

Rating Update:

FiinRatings affirms BB/Stable Issuer Rating of Camimex Group Joint Stock Company ('CMX')

Long-term Issuer Credit Rating (ICR*): BB

Outlook: Stable

Hanoi, 10 October 2023

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* This rating is an Issuer Credit Rating (ICR). An ICR reflects our view of the senior unsecured credit rating of an issuer and is not specific to a debt instrument such as bond that it may issue.

The rating scale used by FiinRatings is the national scale, therefore, it must not be equated with or represented as a rating on the scale used by any other rating agencies.

The rating presented in this announcement is effective from the rating date, until and unless we make any further updates.

This document is prepared in both English and Vietnamese. The English translation is for reference only and the Vietnamese version will prevail in the event of any inconsistency between the English version and the Vietnamese version.

** Ms. Nguyen Pham Thuc Anh, MSc replaced Ms. Pham Tra My, MSc due to FiinRatings' internal work allocation.

Hanoi, 10 October 2023

FiinRatings affirms CMX's long-term Issuer Credit Rating at “**BB**” with a **Stable** outlook. The company's issuer credit rating remains unchanged reflecting our assessment that CMX will continue leveraging its proven expertise and established capabilities in the aquaculture industry, especially the shrimp sector. Furthermore, CMX's strategic initiatives, including business expansion and the pursuit of additional funds, appear to be advancing in line with the planned trajectory.

The assessment also took into account the potential risks and challenges that the aquaculture industry may encounter in the next 12 months. These include macroeconomic fluctuations, a potential decrease in market demand amid heightened inflation in Vietnam and various export markets, and fluctuations in raw material prices. These factors directly impact production costs and may diminish the competitiveness of Vietnamese companies on the global stage in comparison to other nations.

Considering the challenging market conditions, our assessment indicates that CMX's business profile continues to maintain at a fair level in the industry in both scale as well as efficiency and profitability. In addition, the company's financial risk profile has remained unchanged at a significant level, as shown by CMX's gearing level. These characteristics align with the typical attributes observed in enterprises within the aquaculture industry.

We will monitor and consider factors that exert significant influence over the company's business and financial situation, including:

- The company's sales over the next 12 months, particularly towards the end of 2023 when there is an upsurge in demand for shrimp products in holiday seasons..
- The development and performance of Factory No. 1, expected to operate in the first quarter of 2024, which will increase the company's total processing capacity to 25,000 tons per year.
- Progress of the company's capital mobilization plans, especially the VND 300 billion bonds issued to the public in the second half of 2023.
- Changes in the macroeconomic landscape and policy adjustments in countries importing aquaculture products, which could impact Vietnam's export activities and CMX's strategy to adapt to such changes.

Upside Scenario:

The following factors could lead to positive changes in the credit rating for CMX in the medium term:

- Improved sales and operational efficiency of shrimp processing plants (e.g., inventory turnover > 4 times)
- Maintain lower level of financial leverage (e.g., Debt/Equity < 0.5 times and Debt/EBITDA < 4.0 times) with appropriate financial policies.

Downside Scenario:

Negative factors that may lead to consideration of downgrading credit ratings:

- The company continue to face difficulties in maintaining its revenue, leading to inventory remaining at high levels and reduced operating efficiency (e.g., inventory turnover < 1 time).
- New investment leads to higher financial leverage for a prolonged period. (eg: Debt/Equity > 1.5 times).

RATING RATIONALE

FiinRatings affirms CMX's issuer credit rating of 'BB' along with the **Stable** outlook. This reaffirmation reflects our opinion on the risks and challenges of the Vietnam aquaculture industry, as well as CMX's business profile and financial risk level.

The credit rating result and Outlook reflect the challenges and obstacles facing Vietnamese aquaculture exporters. In the first 8 months of 2023, Vietnam's total aquaculture exports stood at USD 5.8 billion, reflecting a 25% decline compared to the same period in 2022. Aquaculture products have experienced a notable price reduction due to intense competition in the international market, particularly from India and Ecuador. This has significantly affected new orders for Vietnamese companies, especially given the context of weaker demand globally, as many importing countries are still trying to deplete substantial inventories from the previous year, and there has been an overall decline in purchasing power. A sluggish inventory turnover can lead to increased storage and preservation expenses, amid inflationary environment in 2023. We expect these challenges present a formidable obstacle for Vietnamese aquaculture enterprises in the foreseeable future.

