

CK POWER PLC

No. 37/2025
31 March 2025

CORPORATES

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

Last Review Date: 27/03/24

Company Rating History:

Date	Rating	Outlook/Alert
05/03/24	A-	Stable
02/05/18	A	Stable

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RATIONALE

TRIS Rating affirms the company rating on CK Power PLC (CKP) at “A-”. At the same time, we upgrade the ratings on CKP’s senior unsecured debentures to “A-” from “BBB+”. This reflects a reduction in structural subordination risks of its debenture holders, resulting from consistent decline in debts of CKP’s subsidiaries. Consequently, the company’s priority debt to total debt ratio has decreased to below 50% without foreseeable risk of exceeding this threshold in the near future. The outlook remains “stable”.

The ratings reflect the steady cash generation from its power portfolio, backed by long-term power purchase agreements (PPAs) with Electricity Generating Authority of Thailand (EGAT, rated “AAA/Stable”) and its solid track record of strong operations. Conversely, the ratings are tempered by escalating financial leverage due to its committed hydropower project development. The ratings also factor in hydrological risk and CKP’s substantial exposure to the country risk of the Lao People’s Democratic Republic (Lao PDR).

KEY RATING CONSIDERATIONS

A sizable power portfolio with hydropower as the core assets

CKP holds stakes in two operational large-scale hydropower projects in the Lao PDR and two operational cogeneration power plants in Thailand. Additionally, CKP owns a small portfolio of solar power projects in Thailand. These assets collectively contribute to a total net operating capacity of 1,003 megawatts (MW), reflecting CKP’s proportional ownership.

Hydropower plants account for 83% of this total operating capacity, with the remaining 15% from gas-fired cogeneration plants and 2% from solar projects. Consequently, CKP’s earnings are chiefly dependent on the performance of its hydropower assets. Due to the absence of fuel costs, hydropower generation offers relatively lower electricity production costs compared with other power sources, resulting in higher profitability than fossil-fuel plants. However, CKP’s earnings are vulnerable to hydrological risk.

In 2024, CKP reported EBITDA of THB5.3 billion, a 19% increase year-over-year. Hydropower plants contributed around 70% of its EBITDA, due to higher water supply.

Steady cash generation

CKP’s power plants generate reliable cash flow, backed by multi-year PPAs with credible off-takers, which help mitigate payment risk and market risk. EGAT is the main off-taker, buying about 93% of the total equity capacity. The rest of capacity is purchased by Electricite Du Laos (EDL), Thai industrial customers, and Thailand’s Provincial Electricity Authority (PEA, rated “AAA/Stable”).

CKP’s power projects have delivered consistently sound operating results. Nam Ngum 2 Hydroelectric Power Project (NN2HPP), the company’s core power plant, has maintained high plant availability since its commencement. Similarly, the cogeneration power plants have also consistently met performance targets outlined in their EGAT PPAs.

Hydrological risk mitigated through well-structured PPAs

The inherent uncertainty of water flow poses a major risk to hydropower generation. The power output hinges on water volume, which can fluctuate

significantly year to year. The high variability in water inflow could lead to fluctuating electricity output and revenue instability.

The contractual mechanisms within the PPAs mitigate the effects of the fluctuating water supply. It allows CKP's hydropower plants to sell electricity in excess of the annual supply target in wet years and receive compensation for exceeding target sales in dry years. Any shortfall in electricity sales below the annual target can be added to the following year's annual target. Despite the risk mitigation mechanism, prolonged periods of drought could materially impact power generation and cash flow.

Sizable committed investment in LPHPP

CKP is currently developing the Luang Prabang Hydroelectric Power Project (LPHPP), a large run-of-river hydroelectric power plant with a gross installed capacity of 1,460 MW. CKP holds a 50% stake in the project company, Luang Prabang Power Co., Ltd. The construction has started since 2023 while the commercial operation is set to begin in 2030. As of February 2025, the actual construction progress of LPHPP was about 45.6%.

With a total project cost of THB161 billion, we expect CKP to inject approximately THB21 billion in equity during project development. As of 2024, CKP had already injected capital of THB6.8 billion into the project. Looking ahead, CKP remains committed to contributing approximately THB11 billion to the project's equity during 2025-2027.

Additionally, CKP is obliged to provide sponsor loans in case of project cost overruns. Furthermore, the company has committed to granting financial support to a shareholder if it misses its respective equity contribution. These additional commitments are not built into our base-case projection.

