

# CH. KARNCHANG PLC

No. 16/2025  
3 March 2025

## CORPORATES

<b>Company Rating:</b>	A-
<b>Issue Ratings:</b>	
Senior unsecured	A-
<b>Outlook:</b>	Stable

**Last Review Date:** 08/03/24

### Company Rating History:

Date	Rating	Outlook/Alert
09/04/21	A-	Stable
04/04/19	A	Stable
30/01/15	A-	Stable
24/01/14	BBB+	Positive
26/02/13	BBB+	Stable
21/01/11	BBB	Stable
09/06/09	BBB+	Negative
23/07/07	BBB+	Stable
16/02/07	A-	Alert Negative
07/09/04	A-	Stable

### Contacts:

Auyporn Vachirakanjanaporn  
auyporn@trisrating.com

Bundit Pommata  
bundit@trisrating.com

Parat Mahuttano  
parat@trisrating.com

Suchada Pantu, Ph.D.  
suchada@trisrating.com



WWW.TRISRATING.COM

## RATIONALE

TRIS Rating affirms the company rating on CH. Karnchang PLC (CK) and the ratings on its outstanding senior unsecured debentures at “A-” with a “stable” rating outlook. At the same time, TRIS Rating assigns a rating of “A-” to CK’s proposed issue of up to THB5 billion senior unsecured debentures due within 10 years. The company plans to use the proceeds from the debentures issuance to repay some of its existing debts and/or fund business expansion and working capital.

The ratings reflect CK’s leading position in Thailand’s engineering and construction (E&C) industry. This is underpinned by its strong competitive advantages in executing large-scale and complex construction projects, as well as a substantial backlog. The ratings also recognize the synergy and financial flexibility derived from the company’s key investments. Nonetheless, these strengths are tempered by CK’s elevated leverage and the relatively thin profit margins inherent to the E&C business, which is subject to cyclicality and intense competition.

## KEY RATING CONSIDERATIONS

### Leading position in domestic E&C industry

CK is among the top three E&C companies listed on the Stock Exchange of Thailand (SET) by revenue and asset size. CK’s construction capabilities span a wide range of activities, from general civil work to complex mega-projects such as underground mass transit and hydropower plants. The company also invests in several large-scale projects, which helps it secure construction contracts and generate long-term recurring income as equity holder or concessionaire.

The company’s track record and capital base enable the company to undertake large-scale infrastructure projects in Thailand and neighboring countries. Due to its construction management expertise, most of its projects remain or are ahead of schedule. For example, the Luang Prabang Hydropower Project in the Lao People’s Democratic Republic (Lao PDR) is around 40% complete as of January 2025, 9% ahead of schedule.

### Large backlog to support revenue growth over next three years

At the end of 2024, CK’s backlog reached THB210 billion, the highest since its inception. Major projects in the backlog include the Western section of the MRT Orange Line (THB108 billion), the Luang Prabang Hydropower Project (THB59 billion), the double-track rail project of Den Chai-Chiang Rai-Chiang Khong (contracts 2 and 3, totaling THB16 billion), and the MRT Purple Line (Southern extension, contracts 1 and 2, totaling THB11 billion). These four major projects are projected to generate around THB30-THB32 billion in revenue annually over the next three to four years.

Looking ahead, potential project signings in 2025 include the THB35 billion double-deck expressway and the THB27 billion MRT Purple Line (Southern extension) for M&E Systems. Also, the company expects to secure at least THB15 billion in new projects annually, driven by an accelerated bidding and signing process for major public infrastructure projects, including high-speed railways, double-track railways, and major airport expansions.

### Relatively thin profit margins

CK's gross profit margin declined to 7.9% in 2024 and 7.6% in 2023, from 8.7% in 2022. This decline is primarily due to the Luang Prabang Hydropower Project, which accounted for 48%-50% of total revenues in 2023-2024 and had a gross profit margin of only 7%. Given that this project will continue generating a significant portion of CK's revenues in the next three to four years and the expected gross profit margins for large scale infrastructure projects will be around 8%-9%, CK's gross profit margins may not change much from the current level.

Under TRIS Rating's base case forecast, CK's revenue is projected to reach around THB42 billion in 2025, increasing to THB50 billion in 2026 and THB53 billion in 2027. The current backlog is expected to secure about 90% of the base-case revenue in 2025, 70% in 2026, and 65% in 2027. The base-case scenario also assumes CK securing new construction contracts worth THB15 billion annually over the next three years. The company's gross profit margin is expected to remain in the 7.5%-8.0% range, and the EBITDA margin within the 9%-10% range during this period. Consequently, CK's annual EBITDA is forecast to be around THB4.1-THB4.7 billion during 2025-2027.

