

Research Update:

Ratings On Four Key Formosa Companies Affirmed At 'twAA/twA-1+'; Outlook Negative

October 25, 2024

Rating Action Rationale

Taiwan Ratings Corp. today affirmed its 'twAA' long-term and 'twA-1+' short-term issuer credit ratings on the four key companies of the Formosa group--**Formosa Plastics Corp., Nan Ya Plastics Corp., Formosa Chemicals & Fibre Corp., and Formosa Petrochemical Corp.** The outlook on the long-term ratings remains negative. At the same time, we affirmed our 'twAA' issue rating on the companies' unsecured common corporate bonds and bonds issued by Formosa Group (Cayman) that are proportionally guaranteed by the four companies.

The ratings reflect the four Formosa companies' good market position for various chemical products throughout the Greater China region, good operating efficiency and product diversity underpinned by a high degree of vertical integration, and good financial flexibility with sizable liquid non-core assets. Several factors partly offset these rating strengths. These include the companies' high sensitivity to volatile crude oil and commodity chemical prices, significant asset concentration at the group's Mai-Liao complex, and rising cost competition due to aggressive capacity additions in China partly offset these strengths. In addition, the four companies' persistently weak profitability could constrain their ability to improve and sustain the ratio of debt to EBITDA below 2.5x over the next 24 months which is against our base case assumptions.

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Related Criteria & Research

Related Criteria

- General Criteria: Group Rating Methodology - July 01, 2019
- General Criteria: National And Regional Scale Credit Ratings Methodology - June 08, 2023
- Criteria | Corporates | General: Reflecting Subordination Risk In Corporate Issue Ratings - March 28, 2018
- General Criteria: Guarantee Criteria - October 21, 2016
- Criteria | Corporates | General: Sector-Specific Corporate Methodology - April 04, 2024
- Criteria | Corporates | General: Corporate Methodology - January 07, 2024
- Criteria | Corporates | General: Methodology: Management And Governance Credit Factors For Corporate Entities - January 07, 2024
- General Criteria: Environmental, Social, And Governance Principles In Credit Ratings - October 10, 2021
- 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
- General Criteria: Methodology: Industry Risk - November 19, 2013

- 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

Ratings Affirmed

Formosa Plastics Corp.

Formosa Chemicals & Fibre Corp.

Formosa Petrochemical Corp.

Nan Ya Plastics Corp.

Issuer Credit Ratings	twAA/Negative/twA-1+
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Issue Credit Ratings	twAA
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Formosa Group (Cayman) Ltd.

Issue Credit Rating	twAA
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