

CI reaffirms ratings of Renaissance MCBs

Our Correspondent

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Capital Intelligence (CI) has reaffirmed the rating of omBBB (CI national scale for Oman) on the mandatory convertible bond (MCB) issue of Renaissance Services. The outlook on the rating remains 'stable'.

In a statement on its website, CI said the rating is supported by the group's strong market positions in several geographies, its relatively young fleet, and the successful completion of a second major re-profiling of its debt structure at the Topaz level - which has lowered funding costs and pushed out tenors.

The ratings agency said the imminent repurchase of the MCB issue is also a supporting factor. Constraining the rating is the still high leverage (which is likely to continue for some years even if the proposed issue of perpetual cumulative capital certificates is counted as quasi-equity [as per IFRS]), and the tight liquidity inherent in the business model.

"Other constraining factors include negative free cash flow due to the heavy capex expenditure in 2014 (although this should now reduce going forward) and the dependence on an oil and gas sector that is cur-



rently under some pressure. With oil prices having weakened, oil companies are looking to cut costs wherever possible and this has in turn put pressure on both day rates and demand." "Renaissance is fortunate in that most of the Topaz OSV fleet is hired out under longer term contracts - and to service production wells rather than exploration activities - but there has been downward pressure on both margins and utilisation rates in the first half of 2015," CI said.

It added that, in terms of earnings, second half of 2015 should be rather better than what is likely to be a difficult first half - especially at the Topaz level. "For Topaz, second half is normally better every year due to less dry-docking and therefore usually higher utilisation rates, although the changed market conditions this year make predictions less sure than in the past," it added.