### Strategic investments in infrastructure businesses enhance earnings stability, financial flexibility

CK's strategic investments in various infrastructure businesses create opportunities for ongoing construction work and recurring income streams. At the end of 2024, CK holds 37% in Bangkok Expressway and Metro PLC (BEM), 30% in CK Power PLC (CKP), and 19% in TTW PLC (TTW). BEM operates toll roads and electric trains under long-term concession contracts while TTW and CKP derive relatively stable revenues from multi-year utility purchase contracts. CK's construction revenues primarily come from projects related to its affiliates. This partly helps mitigate the inherent volatility of the cyclical construction business. These investments also provide recurring income and financial flexibility for the company.

Over the past three years, the shares of profit and dividends from these investments have steadily increased. In 2024, the shares of profit reached THB1.9 billion, up from THB1.5 billion in 2022, while dividend income rose to THB1.4 billion in 2024, up from THB1.0 billion in 2022. Looking ahead, the shares of profit contribution from affiliates is expected to be around THB1.6-THB1.8 billion while dividends are projected to be around THB1.4-THB1.5 billion annually over the next three years. Also, these investments provide CK financial flexibility since the shares of the three affiliated companies are marketable securities. As of the end of 2024, the fair market value of these investments was THB55 billion.

### Leverage remains elevated

CK's financial leverage remains relatively high compared to most general E&C companies, reflecting its dual role as both a contractor and an investment entity. By the end of 2024, the company's total debt was THB54 billion, driven by financing for strategic investments, substantial working capital needs for ongoing projects, and a sponsor loan for the Xayaburi Hydropower Project. Its debt to capitalization ratio declined to 63% in 2024 from 65% in 2023. Its debt to EBITDA ratio was around 12.5 times, unchanged from 2023.

Looking ahead, we expect CK's debt level to remain largely unchanged in the near term, as Xayaburi Power Co., Ltd. has postponed the repayment of the THB5 billion sponsor loan to CK from 2025 to 2027. To reduce its leverage, CK plans to partially divest its equity stake in the Luang Prabang Hydropower Project. The proceeds from this divestment will help lower its debt while reducing its equity investment in the project by half, to around THB1.4 billion over the next three years. With the expected improvement in its earnings, CK's debt to capitalization ratio is projected to decline to around 61%-63% and its debt to EBITDA ratio to gradually decrease to around 10-11 times during 2025-2027.

The key financial covenant on its debenture obligations requires maintaining the net interest-bearing debt to equity ratio below 3 times. The ratio stood at 1.7 times as of December 2024. With ample covenant headroom available, we believe the company will comply with the financial covenant over the next 12-18 months.

### Manageable liquidity

We assess CK's liquidity as manageable over the next 12 months. As of 31 December 2024, CK's debts coming due over the next 12 months amounted to THB16.4 billion, comprising THB7.2 billion debentures and THB9.2 billion bank loans. The company is likely to spend THB3.0-THB4.5 billion in capital expenditures, dividend payment, and equity investments in its affiliates. The company's sources of funds included THB10.2 billion in cash on hand, plus undrawn committed credit facilities from banks of THB6.5 billion. We forecast CK's funds from operations (FFO) over the next 12 months to be THB1.9-THB2.0 billion. CK usually refinances most of its maturing debentures with new debentures issuance. Also, the company has the flexibility to divest some of its shares in BEM, CKP, and TTW, if needed. However, CK will likely maintain significant shareholding in these companies.

## Debt structure

As of December 2024, CK's consolidated debt, excluding lease liabilities, amounted to THB54 billion. Of this, THB5.5 billion was priority debt, comprising secured debt held by CK and all borrowings undertaken by its subsidiaries. The priority debt to total debt ratio was 10%.

## BASE-CASE ASSUMPTIONS

- Revenue is projected to be around THB42 billion in 2025, THB50 billion in 2026, and THB53 billion in 2027.
- EBITDA margin to be maintained at around 9%-10%.
- Around THB5 billion of the Xayaburi sponsor loan will be repaid during 2027-2028.
- CK to divest half of its investment in Luang Prabang Hydroelectric Power Project.
- Equity investment in Luang Prabang Hydroelectric Power Project will be around THB1.4 billion over the next three years.
- No extensive investments or financial support will be granted to related companies.

## RATING OUTLOOK

The "stable" outlook reflects our expectation that CK will maintain its competitive position in the E&C business and achieve an operating performance in line with our target. We expect CK to keep its EBITDA margin at around 9%-10%, and the debt to EBITDA ratio to decline and be maintained at around 10 times over the next couple of years.

## RATING SENSITIVITIES

A rating upgrade will largely depend on CK's generating stronger-than-expected earnings and reducing its debts, resulting in a debt to EBITDA ratio below 8 times for a sustained period.

