

BANPU PLC

No. 11/2020
27 February 2020

CORPORATES

Company Rating:	A+
Issue Ratings:	
Senior unsecured	A+
Hybrid	A-
Outlook:	Stable

Last Review Date: 25/12/19

Company Rating History:

Date	Rating	Outlook/Alert
26/12/14	A+	Stable
29/11/13	AA-	Negative
15/12/10	AA-	Stable
06/07/10	AA-	Alert Developing
26/06/08	AA-	Stable
07/11/05	A+	Stable
28/07/05	A	Positive
12/07/04	A	Stable
14/01/03	A	-
22/03/01	A-	-

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RATIONALE

TRIS Rating affirms the company rating on Banpu PLC (BANPU) and the ratings on BANPU's senior unsecured debentures at "A+". At the same time, TRIS Rating assigns the rating of "A-" to BANPU's proposed issues of up to Bt4 billion in subordinated perpetual debentures (hybrid debentures) and the additional greenshoe portion of up to Bt2 billion. The rating on BANPU's hybrid debentures is two notches below the company rating. This rating differential reflects the subordinated nature of the hybrid debentures and the option of the issuer to defer coupons on a cumulative basis.

The proposed hybrid debentures' characteristics, including subordination, interest deferral at the discretion of the company, a five-year non-call period, and sufficient permanence, qualify it to receive "intermediate" equity content under TRIS Rating's criteria. TRIS Rating will treat 50% of the outstanding amount of the hybrid debentures as equity and the other 50% as debt when calculating financial ratios. The "intermediate" equity content will fall to "minimal" (or 0% of equity treatment for this issue) at the end of the fifth year from the issuance date. This is because, five years after issuance, the remaining effective tenor of the issue will be less than 20 years. According to TRIS Rating's criteria, the effective maturity date of the issue will be defined as the date when there is a material step up of the coupon rate (equal to or more than 100 basis points or bps). In this case, the interest spread of the hybrid debentures will step up by 100 bps at the end of the 25th year after issuance.

Except for certain events as specified in the terms and conditions (e.g., changes in the tax or accounting treatments of hybrid securities or a change in the rating agency's criteria used to assess the equity content of the issue), BANPU intends (but is not obliged) to replace, redeem, or repurchase the hybrid debentures with an instrument that has similar or higher equity content. TRIS Rating could lower the equity content of the proposed hybrid debentures, to "minimal" from "intermediate", if we believe that the company intends to deviate from the replacement capital covenant (RCC).

The ratings continue to reflect the company's leading position in the coal industry in the Asia-Pacific region, reliable stream of income from the power business, as well as strategic move to be an integrated energy company and more focus on greener energy. The ratings also take into consideration the slowdown in demand for coal, driven in part by efforts to reduce emissions worldwide.

For 2019, BANPU's operating revenue declined by 18.4% to US\$2.89 billion, mainly due to a decrease in coal price. The average selling price of coal declined by 17% to US\$65.3 per tonne. The company's earnings before interest, tax, depreciation and amortization (EBITDA) was US\$866 million, in line with our forecast of US\$750-US\$800 million for 2019. At the end of 2019, the company's adjusted debt was US\$4.12 billion. The company's debt to EBITDA was 4.76 times.

RATING OUTLOOK

The "stable" outlook reflects the expectation that BANPU will maintain its leading position in the coal industry. Dividends from the steady power business will provide some cushion for the company. Good liquidity, underpinned by its

financial discipline and prudent cash management, will also help BANPU weather the volatility in market conditions.

RATING SENSITIVITIES

An upside for BANPU's ratings may occur if the company could improve its financial profile significantly or exhibit more earnings stability. A rating downgrade would emerge if coal prices tumble and cash flow substantially weakens below expectations. Any debt-funded investments, which could worsen the capital structure and deteriorate cash flow protection for an extended period, would be another factor supporting a downgrade.

RELATED CRITERIA

- Rating Methodology – Corporate, 26 July 2019
- Hybrid Securities Rating Criteria, 12 September 2018
- Key Financial Ratios and Adjustments, 5 September 2018

Banpu PLC (BANPU)

Company Rating:	A+
Issue Ratings:	
BANPU207A: Bt2,300 million senior unsecured debentures due 2020	A+
BANPU207B: Bt3,000 million senior unsecured debentures due 2020	A+
BANPU214A: Bt4,000 million senior unsecured debentures due 2021	A+
BANPU225A: Bt3,000 million senior unsecured debentures due 2022	A+
BANPU234A: Bt3,500 million senior unsecured debentures due 2023	A+
BANPU247A: Bt5,000 million senior unsecured debentures due 2024	A+
BANPU257A: Bt2,100 million senior unsecured debentures due 2025	A+
BANPU264A: Bt2,000 million senior unsecured debentures due 2026	A+
BANPU274A: Bt10,000 million senior unsecured debentures due 2027	A+
BANPU295A: Bt10,000 million senior unsecured debentures due 2029	A+
BANPU234B: US\$150 million senior unsecured debentures due 2023	A+
BANPU288A: US\$50 million senior unsecured debentures due 2028	A+
Up to Bt4,000 million subordinated capital debentures and additional greenshoe portion of up to Bt2,000 million	A-
Rating Outlook:	Stable

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