

# TPI POLENE POWER PLC

No. 72/2022  
8 July 2022

## CORPORATES

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

**Last Review Date:** 18/03/22

### Company Rating History:

Date	Rating	Outlook/Alert
25/03/20	BBB+	Stable
10/04/19	BBB+	Positive
17/09/18	BBB+	Stable

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## RATIONALE

TRIS Rating affirms the company rating on TPI Polene Power PLC (TPIPP) and the ratings on its outstanding senior unsecured debentures at “BBB+”, with a “stable” outlook. At the same time, TRIS Rating assigns the rating of “BBB+” to TPIPP’s newly proposed issue of up to THB6.0 billion senior unsecured debentures. The company intends to use the proceeds to refinance maturing debentures and support investment in new waste-to-energy (WTE) power plants.

The ratings mirror TPIPP’s stable cash flows, backed by power purchase agreements (PPAs) with the Electricity Generating Authority of Thailand (EGAT), and its competitive fuel costs. Also, the ratings are impacted by the gradual phase-out of additional tariffs (Adder). The ratings also take into account the higher financial leverage to support new project investments and investment risks associated with the Special Economic Zone (SEZ) project development.

TPIPP’s company and issue ratings are capped by the ratings on TPI Polene PLC (TPIPL), which are rated at “BBB+/Stable” by TRIS Rating. The rating cap reflects TPIPP’s status as core subsidiary, the strong parent-subsidiary relationship, and a high level of business integration between the two entities. We assess TPIPP’s stand-alone credit profile (SACP) at the level of “a”, reflecting a stronger credit profile than TPIPL’s.

We project TPIPP’s earnings and cash flows to continue to be negatively impacted by the exceptionally high coal price and expirations of adders this year. TPIPP’s earnings before interest, taxes, depreciation, and amortization (EBITDA) dropped by 19.4% to THB1.1 billion in the first quarter of 2022, from THB1.4 billion in the same period last year. However, the impact will be partially offset by higher fuel adjustment charge (Ft) in the second half of this year, and the expected cost-saving benefits from using refuse-derived fuel (RDF) under the coal replacement program the company is implementing.

We expect TPIPP’s profits to decline during 2022-2023 before recovering when new WTE projects are up and fully running in 2024 onwards. TPIPP’s earning will rely on its ability to secure new power capacity as the adder of the largest 90-megawatts PPA ends in 2025.

We project that TPIPP’s financial leverage will rise temporarily, given its planned capital expenditures and investments. These include the construction of two WTE power plants in Songkhla and Nakorn Ratchasima, an RDF capacity expansion, and coal-replacement programs. Additionally, TPIPP has stated its strong intention to participate in biddings for new WTE PPAs nationwide. We view that TPIPP will benefit from these investments over the long term.

The ratings continue to factor in the uncertainty in the SEZ project, which is currently on hold. TPIPP already spent about THB11 billion on land procurement in Chana district. However, the company’s management believes the project must be continued as it is a national security project and has already been approved by the cabinet.

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**RATING OUTLOOK**

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The “stable” outlook embeds our expectation that TPIPP’s power plant operations will continue to generate solid cash flows over the long term. We also expect that the company will successfully secure new power projects and benefit from its coal replacement program, which will partially counterbalance the earnings contractions after adder expirations. Additionally, we expect TPIPP’s operating performance and financial leverage to be in line with our forecast. We expect TPIPP’s status as a core subsidiary of TPIPL will remain unchanged.

**RATING SENSITIVITIES**

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A rating upgrade is unlikely in the near term since we expect the company’s financial profile will weaken from adder expirations and heightening financial leverage during the construction of new WTE power plants.

Conversely, a rating downgrade could occur if TPIPP’s operating performance is significantly worse than our forecast and/or if the company engages in sizable debt-financed investments, which result in significant deterioration in the group’s financial profile. The ratings or outlook could also be revised downward if we downgrade TPIPL’s ratings.

**RELATED CRITERIA**

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- Key Financial Ratio and Adjustments for Corporate Issuers, 11 January 2022
- Issue Rating Criteria, 15 June 2021
- Group Rating Methodology, 13 January 2021
- Rating Methodology – Corporate, 26 July 2019

## TPI Polene Power PLC (TPIPP)

<b>Company Rating:</b>	BBB+
<b>Issue Ratings:</b>	
TPIPP22NA: THB4,000 million senior unsecured debentures due 2022	BBB+
TPIPP23DA: THB3,000 million senior unsecured debentures due 2023	BBB+
TPIPP247A: THB4,000 million senior unsecured debentures due 2024	BBB+
TPIPP262A: THB4,523.6 million senior unsecured debentures due 2026	BBB+
Up to THB6,000 million senior unsecured debentures due within 7 years	BBB+
<b>Rating Outlook:</b>	Stable

### TRIS Rating Co., Ltd.

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