Downward pressures on the ratings could emerge from significant cost overruns in major projects or unanticipated, extensive financial support provided to its affiliates, resulting in a debt to EBITDA ratio remaining above 13 times for a sustained period.

## COMPANY OVERVIEW

CK was established in 1972 by the Trivisvavet family. CK initially focused on public work projects for government agencies. The company later greatly expanded its business scope and listed on the SET in 1995. As of August 2024, the Trivisvavet family held around 30% of CK's shares outstanding. The family plays an important role in formulating and executing the company's strategies and overall business directions.

CK's business is divided into two segments: construction and investment. In the construction segment, CK has a long-established presence in the E&C sector, with experience and expertise in all kinds of construction ranging from general civil works to highly sophisticated projects. This diverse construction background, spanning several complex projects, enhances the company's competitive position. Furthermore, CK's large capital base helps support the company in bidding on large-scale government infrastructure projects.

The investment segment includes significant holdings in the three SET-listed companies (BEM, TTW, and CKP). These strategic investments help strengthen CK's business profile and provide the company with financial flexibility. The market values of these investments have risen.

CK, as a project sponsor, needs to finance additional construction in the form of a sponsor loan to the project. CK has provided sponsor loans to the project's operating company, Xayaburi Power Co., Ltd. (XPCL), in the amount of THB13.5 billion. XPCL will repay the loan and interest from earnings after the commercial operation date. Therefore, the risk associated with loan repayment is directly linked to XPCL's performance.

The same applies to the development of the Xayaburi project, in which the company acts as a project sponsor and undertakes construction. It holds 20% of shares in the Luang Prabang project. Project construction commenced in 2022, with a nine-year construction period and scheduled commercial operation date (SCOD) expected in early 2030.

**KEY OPERATING PERFORMANCE**

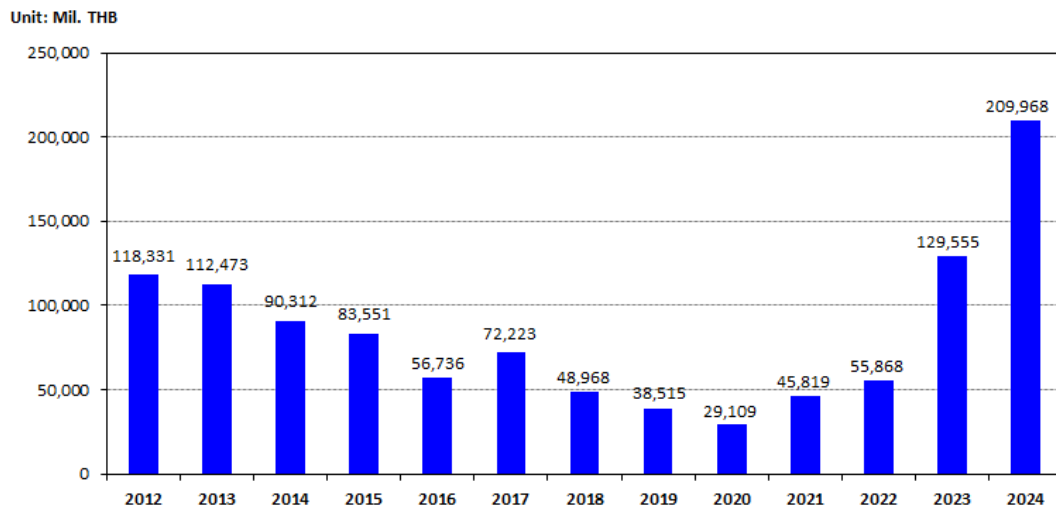
**Table 1: CK's Investments (As of Dec 2024)**

Company Name	CK Holding (%)	Consolidate Investment Cost (Mil. THB)	Fair Value (Mil. THB)	Type of Investment	Customer(s)
BEM	37.18	27,734	40,355	BTO concession AOT concession PPP gross cost	Public Public Public
TTW	19.40	5,810	6,928	BOO water purchase agreement	PWA
CKP	30.00	7,582	7,805	Holding company of power plants	EGAT, PEA, EDL-Gen
LPCL	20.00	2,671	2,671	Run-of-river power plant	EGAT
<b>Total Investment</b>		<b>43,797</b>	<b>57,759</b>		

Notes: PWA = Provincial Water Works Authority of Thailand  
 EGAT = Electricity Generating Authority of Thailand  
 PEA = Provincial Electricity Authority  
 EDL-Gen = EDL-Generation Public Company  
 LPCL = Luang Prabang Power Company Limited