Escalating financial leverage during investment phase

We expect CKP's financial leverage to rise over the course of LPHPP project development as CKP has to inject equity every year until 2029. Also, we expect CKP to spend up to THB0.8 billion for solar rooftop projects and maintenance. In all, we project CKP to spend net capital expenditures and investments of THB12 billion during 2025-2027. We anticipate CKP's debt to steadily increase to THB27 billion in 2027 from THB21.5 billion in 2024.

In our base-case projection, we project CKP to achieve THB4.4-THB4.7 billion in EBITDA a year during 2025-2027. We forecast EBITDA from NN2HPP of about THB2.9-THB3.1 billion per year, EBITDA from cogeneration power plants of about THB1.3-THB1.4 billion per year, and dividend incomes from Xayaburi Hydroelectric Power Project (XHPP) of about THB0.2 billion per year. The debt to EBITDA ratio is forecast to range 5-6 times over 2025-2027. Looking further ahead, we expect the ratio could peak at around 7 times, following the progress of LPHPP construction. The debt to capitalization ratio is forecast to stay at about 40%.

Significant exposure to country risk of the Lao PDR

CKP has a significant exposure to the country risk of the Lao PDR because its main power plants are operating in the country. We view the mitigation of associated risks is achieved through the concession agreement with the Lao government and PPAs with EGAT. The hydropower projects are established through Thai-Lao government collaboration, which allows project companies to hold revenue accounts outside the Lao PDR. Payments from EGAT are directed to these accounts in Thailand, effectively mitigating fund transferability and currency convertibility risks.

Debt structure

At the end of December 2024, CKP's consolidated debt, excluding lease liabilities, was THB30.2 billion. CKP's priority debt was THB14 billion, consisting of debt owed by CKP's subsidiaries. The priority debt to total debt ratio was 46%, lower than the 50% threshold as specified in our "Issue Rating Criteria". We anticipate the ratio will consistently reduce and remain below 50%, given scheduled repayment of subsidiaries' debts. Therefore, we rate CKP's senior unsecured debentures at the same level as the company rating.

Ample liquidity

We assess CKP as having adequate liquidity over the next 12 months. As of December 2024, the company had cash of THB8.6 billion while we project funds from operations (FFO) of THB3.2 billion. These sources of liquidity should enable CKP to cover loans and debentures of THB5.2 billion maturing in 2025, as well as, planned investments of THB4.6 billion.

BASE-CASE ASSUMPTIONS

These are the key assumptions in TRIS Rating's base-case forecast for CKP's operations during 2025-2027:

- NN2HPP's electricity sale to EGAT to be 1,900 gigawatt-hours (GWh) in 2025 and 1,800 GWh per year in 2026-2027.
- Electricity sale of two cogeneration power plants to be in the range of 1,498 GWh to 1,528 GWh per year.

- Steam sale of two cogeneration power plants to be in the range of 72-76 kilotonnes per year.
- Net capital spending and investments to be around THB12 billion.

RATING OUTLOOK

The "stable" outlook reflects our view that CKP's power plants will maintain their steady operating performances and reliable cash generation. Also, CKP's cash flow against debt obligations and financial leverage level will align with our forecast.

RATING SENSITIVITIES

We are unlikely to raise the ratings, amidst the upward trend of CKP's financial leverage. However, the upgrades of the ratings could emerge from CKP's strengthened capital structure significantly, most likely through a capital increase. On the other hand, we could lower the ratings if CKP's cash flow against debt obligations is significantly worse than our forecast. This could develop from sustained underperformance of CKP's power plants, or more aggressive debt-funded investments, or overspending, particularly those related to sponsor commitments to LPHPP.

COMPANY OVERVIEW

CKP, as a holding company, was spun off from CH. Karnchang PLC (CK; rated "A-/Stable") to be a flagship company of the CK Group to invest in power business. CKP was listed on the Stock Exchange of Thailand (SET) in July 2013. As of December 2024, CKP's major shareholders were CK (30%), TTW PLC (25%), and Bangkok Expressway and Metro PLC (BEM) (16.8%). The rest of the company's shares were publicly owned.

CKP's track record dates back in 2004 when it was a department of CK developing the 615-MW NN2HPP in the Lao PDR. This project's initial operation was in March 2011, and it commenced commercial operation in January 2013. The management, development, and operation teams were transferred to CKP in 2013.

Currently, CKP invests in several power projects, through its subsidiaries and affiliated companies, with an aggregated operating installed capacity of 2,167 MW or equity capacity of 1,003 MW.

