

## Still dark at the end of the tunnel

- Legacy high-cost structure still hauntingly pressures profitability
- Cash flows are fast shrinking on depressed margins of chemical and refinery products
- Initiated with HOLD and a TP of THB1.20

### Legacy high-cost structure is exacerbated

IRPC's high legacy cost structure of USD9.0-10/bbl as a result of the small scale and long value chain from upstream refinery to downstream chemical products, has continued to hauntingly erode its earnings capability, given the industry margins of refinery, aromatics, olefins, butadiene, and lube, have remained weak in the past few years. The supply influxes from US and China not only are overwhelming but also are highly competitive from the abundant and cheap shale gas feedstock in US and China's self-sufficiency policy.

### SOS for chemical margins

IRPC has seen its gross integrated margin (GIM) for olefins and aromatics sharply plunge in the past few years, depressed by industry chronic oversupplies and the advent of highly competitive new players, mainly from US shale gas-based chemical producers and China's large-scale gas- and naphtha-based producers. IRPC's Gross Refining Margins (GRM) have been below USD3.0/bbl while integrated chemical GIMs have been even lower at USD1.0-2.0/bbl range, leading to deep operating losses.

### Alarming liquidity?

At the end of 3Q24, IRPC's cash position stands at only THB3.2, down from THB6.2b on 1 Jan-24 as cash flow from operation was negative at -THB5.5b and cash flow from investment was -THB2.2b were offset by THB4.7b cash flow from financing. Hence, IRPC's net interest-bearing debt to equity ratio rose from 0.87x in 3Q23 to 1.05x in 3Q24 (covenant ratio at 1.25x) and debt service coverage ratio (DSRC) plunged from 3.17x in 2021 to 1.53x in 2023. We think IRPC needs to raise debts further to help fund its negative cash flows from operations in 2025E-26E.

### Dividend now is in jeopardy

With deteriorating cash flow position underway due to the projected operating losses, we think IRPC is likely to pay lower or even halt its dividend entirely in 2H24E-2025E. In 2023, IRPC paid only THB0.03 dividend with THB5.7b net cash flows. However, we project net FCF in 2024 to be insignificant, thereby unlikely to sufficiently pay dividend.

### Initiated with HOLD and a TP of THB1.20

We initiated coverage on IRPC with a HOLD and a TP of THB1.20, based on 8x 2025E EV/EBITDA, reflecting 0.4x P/BV. We think IRPC's weak net profit outlook due to its high-cost structure and small specialty chemical portfolio would likely to continue to generate poor or operating losses for IRPC in 2025E-26E.

#### Analyst

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ESG Rating : n.a.

CG Rating : ▲▲▲▲▲

## HOLD

|                               |             |
|-------------------------------|-------------|
| <b>Target Price 12M (THB)</b> | <b>1.20</b> |
| VS. BB Consensus TP (%)       | -18.4%      |
| Share Price (THB)             | 1.25        |
| Upside/Downside               | -4.0%       |

### Share Data

|                          |           |
|--------------------------|-----------|
| Market Cap (THB m)       | 25,543.02 |
| Par (THB)                | 1.00      |
| Free Float (%)           | 51.94     |
| Issued shares (m shares) | 20,434    |