Source: CK

**Chart 1: Backlog at Year End**



Source: CK

**FINANCIAL STATISTICS AND KEY FINANCIAL RATIOS\***

Unit: Mil. THB

	-----Year Ended 31 December -----				
	2024	2023	2022	2021	2020
Total operating revenues	37,866	36,883	18,447	12,938	17,060
Earnings before interest and taxes (EBIT)	3,690	3,475	2,337	1,942	1,670
Earnings before interest, taxes, depreciation, and amortization (EBITDA)	3,649	3,925	2,039	2,129	2,060
Funds from operations (FFO)	1,496	1,995	599	695	710
Adjusted interest expense	2,036	1,846	1,418	1,394	1,290
Capital expenditures	443	897	388	814	592
Total assets	113,102	96,745	85,151	83,421	82,774
Adjusted debt	45,574	49,056	40,323	37,502	35,890
Adjusted equity	26,479	26,008	24,466	26,108	26,271
<b>Adjusted Ratios</b>					
EBITDA margin (%)	9.6	10.6	11.1	16.5	12.1
Pretax return on permanent capital (%)	4.5	4.5	3.3	2.8	2.5
EBITDA interest coverage (times)	1.8	2.1	1.4	1.5	1.6
Debt to EBITDA (times)	12.5	12.5	19.8	17.6	17.4
FFO to debt (%)	3.3	4.1	1.5	1.9	2.0
Debt to capitalization (%)	63.3	65.4	62.2	59.0	57.7

\* Consolidated financial statements

**RELATED CRITERIA**

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

**CH. Karnchang PLC (CK)**

<b>Company Rating:</b>	A-
<b>Issue Ratings:</b>	
CK255A: THB3,200 million senior unsecured debentures due 2025	A-
CK258A: THB3,000 million senior unsecured debentures due 2025	A-
CK25NA: THB1,000 million senior unsecured debentures due 2025	A-
CK265A: THB800 million senior unsecured debentures due 2026	A-
CK265B: THB3,800 million senior unsecured debentures due 2026	A-
CK267A: THB2,700 million senior unsecured debentures due 2026	A-
CK274A: THB2,376 million senior unsecured debentures due 2027	A-
CK275B: THB500 million senior unsecured debentures due 2027	A-
CK283A: THB800 million senior unsecured debentures due 2028	A-
CK285A: THB1,700 million senior unsecured debentures due 2028	A-
CK285B: THB1,000 million senior unsecured debentures due 2028	A-
CK287A: THB1,020 million senior unsecured debentures due 2028	A-
CK294A: THB557 million senior unsecured debentures due 2029	A-
CK295B: THB900 million senior unsecured debentures due 2029	A-
CK296A: THB3,500 million senior unsecured debentures due 2029	A-
CK305A: THB1,000 million senior unsecured debentures due 2030	A-
CK308A: THB1,500 million senior unsecured debentures due 2030	A-
CK314A: THB204 million senior unsecured debentures due 2031	A-
CK315A: THB2,500 million senior unsecured debentures due 2031	A-
CK325A: THB1,500 million senior unsecured debentures due 2032	A-
CK335A: THB3,200 million senior unsecured debentures due 2033	A-
CK344A: THB2,345 million senior unsecured debentures due 2034	A-
Up to THB5,000 million senior unsecured debentures due within 10 years	A-
<b>Rating Outlook:</b>	Stable

**TRIS Rating Co., Ltd.**

Silom Complex Building, 24th Floor, 191 Silom Road, Bangkok 10500, Thailand Tel: +66 2 098 3000

© Copyright 2025, TRIS Rating Co., Ltd. All rights reserved. Any unauthorized use, disclosure, copying, republication, further transmission, dissemination, redistribution or storing for subsequent use for any purpose, in whole or in part, in any form or manner or by any means whatsoever, by any person, of the credit rating reports or information is prohibited, without the prior written permission of TRIS Rating Co., Ltd. The credit rating is not a statement of fact or a recommendation to buy, sell or hold any debt instruments. It is an expression of opinion regarding credit risks for that instrument or particular company. The opinion expressed in the credit rating does not represent investment or other advice and should therefore not be construed as such. Any rating and information contained in any report written or published by TRIS Rating has been prepared without taking into account any recipient's particular financial needs, circumstances, knowledge and objectives. Therefore, a recipient should assess the appropriateness of such information before making an investment decision based on this information. Information used for the rating has been obtained by TRIS Rating from the company and other sources believed to be reliable. Therefore, TRIS Rating does not guarantee the accuracy, adequacy, or completeness of any such information and will accept no liability for any loss or damage arising from any inaccuracy, inadequacy or incompleteness. Also, TRIS Rating is not responsible for any errors or omissions, the result obtained from, or any actions taken in reliance upon such information. All methodologies used can be found at [www.trisrating.com/rating-information/rating-criteria](http://www.trisrating.com/rating-information/rating-criteria)