CKP owns 46% shares in Nam Ngum 2 Power Co., Ltd. (NN2PC) and 42.5% shares in Xayaburi Power Co., Ltd. (XPCL). Both of them are operating two large-scale hydropower projects in the Lao PDR. CKP also holds 65% stakes in two cogeneration power plants, Bangpa-in Cogeneration Power Plant (BICPP). In addition, the company owns a pool of solar power projects.

All of CKP's operating power plants have secured long-term PPAs. The NN2PC and the gas-fired cogeneration power plants, under the small power producer (SPP) scheme, hold 25-year PPAs with EGAT. The solar power projects hold five-year PPAs (with auto-renewal in every five years) with the PEA, and 25-year PPAs with industrial customers. Meanwhile, the XPCL has secured PPAs with EGAT and EDL for 29 years and 31 years, respectively.

KEY OPERATING PERFORMANCE

Table 1: CKP's Power Portfolio

Project	Plant Type	Installed Capacity (MW)	CKP's Interest (%)	CKP's Capacity (MW)	COD/SCOD	Main Off-taker	PPA (Years)
1. NN2HPP	Hydro	615	46	282.9	Mar 2011*	EGAT	25+2
2. Bangpa-in Cogeneration 1	Gas-fired	118	65	76.7	Jun 2013	EGAT	25
3. Bangpa-in Cogeneration 2	Gas-fired	120	65	78.0	Jun 2017	EGAT	25
4. Bangkhenchai	Solar	14	100	14.0	12 Aug 2027	PEA	5 (auto), 25
5. Chiang Rai Solar	Solar	8	30	2.4	Jan 2013	PEA	5 (auto)
6. Nakhon Ratchasima Solar	Solar	6	30	1.8	Mar 2012	PEA	5 (auto)
7.XHPP	Hydro	1,285	43	546.1	Oct 2019	EGAT	29
						EDL	31
8. Solar rooftop & farm	Solar	13.7	100	13.7	2019-2025	IUs	25
9. LPHPP	Hydro	1,460	50	730.0	2030	EGAT	35
Total		3,639.7		1,745.6			

* NN2HPP commenced initial operation in March 2011 and commenced commercial operation in January 2013.

FINANCIAL STATISTICS AND KEY FINANCIAL RATIOS*

Unit: Mil. THB

	-----Year Ended 31 December -----				
	2024	2023	2022	2021	2020
Total operating revenues	10,531	10,640	11,241	9,154	7,048
Earnings before interest and taxes (EBIT)	3,482	3,010	3,955	3,884	1,180
Earnings before interest, taxes, depreciation, and amortization (EBITDA)	5,326	4,462	4,152	4,788	2,914
Funds from operations (FFO)	4,046	3,305	3,024	3,672	1,909
Adjusted interest expense	1,173	1,067	1,076	1,072	1,001
Capital expenditures	209	134	46	49	106
Total assets	72,265	68,765	70,056	68,977	67,038
Adjusted debt	21,504	21,435	23,671	24,438	22,098
Adjusted equity	40,133	38,918	37,939	36,130	35,038
Adjusted Ratios					
EBITDA margin (%)	50.2	41.9	36.9	52.2	41.2
Pretax return on permanent capital (%)	5.0	4.4	5.8	5.8	1.8
EBITDA interest coverage (times)	4.5	4.2	3.9	4.5	2.9
Debt to EBITDA (times)	4.0	4.8	5.7	5.1	7.6
FFO to debt (%)	18.8	15.4	12.8	15.0	8.6
Debt to capitalization (%)	34.9	35.5	38.4	40.3	38.7

* Consolidated financial statements

RELATED CRITERIA

- Issue Rating Criteria, 26 December 2024
- Group Rating Methodology, 7 September 2022
- Corporate Rating Methodology, 15 July 2022
- Key Financial Ratios and Adjustments for Corporate Issuers, 11 January 2022

CK Power PLC (CKP)

Company Rating:	A-
Issue Ratings:	
CKP264A: THB1,400 million senior unsecured debentures due 2026	A-
CKP265A: THB1,000 million senior unsecured debentures due 2026	A-
CKP274A: THB1,000 million senior unsecured debentures due 2027	A-
CKP27NA: THB1,500 million senior unsecured debentures due 2027	A-
CKP285A: THB1,500 million senior unsecured debentures due 2028	A-
CKP286A: THB2,500 million senior unsecured debentures due 2028	A-
CKP294A: THB1,600 million senior unsecured debentures due 2029	A-
CKP310A: THB2,000 million senior unsecured debentures due 2031	A-
CKP32NA: THB1,000 million senior unsecured debentures due 2032	A-
Rating Outlook:	Stable

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