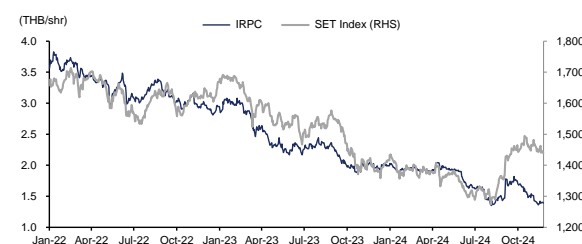
### Financial forecast

| YE Dec (THB m)             | 2023    | 2024E   | 2025E   | 2026E   |
|----------------------------|---------|---------|---------|---------|
| Revenue                    | 319,047 | 311,029 | 324,155 | 324,572 |
| Net profit                 | (3,438) | (8,289) | (1,818) | (1,308) |
| Core net profit            | (3,438) | (8,289) | (1,818) | (1,308) |
| vs Consensus (%)           | -       | (95.6)  | (575.8) | (161.4) |
| Net profit growth (%)      | 21.2    | (141.1) | 78.1    | 28.0    |
| Core net profit growth (%) | 21.2    | (141.1) | 78.1    | 28.0    |
| EPS (THB)                  | (0.17)  | (0.41)  | (0.09)  | (0.06)  |
| Core EPS (THB)             | (0.17)  | (0.41)  | (0.09)  | (0.06)  |
| Chg in core EPS (%)        | -       | 0.00    | 0.00    | 0.00    |
| DPS (THB)                  | 0.10    | 0.10    | 0.10    | 0.10    |
| P/E (x)                    | (12.01) | (3.08)  | (14.05) | (19.53) |
| P/BV (x)                   | 0.54    | 0.39    | 0.41    | 0.44    |
| ROE (%)                    | (4.43)  | (11.71) | (2.85)  | (2.17)  |
| Dividend yield (%)         | 4.95    | 8.00    | 8.00    | 8.00    |

Source: Financial Statement and Globlex securities

### Share Price Performance (%)

|                    | 1M      | 3M      | 6M      | YTD        |
|--------------------|---------|---------|---------|------------|
| Stock              | (10.71) | (31.32) | (26.04) | (38.12)    |
| Market             | (7.41)  | (28.00) | (30.17) | (37.18)    |
| 12M High/Low (THB) |         |         |         | 2.8 / 1.21 |



### Major Shareholders (%) as of 28 Feb 2024

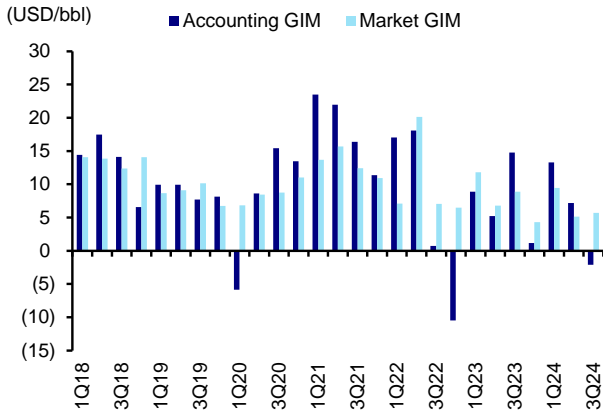
|   |       |
|---|-------|
| PTT Public Company Limited              | 45.05 |
| Thai NVDR Company Limited               | 3.70  |
| Siam Management Holding Company Limited | 3.00  |

### Company Profile

The Group's core businesses are 1) Refinery business; its refinery is situated in Rayong province and its petroleum products from the refinery consisted of various kinds of refined oil, diesel, gasoline, lube base oil, fuel oil etc. 2) Petrochemical business, which its products include polymers and other petrochemical products sold to manufacturers as raw materials to plastic converters. 3) Port and tankfarm business, which provides facilities and international standard dock services for domestic and international cargoes. 4) Asset management business, provides asset management services based on its empty plots of land.