Given the industry trend and outlook, we assess that CMX's business profile remains at a Fair level. CMX owns three processing facilities with a combined annual capacity of approximately 18,360 tons of finished products. The company's operational scale and resources are considered to be in line with industry averages, accounting for about 2% of the country's shrimp export market share in 2022. While CMX's operational efficiency is evaluated at a lower level than its peers, the company's profitability is supported by organic shrimp products with better profit margins, positioning it favorably compared to others in the industry. In the 2023-2024 period, CMX has outlined plans to expand processing capacity and develop high-tech farming areas to enhance operational efficiency and profitability. However, we anticipate that these investments will require more time to yield substantial benefits for the company.

We maintain the assessment of significant Financial risk profile for CMX, reflecting the typical financial leverage and capital structure in the aquaculture industry. As of June 30, 2023, CMX's Debt/Equity ratio was at 0.81, similar to other players in the industry. CMX's current financial obligations primarily consist of short-term loans from banks, primarily for working capital to procure raw shrimp. Additionally, although the Debt/EBITDA ratio is relatively high at approximately 6.71x, the company's interest coverage stands at about 3.5x in the first six months of 2023, exceeding the industry average. We expect the company to have sufficient capacity and ability to meet its interest obligations in the next 12 months.

Notably, in the second half of 2023, CMX intends to issue public bonds totaling VND 300 billion to support its working capital. With the expansion plan to increase factory capacity and expanding shrimp farming areas, we anticipate that CMX's financial leverage ratio will remain at its current level for the next 1-2 years. Additionally, we assess the company's liquidity position at an adequate level, with the estimated Liquidity Sources/Liquidity Uses ratio at 1.5x over the next 12 months.

RATING SCALE AND DEFINITION

We employ below rating scale in assigning ratings for all issuers across industries and sectors that we cover in Vietnam. The rating scale used by FiinRatings is the national scale, therefore, it must not be equated with or represented as a rating on the scale used by any other rating agencies.

Definition and explanation	Rating scales
Group 1: Extremely strong capacity to meet financial obligation	AAA
	AA+
Group 2: Very strong capacity to meet financial obligation	AA
	AA-
Group 3: Strong capacity to meet financial obligations but somewhat susceptible to adverse economic conditions and changes in circumstances	A+
	A
	A-
Group 4: Adequate capacity to meet financial commitments but more vulnerable to adverse developments and economic conditions	BBB+
	BBB
	BBB-
Group 5: Moderate capacity to meet financial obligations but less vulnerable than other speculative issuers	BB+
	BB
	BB-
Group 6: Weak capacity to meet financial obligations. Sensitive to business, financial and economic conditions. High risk.	B+
	B
	B-
Group 7: Very weak capability or very likely to get into default. Very sensitive to business, financial and economic conditions. Substantial risk.	CCC+
	CCC
	CCC-
	CC
Group 8: Default. Payments on an obligation are not made on the date due or the issuer becomes insolvent. The 'D' rating also will be used upon the filing of a bankruptcy petition or the taking of similar action.	C
	SD, D

RATING METHODOLOGY

The rating methodology explains FiinRatings approach to assessing credit risk of companies in Vietnam. This methodology is intended as a general guidance to help companies, investors, and other market participants to understand how FiinRatings looks at quantitative and qualitative factors significant in explaining rating outcomes in general and specific for each sector that we cover.

In addition, 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 follow the link below for the Rating Methodology and Related Criteria:

- [Corporate Rating Methodology](#)

Or refer to the following link for more details on the general rating methodology:

- [General Rating methodology](#)

CREDIT RATINGS HISTORY

Credit Ratings History

Camimex Group

Issuer Credit Rating History

30 March 2023

Initial Rating

*Issuer Rating: **BB***

*Outlook: **Stable***

10 October 2023

Surveillance Rating

*Issuer Rating: **BB***

*Outlook: **Stable***

OWNERSHIP DISCLOSURE AND STATEMENTS

At the time of the publication, the following information is provided as required by current regulations and as a part of our compliance policies in providing credit ratings:

- CMX's percentage of equity ownership at FiinRatings: *none*
- FiinRatings' percentage of equity ownership at CMX: *none*
- FiinRatings' other employee percentage of equity ownership at CMX: *none*
- CMX's investment value of bond(s) issued by FiinRatings: *none*
- FiinRatings' investment value of bond(s) issued by CMX: *none*
- CMX's investment value of other debt instruments issued by FiinRatings: *none*
- FiinRatings' investment value of other debt instruments issued by CMX: *none*

FiinRatings aforementioned includes FiinRatings JSC., its directors, Credit Rating Committee members, and analysts of FiinRatings engaged in this rating action. The information above was examined during client acceptance process and before the signing date of Credit Rating Agreement with the Company and was updated on the issue date of this report.

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FIINRATINGS JOINT STOCK COMPANY

Public Credit Rating Announcement No.: 02-C16-2023



Nguyen Quang Thuan, FCCA
Chief Executive Officer

Hanoi, 10 October 2023

CONTACT US

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