liquidity Descriptors For Global Corporate Issuers - December 16, 2014
- General Criteria: Country Risk Assessment Methodology And Assumptions - November 19, 2013

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- 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: Principles Of Credit Ratings - February 16, 2011

### Related Research

- Taiwan Ratings' Ratings Definitions – November 11, 2021

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## Ratings List

### Ratings Affirmed

<b>Asia Cement Corp.</b>	
Issuer credit ratings	twAA-/Stable/twA-1+

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](http://www.taiwanratings.com) for further information. Complete ratings information is available to subscribers of Rating Research Service at [rrs.taiwanratings.com.tw](http://rrs.taiwanratings.com.tw). All ratings affected by this rating action can be found on Taiwan Ratings' public website at [www.taiwanratings.com](http://www.taiwanratings.com).

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