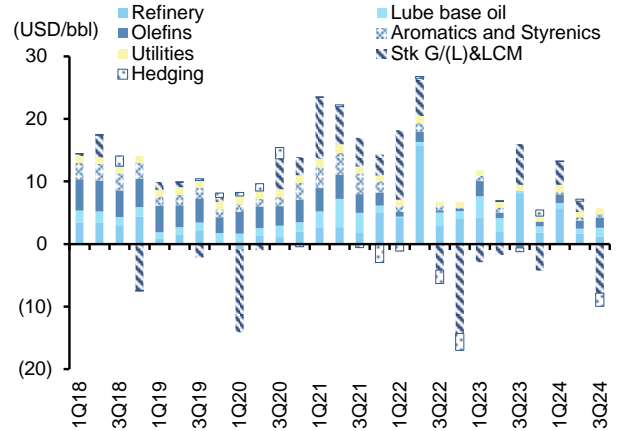
Source: SETSMART, SET

**Exhibit 1: IRPC's accounting GIM vs market GIM**



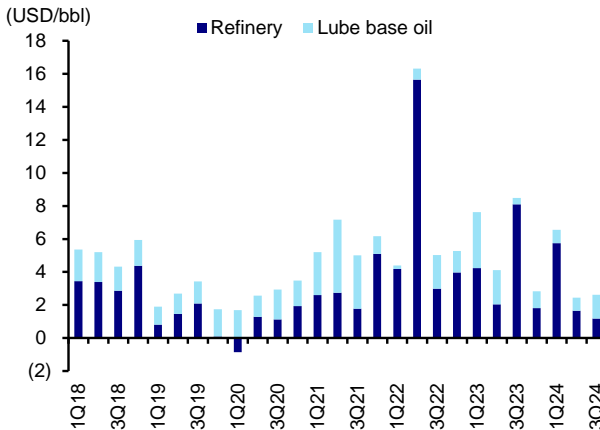
Sources: IRPC

**Exhibit 2: IRPC's market GIM breakdown**



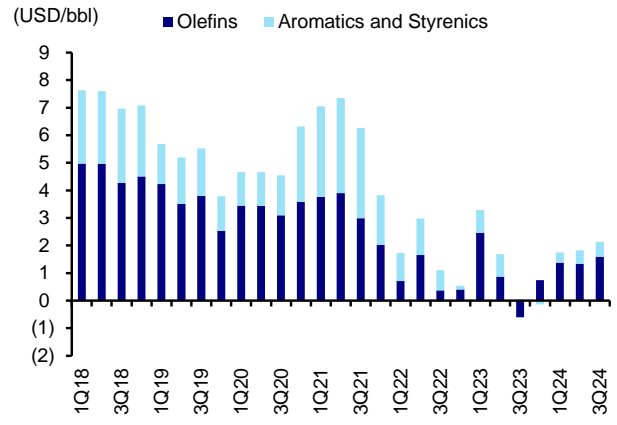
Sources: IRPC

**Exhibit 3: IRPC's market GRM**



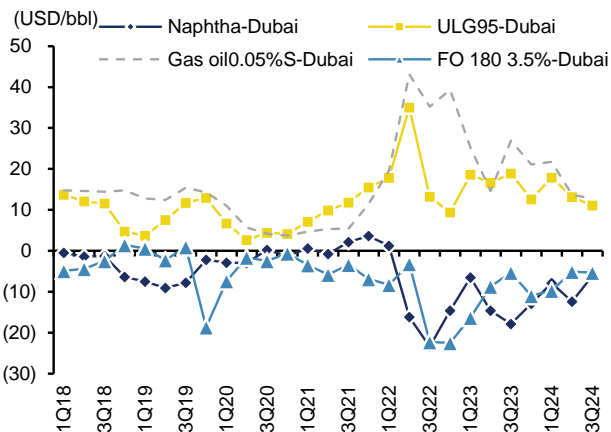
Sources: IRPC

**Exhibit 4: IRPC's market PTF**



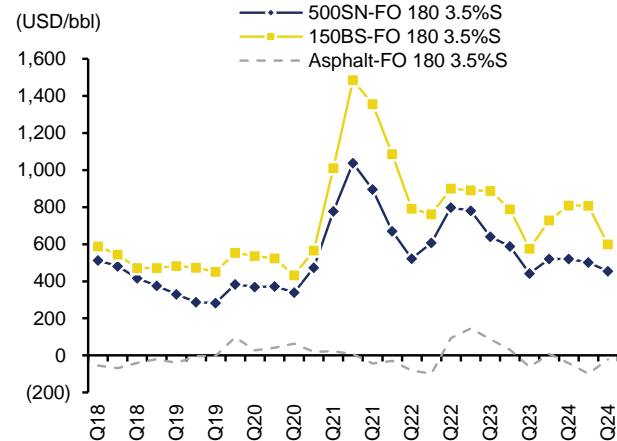
Sources: IRPC

**Exhibit 5: Petroleum product spread**



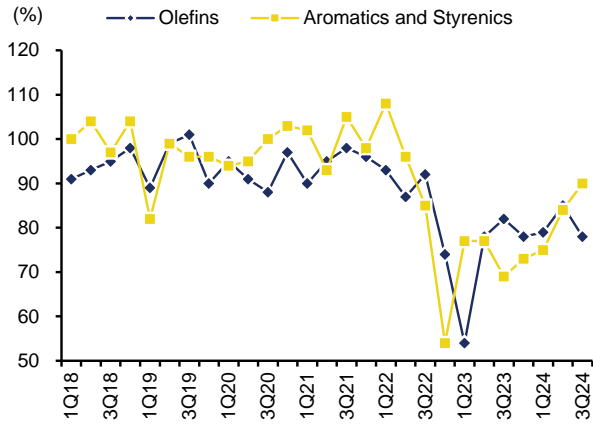
Sources: IRPC

**Exhibit 6: Lube base oil spread**



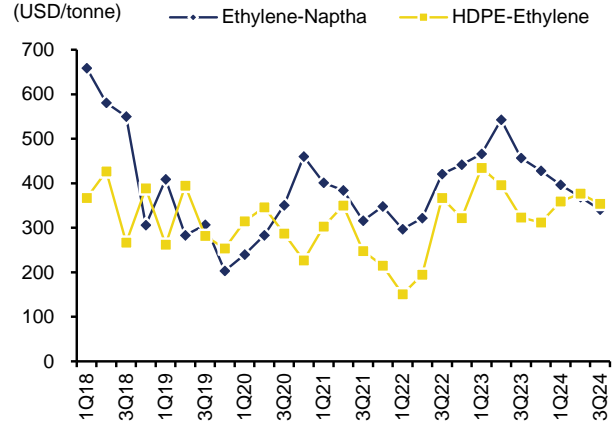
Sources: IRPC

**Exhibit 7: IRPC's petrochemical utilisation**



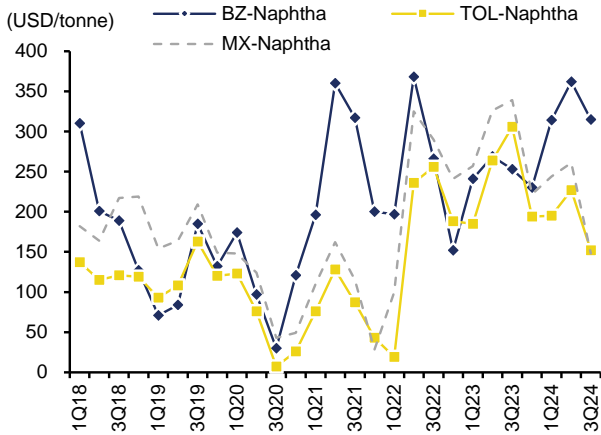
Sources: IRPC

**Exhibit 8: Olefins spread**



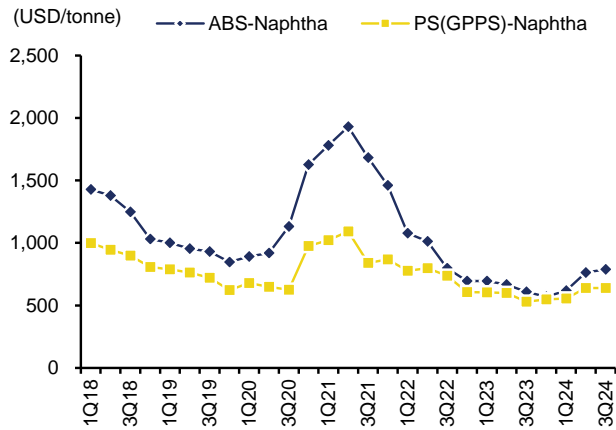
Sources: IRPC

**Exhibit 9: Aromatics spread**



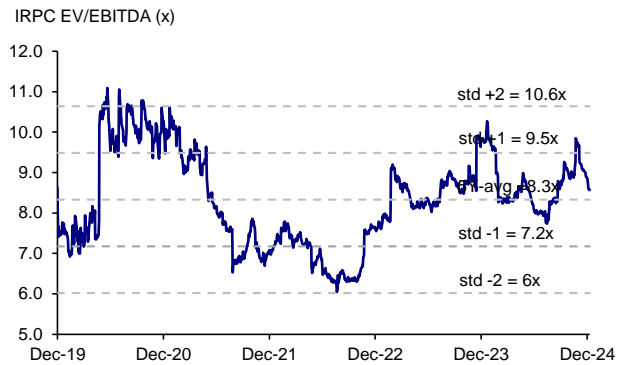
Sources: IRPC

**Exhibit 10: Styrenics spread**



Sources: IRPC

**Exhibit 11: Prospective EV/EBITDA band**



Sources: Bloomberg, Globlex Research

**Exhibit 12: Prospective PBV band**



Sources: Bloomberg, Globlex Research

| Balance sheet (THB m)     |                |                |                |                |                |
|---------------------------|----------------|----------------|----------------|----------------|----------------|
