

Research Update:

Ratings On Chang Chun Plastics And Chang Chun Petrochemical Affirmed At 'twAA/twA-1+'; Outlook Stable

May 30, 2023

Rating Action Rationale

Taiwan Ratings Corp. today affirmed its 'twAA' long-term and 'twA-1+' short-term issuer credit ratings on Taiwan-domiciled **Chang Chun Plastics Co. Ltd.** and **Chang Chun Petrochemical Co. Ltd.**, the two major companies of the Chang Chun group. The outlook on the long-term ratings remains stable.

The ratings reflect the Chang Chun group's leading regional market position for some specialty chemicals, the group's broad product mix and diverse end-applications, highly integrated production, and good product and process technology. These attributes will continue to underpin the companies' satisfactory profitability and cash flow generation. The ratings affirmation also reflects our view that the group's enhanced financial buffer, with a large net cash position, will support its expansion plan and moderate cash dividend payout.

The strengths are offset by the group's lack of integration into basic feedstock chemicals such as ethylene and propylene, the high volatility in product prices as well as in product margins due to intense competition. Furthermore, there are limited entry barriers for most of the group's products, and it has limited scale and technology resources compared with other larger peers.

Ratings Score Snapshot

Issuer Credit Rating: twAA/Stable/twA-1+

Note: The descriptors below are on a global scale.

Business risk: Satisfactory

- Country risk: Moderately high
- Industry risk: Intermediate
- Competitive position: Satisfactory

Financial risk: Modest

- Cash flow/Leverage: Modest

Anchor: twaa

Modifiers

- Diversification/Portfolio effect: Neutral (no impact)

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- Capital structure: Neutral (no impact)
- Liquidity: Strong (no impact)
- Financial policy: Neutral (no impact)
- Management and governance: Satisfactory (no impact)
- Comparable rating analysis: Positive (+1 notch)

Stand-alone credit profile: The core operating units of the Chang Chun group have not been assigned an SACP

- Group credit profile: twaa+
- Entity status within group: Highly Strategic

Related Criteria & Research

Related Criteria

- General Criteria: Group Rating Methodology - July 01, 2019
- Criteria | Corporates | General: Methodology And Assumptions: Liquidity Descriptors For Global Corporate Issuers - December 16, 2014
- General Criteria: Methodology: Industry Risk - November 19, 2013
- Criteria | Corporates | General: Corporate Methodology: Ratios And Adjustments - April 01, 2019
- Criteria | Corporates | General: Corporate Methodology - November 19, 2013
- General Criteria: Methodology: Management And Governance Credit Factors For Corporate Entities - November 13, 2012
- General Criteria: Country Risk Assessment Methodology And Assumptions - November 19, 2013
- General Criteria: Environmental, Social, And Governance Principles In Credit Ratings - October 10, 2021
- General Criteria: Methodology For National And Regional Scale Credit Ratings - June 25, 2018
- General Criteria: Principles Of Credit Ratings - February 16, 2011

Related Research

- Taiwan Ratings' Ratings Definitions – November 11, 2021

(Unless otherwise stated, these articles are published on www.taiwanratings.com)

Ratings List

Affirmation

Chang Chun Plastics Co. Ltd.

Issuer Credit Rating	twAA/Stable/twA-1+
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Chang Chun Petrochemical Co. Ltd.

Issuer Credit Rating	twAA/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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