

SERMSANG POWER CORPORATION PLC

No. 17/2025
13 February 2025

CORPORATES

Company Rating:	BBB+
Issue Ratings:	
Senior unsecured	BBB
Guaranteed	AAA
Outlook:	Stable

Last Review Date: 08/01/25

Company Rating History:

Date	Rating	Outlook/Alert
19/09/22	BBB+	Stable
06/10/20	BBB	Stable

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RATIONALE

TRIS Rating assigns a rating of “BBB” to Sermsang Power Corporation PLC’s (SSP) proposed issue of up to THB800 million senior unsecured debentures due within three years and one month. This issue rating replaces the issue rating previously assigned on 8 January 2025, following SSP’s request to increase the issue size from up to THB600 million to up to THB800 million and to revise the tenor from three years to three years and one month.

The assigned issue rating is one notch below the company rating, reflecting the structural subordination of the proposed debentures compared with the debt obligations at the operating subsidiaries. SSP intends to use the proceeds from new debentures to repay existing debentures and to fund its new renewable projects.

At the same time, we affirm the company rating on SSP at “BBB+”, with a “stable” outlook.

The ratings reflect the company’s stable cash flow generation from its power portfolio, backed by long-term power purchase agreements (PPAs) and strong track record of its power plant performance. However, the ratings are partly constrained by the potential increase in financial leverage due to the company’s strategic growth commitments.

We also affirm the rating on SSP’s guaranteed debentures at “AAA”. The guaranteed debentures are fully guaranteed by Export-Import Bank of Thailand (EXIM, rated “AAA/Stable”^{*}). Hence, the rating on the guaranteed debenture is equal to that on EXIM.

For the first nine months of 2024, SSP’s solar projects sold approximately 195 gigawatt-hour (GWh) of electricity, a 4.1% year-over-year decline from roughly 203 GWh in the same period of the previous year. This decline in sales volume was mainly due to the continued low availability factor of SSP’s core 52-megawatts (MW) solar power plant in Thailand. SSP’s EBITDA reached THB1.8 billion, a 4.2% decline from THB1.9 billion year-over-year. The debt to EBITDA ratio was 5 times (annualized with trailing 12 months). SSP’s performance is expected to improve after the 52-MW plant’s repowering is completed in the first half of 2025.

Despite the existing committed new projects, we expect SSP to prudently manage leverage level and execution risks. As such, SSP’s debt to EBITDA ratio should stay within our forecast range.

As of September 2024, SSP’s consolidated debt, excluding lease liabilities, was approximately THB14.7 billion. Of the total, THB11.2 billion was priority debt, representing all borrowings of its operating subsidiaries. The company’s priority debt to total debt ratio was 76%, significantly exceeding the 50% threshold outlined in our “Issue Rating Criteria”. In our view, SSP’s unsecured creditors are significantly disadvantaged compared to its priority debt holders regarding the priority of claims on the company’s assets.

^{*} The rating assigned to EXIM is based on public information, which TRIS Rating believes provides a sufficient basis for the assessment of credit profile of EXIM. The rating is assigned without participation from EXIM.

CreditUpdate, reviews ratings of companies or debt issues that have already been rated by TRIS Rating. The CreditUpdate occurs when new debt instruments are issued or if significant events have taken place that may impact a company’s current ratings or when current ratings are cancelled. The CreditUpdate announces whether a rating has been “upgraded,” “downgraded,” “affirmed” or “cancelled.” The update includes information to supplement the previously published ratings.

Credit Updates are part of TRIS Rating’s monitoring process. TRIS Rating monitors every rating it assigns until either the debt instrument matures or the rating contract ends. To keep the public informed of changing situations, TRIS Rating periodically issues announcements about the credit ratings it monitors.

RATING OUTLOOK

The "stable" outlook reflects our expectation that SSP's power plants will continue to render robust performance and generate strong cash flows. It also reflects our expectation that the company will successfully develop and commission new capacity without major delays or cost overruns. Therefore, SSP's cash generation relative to debt obligations should remain in line with our baseline forecast.

The rating and outlook on SSP's guaranteed debentures solely reflect those on EXIM.

RATING SENSITIVITIES

We see rating upside as unlikely in the near term. However, we may consider a positive rating adjustment if SSP substantially increases its cash generations, significantly reducing its financial leverage. Conversely, downward pressure on the ratings would emerge if SSP's credit metrics materially weaken. This could result from a more aggressive financial strategy, such as higher-than-projected debt-funded investments or substantial share buybacks that significantly deteriorate credit metrics. An indication of this would be a debt to EBITDA ratio exceeding 5 times, without any prospects of a decline. Although unlikely, we could also initiate a negative rating action if the operational performance of its power plants falls significantly below our projections.

The rating on SSP's guaranteed debentures will track the rating on EXIM.

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

Sermsang Power Corporation PLC (SSP)

Company Rating:	BBB+
Issue Ratings:	
Up to THB800 million senior unsecured debentures due within 3 years 1 month	BBB
Up to THB1,200 million guaranteed debentures due within 5 years	AAA
Rating Outlook:	Stable

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