| Year ending Dec           | 2022           | 2023           | 2024E          | 2025E          | 2026E          |
| <b>Current assets</b>     |                |                |                |                |                |
| Cash & ST investment      | 3,230          | 6,220          | (6,076)        | (13,015)       | (19,582)       |
| Account receivable        | 15,051         | 15,597         | 16,128         | 16,683         | 17,238         |
| Inventories               | 39,376         | 32,413         | 31,947         | 32,633         | 32,636         |
| Others                    | 13,263         | 7,453          | 7,265          | 7,572          | 7,582          |
| <b>Non-current assets</b> |                |                |                |                |                |
| Net fixed assets          | 111,432        | 114,362        | 112,651        | 110,638        | 108,324        |
| Others                    | 15,834         | 16,616         | 16,616         | 16,615         | 16,614         |
| <b>Total Assets</b>       | <b>198,187</b> | <b>192,661</b> | <b>178,532</b> | <b>171,126</b> | <b>162,811</b> |

|                              |                |                |                |                |                |
|------------------------------|----------------|----------------|----------------|----------------|----------------|
| <b>Current liabilities</b>   |                |                |                |                |                |
| Account payable              | 34,466         | 34,305         | 33,811         | 34,538         | 34,541         |
| ST borrowing                 | 9,000          | 7,200          | 7,200          | 7,200          | 7,200          |
| Others                       | 18,590         | 17,439         | 17,001         | 17,718         | 17,741         |
| <b>Long-term liabilities</b> |                |                |                |                |                |
| Long-term debts              | 51,849         | 52,945         | 49,945         | 44,945         | 39,945         |
| Others                       | 4,604          | 4,650          | 4,650          | 4,650          | 4,650          |
| <b>Total liabilities</b>     | <b>118,509</b> | <b>116,539</b> | <b>112,608</b> | <b>109,052</b> | <b>104,078</b> |
| Pai-up capital               | 20,434         | 20,434         | 20,434         | 20,434         | 20,434         |
| Retained earnings            | 30,579         | 27,046         | 16,713         | 12,852         | 9,501          |
| Others                       | 28,438         | 28,430         | 28,554         | 28,554         | 28,554         |
| Minority interest            | 225            | 211            | 222            | 233            | 244            |
| <b>Shareholders' equity</b>  | <b>79,678</b>  | <b>76,122</b>  | <b>65,924</b>  | <b>62,074</b>  | <b>58,733</b>  |

