

# THAI SOLAR ENERGY PLC

No. 76/2024

3 September 2024

## CORPORATES

<b>Company Rating:</b>	BBB
<b>Issue Rating:</b>	
Senior unsecured	BBB
<b>Outlook:</b>	Stable

**Last Review Date:** 01/08/24

### Company Rating History:

Date	Rating	Outlook/Alert
01/08/24	BBB	Stable
30/09/20	BBB-	Stable
26/09/19	BBB	Negative
08/02/16	BBB	Stable

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## RATIONALE

TRIS Rating assigns a rating of “BBB” to Thai Solar Energy PLC’s (TSE) proposed issue of up to THB1.175 billion senior unsecured debentures. The tenor is up to one year and three months. TSE intends to use the proceeds from the new debentures to refinance the company’s debentures due in October 2024 and make new investments. At the same time, TRIS Rating affirms the company rating on TSE at “BBB”. The rating outlook remains “stable”.

The ratings continue to reflect the reliable cash flows from the company’s renewable power portfolio and the consistent performance of its operating power plants. Conversely, the ratings are hindered by shrinking cash flows due to the expiring adder benefits of its core power assets and limited growth potential as the company faces increasing challenges in acquiring new Power Purchase Agreements (PPAs) in Thailand.

TRIS Rating anticipates that TSE’s power portfolio will continue to generate robust cash flows, underpinned by long-term PPAs and the consistent performance of its existing power plants. Following the complete phase-out of adder benefits, TSE will likely establish a new EBITDA base of THB700-THB800 million annually during 2025-2026, down from approximately around THB1 billion in 2024. The EBITDA in the first half of 2024 was THB583 million, a 35.1% year-over-year drop. We expect the company’s performance will remain in line with our forecast.

TSE has significantly regained its financial strength following the divestment of the Onikoube project which led to a substantial deleveraging and reduction in investment concentration risk. We view TSE’s current financial structure is able to absorb moderate investments. Nevertheless, TSE’s growth prospect largely depends on securing new PPAs, which is constrained by intensifying competition, lower returns, and uncertainties surrounding the government policy and timeline to open bidding of new power projects.

We expect TSE to have low capital spending over the near term. As a result, TSE’s financial leverage is likely to be moderate, with the debt to EBITDA ratio of around 4 times and the funds from operation (FFO) to debt ratio ranging 15%-20% during 2024-2026.

We evaluate TSE’s liquidity as manageable to meet its bank loan obligations and capital expenditure requirements. However, the company remains exposed to refinancing risk from two debentures totaling THB2.37 billion maturing within the next 12 months. In our view, TSE’s substantial cash reserves and proactive measures to secure additional bank loans should adequately address these refinancing concerns.

As of June 2024, TSE’s total outstanding debt, excluding lease liability, stood at THB4.5 billion, with around THB1.69 billion classified as priority debt. The priority debt to total debt ratio was 37.4%.

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**RATING OUTLOOK**

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The “stable” outlook reflects our expectation that TSE’s power portfolio will continue to deliver satisfactory performance and generate predictable cash flows. We do not expect TSE’s investment outlays to be material over the next three years. As such, we expect TSE to have comfortable headroom on the credit metrics commensurate with the current rating.

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**RATING SENSITIVITIES**

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We are unlikely to raise the rating given TSE’s smaller earnings size and TSE’s relatively small business scale compared to its higher-rated peers. In contrast, we could lower our rating on TSE if company’s financial profile and earnings base significantly deteriorate. An indication of this would be a sustained debt to EBITDA ratio of above 8 times which could result from aggressive debt-funded investments, or a material reduction in annual EBITDA below the baseline forecast.

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**RELATED CRITERIA**

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- Corporate Rating Methodology, 15 July 2022
- Key Financial Ratios and Adjustments for Corporate Issuers, 11 January 2022
- Issue Rating Criteria, 15 June 2021

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**Thai Solar Energy PLC (TSE)**

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<b>Company Rating:</b>	BBB
<b>Issue Rating:</b>	
Up to THB1,175 million senior unsecured debentures due within one year and three months	BBB
<b>Rating Outlook:</b>	Stable

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