| Key ratios                       |         |        |         |        |        |
|----------------------------------|---------|--------|---------|--------|--------|
| Year ending Dec                  | 2022    | 2023   | 2024E   | 2025E  | 2026E  |
| <b>Growth (%YoY)</b>             |         |        |         |        |        |
| Sales                            | 27.3    | (1.8)  | (2.5)   | 4.2    | 0.1    |
| Operating profit                 | (62.9)  | (49.3) | (56.0)  | 239.0  | 4.7    |
| EBITDA                           | (62.9)  | (49.3) | (56.0)  | 239.0  | 4.7    |
| Net profit                       | (126.5) | 21.2   | (141.1) | 78.1   | 28.0   |
| Core net profit                  | (123.7) | 21.2   | (141.1) | 78.1   | 28.0   |
| EPS                              | (126.5) | 21.2   | (141.1) | 78.1   | 28.0   |
| Core EPS                         | (123.7) | 21.2   | (141.1) | 78.1   | 28.0   |
| <b>Profitability (%)</b>         |         |        |         |        |        |
| Gross margin                     | 5.5     | 3.8    | 2.8     | 4.7    | 4.8    |
| Operation margin                 | 3.3     | 1.7    | 0.8     | 2.5    | 2.6    |
| EBITDA margin                    | 3.3     | 1.7    | 0.8     | 2.5    | 2.6    |
| Net margin                       | (1.3)   | (1.1)  | (2.7)   | (0.6)  | (0.4)  |
| ROE                              | (5.2)   | (4.4)  | (11.7)  | (2.9)  | (2.2)  |
| ROA                              | (1.5)   | (0.9)  | (3.6)   | (0.3)  | (0.0)  |
| <b>Stability</b>                 |         |        |         |        |        |
| Interest bearing debt/equity (x) | 0.8     | 0.8    | 0.9     | 0.8    | 0.8    |
| Net debt/equity (x)              | 0.7     | 0.7    | 1.0     | 1.0    | 1.1    |
| Interest coverage (x)            | 1.4     | (1.6)  | (3.4)   | (0.6)  | (0.6)  |
| Interest & ST debt coverage (x)  | 0.2     | (0.3)  | (0.7)   | (0.1)  | (0.1)  |
| Cash flow interest coverage (x)  | 0.0     | 0.1    | (0.0)   | 0.1    | 0.1    |
| Current ratio (x)                | 1.1     | 1.0    | 0.8     | 0.7    | 0.6    |
| Quick ratio (x)                  | 0.3     | 0.4    | 0.2     | 0.1    | (0.0)  |
| Net debt (THB m)                 | 57,619  | 53,925 | 63,221  | 65,161 | 66,728 |
| <b>Activity</b>                  |         |        |         |        |        |
| Asset turnover (X)               | 1.7     | 1.6    | 1.7     | 1.9    | 1.9    |
| Days receivables                 | 16.2    | 17.5   | 18.6    | 18.5   | 19.1   |
| Days inventory                   | 43.5    | 42.7   | 38.8    | 38.2   | 38.6   |
| Days payable                     | 37.6    | 40.9   | 41.1    | 40.4   | 40.8   |
| Cash cycle days                  | 22.2    | 19.3   | 16.3    | 16.2   | 16.8   |

| Profit & loss (THB m)        |                |                |                |                |                |
|------------------------------|----------------|----------------|----------------|----------------|----------------|
| Year ending Dec              | 2022           | 2023           | 2024E          | 2025E          | 2026E          |
| <b>Revenue</b>               |                |                |                |                |                |
| Revenue                      | 324,800        | 319,047        | 311,029        | 324,155        | 324,572        |
| Cost of goods sold           | (306,833)      | (306,832)      | (302,417)      | (308,917)      | (308,944)      |
| <b>Gross profit</b>          | <b>17,967</b>  | <b>12,215</b>  | <b>8,612</b>   | <b>15,237</b>  | <b>15,628</b>  |
| Operating expenses           | (7,240)        | (6,777)        | (6,221)        | (7,131)        | (7,141)        |
| <b>Operating profit</b>      | <b>10,727</b>  | <b>5,437</b>   | <b>2,391</b>   | <b>8,106</b>   | <b>8,487</b>   |
| <b>EBIT</b>                  | <b>2,668</b>   | <b>(3,229)</b> | <b>(6,487)</b> | <b>(1,074)</b> | <b>(994)</b>   |
| Depreciation                 | (8,059)        | (8,666)        | (8,879)        | (9,180)        | (9,481)        |
| <b>EBITDA</b>                | <b>10,727</b>  | <b>5,437</b>   | <b>2,391</b>   | <b>8,106</b>   | <b>8,487</b>   |
| <b>Non-operating income</b>  |                |                |                |                |                |
| Other incomes                | 1,538          | 853            | 250            | 1,100          | 1,400          |
| Other non-op income          | 0              | 0              | 0              | 0              | 0              |
| <b>Non-operating expense</b> |                |                |                |                |                |
| Interest expense             | (1,873)        | (2,077)        | (1,889)        | (1,681)        | (1,551)        |
| Other non-op expense         | 0              | 0              | 0              | 0              | 0              |
| <b>Equity income/(loss)</b>  | <b>(7,835)</b> | <b>254</b>     | <b>(152)</b>   | <b>(152)</b>   | <b>(152)</b>   |
| <b>Pre-tax Profit</b>        | <b>(5,502)</b> | <b>(4,199)</b> | <b>(8,278)</b> | <b>(1,807)</b> | <b>(1,297)</b> |
| Extraordinary items          |                |                |                |                |                |
| Current taxation             | 1,142          | 772            | 0              | 0              | 0              |
| Minorities                   | (4)            | (11)           | (11)           | (11)           | (11)           |
| <b>Net Profit</b>            | <b>(4,364)</b> | <b>(3,438)</b> | <b>(8,289)</b> | <b>(1,818)</b> | <b>(1,308)</b> |
| <b>Core net profit</b>       | <b>(4,364)</b> | <b>(3,438)</b> | <b>(8,289)</b> | <b>(1,818)</b> | <b>(1,308)</b> |
| <b>EPS (THB)</b>             | <b>(0.21)</b>  | <b>(0.17)</b>  | <b>(0.41)</b>  | <b>(0.09)</b>  | <b>(0.06)</b>  |
| <b>Core EPS (THB)</b>        | <b>(0.21)</b>  | <b>(0.17)</b>  | <b>(0.41)</b>  | <b>(0.09)</b>  | <b>(0.06)</b>  |

| Cash flow (THB m)           |                |                 |                 |                |                |
|-----------------------------|----------------|-----------------|-----------------|----------------|----------------|
| Year ending Dec             | 2022           | 2023            | 2024E           | 2025E          | 2026E          |
| <b>Operating cash flow</b>  |                |                 |                 |                |                |
| Net profit                  | (4,364)        | (3,438)         | (8,289)         | (1,818)        | (1,308)        |
| Depre. & amortization       | 8,059          | 8,666           | 8,879           | 9,180          | 9,481          |
| Change in working capital   | 4,372          | 10,915          | (810)           | (103)          | (542)          |
| Others                      | (7,835)        | 254             | (152)           | (152)          | (152)          |
| <b>Investment cash flow</b> | <b>(8,602)</b> | <b>(10,134)</b> | <b>(6,800)</b>  | <b>(6,745)</b> | <b>(6,808)</b> |
| Net CAPEX                   | (9,921)        | (11,346)        | (6,800)         | (6,746)        | (6,809)        |
| Change in LT investment     | 1,496          | 753             | 0               | 0              | 0              |
| Change in other assets      | (178)          | 460             | 0               | 1              | 1              |
| <b>Free cash flow</b>       | <b>(8,370)</b> | <b>6,264</b>    | <b>(7,173)</b>  | <b>362</b>     | <b>672</b>     |
| <b>Financing cash flow</b>  |                |                 |                 |                |                |
| Change in share capital     | 0              | 0               | 0               | 0              | 0              |
| Net change in debt          | (230)          | (704)           | (3,000)         | (5,000)        | (5,000)        |
| Dividend paid               | (6,743)        | (2,043)         | (2,043)         | (2,043)        | (2,043)        |
| Others                      | 7,338          | (527)           | (80)            | (258)          | (196)          |
| <b>Net cash flow</b>        | <b>(8,006)</b> | <b>2,990</b>    | <b>(12,296)</b> | <b>(6,940)</b> | <b>(6,567)</b> |
| <b>Per share (THB)</b>      |                |                 |                 |                |                |
| EPS                         | (0.21)         | (0.17)          | (0.41)          | (0.09)         | (0.06)         |
| Core EPS                    | (0.21)         | (0.17)          | (0.41)          | (0.09)         | (0.06)         |
| CFPS                        | 0.18           | 0.26            | 0.03            | 0.36           | 0.40           |
| BVPS                        | 3.89           | 3.71            | 3.22            | 3.03           | 2.86           |
| Sales/share                 | 15.89          | 15.61           | 15.22           | 15.86          | 15.88          |
| EBITDA/share                | 0.52           | 0.27            | 0.12            | 0.40           | 0.42           |
| DPS                         | 0.10           | 0.10            | 0.10            | 0.10           | 0.10           |
| <b>Valuation</b>            |                |                 |                 |                |                |
| P/E (x)                     | (14.14)        | (12.01)         | (3.08)          | (14.05)        | (19.53)        |
| P/BV (x)                    | 0.78           | 0.54            | 0.39            | 0.41           | 0.44           |
| Dividend yield (%)          | 3.31           | 4.95            | 8.00            | 8.00           | 8.00           |
| Dividend payout ratio (%)   | (46.83)        | (59.44)         | (24.65)         | (112.43)       | (156.25)       |



## GENERAL DISCLAIMER

### Analyst Certification

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## RECOMMENDATION STRUCTURE

### Stock Recommendations

Stock ratings are based on absolute upside or downside, which we define as  $(\text{target price}^* - \text{current price}) / \text{current price}$ .

- BUY:** Expected return of 10% or more over the next 12 months.  
**HOLD:** Expected return between -10% and 10% over the next 12 months.  
**REDUCE:** Expected return of -10% or worse over the next 12 months.

Unless otherwise specified, these recommendations are set with a 12-month horizon. Thus, it is possible that future price volatility may cause temporary mismatch between upside/downside for a stock based on market price and the formal recommendation.

\* In most cases, the target price will equal the analyst's assessment of the current fair value of the stock. However, if the analyst doesn't think the market will reassess the stock over the specified time horizon due to a lack of events or catalysts, then the target price may differ from fair value. In most cases, therefore, our recommendation is an assessment of the mismatch between current market price and our assessment of current fair value.

### Sector Recommendations

- Overweight:** The industry is expected to outperform the relevant primary market index over the next 12 months.  
**Neutral:** The industry is expected to perform in line with the relevant primary market index over the next 12 months.  
**Underweight:** The industry is expected to underperform the relevant primary market index over the next 12 months.

### Country (Strategy) Recommendations

**Overweight:** Over the next 12 months, the analyst expects the market to score positively on two or more of the criteria used to determine market recommendations: index returns relative to the regional benchmark, index sharpe ratio relative to the regional benchmark and index returns relative to the market cost of equity.

**Neutral:** Over the next 12 months, the analyst expects the market to score positively on one of the criteria used to determine market recommendations: index returns relative to the regional benchmark, index sharpe ratio relative to the regional benchmark and index returns relative to the market cost of equity.

**Underweight:** Over the next 12 months, the analyst does not expect the market to score positively on any of the criteria used to determine market recommendations: index returns relative to the regional benchmark, index sharpe ratio relative to the regional benchmark and index returns relative to the market cost of equity.