

B.GRIMM POWER PLC

No. 12/2023
24 January 2023

CORPORATES

Company Rating:	A
Issue Ratings:	
Senior unsecured	A-
Hybrid	BBB+
Outlook:	Stable

Last Review Date: 25/04/22

Company Rating History:

Date	Rating	Outlook/Alert
09/04/18	A	Stable

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RATIONALE

TRIS Rating affirms the company rating on B.Grimm Power PLC (BGRIM) at “A”, the ratings on its existing senior unsecured debentures at “A-”, and the rating on its outstanding subordinated perpetual debentures at “BBB+”.

At the same time, TRIS Rating assigns a rating of “BBB+” to BGRIM’s proposed issue of up to THB5 billion in subordinated perpetual debentures (hybrid debentures) and an additional greenshoe portion of up to THB3 billion. The rating on BGRIM’s hybrid debentures is two notches below the company rating, reflecting the subordinated nature of the hybrid debentures and the option of the issuer to defer coupon payments on a cumulative basis.

The characteristics of the proposed hybrid debentures include subordination of claims, interest payment deferral at the discretion of the company, a five-year non-call period, and sufficient permanence. These characteristics make the debentures qualify for the treatment of “intermediate” equity content according to TRIS Rating’s “Hybrid Securities Rating Criteria”. We will treat 50% of the outstanding amount of the hybrid debentures as equity and the other 50% as debt when calculating financial ratios. The “intermediate” equity content will change to “minimal” (or 0% equity treatment) at the end of the fifth year from the issuance date. This is because, five years after issuance, the remaining effective maturity of the issue will be less than 20 years. The effective maturity date of the issue is defined as the date when there is a material step up of the coupon rate (equal to or more than 100 basis points or bps). In this case, the interest spread of the hybrid debentures will step up by 100 bps at the end of the 25th year from the issuance date.

Except for certain events as specified in the terms and conditions (e.g. changes in the tax and accounting treatments of hybrid securities or a change in the credit rating agency’s criteria used to assess the equity content of the issue), BGRIM intends (but is not obliged) to replace, redeem, or repurchase the hybrid debentures with an instrument that has similar or higher equity content.

TRIS Rating could lower the equity content of the proposed hybrid debentures, to “minimal” from “intermediate” if we believe that the company has an intention to deviate from the replacement capital covenant (RCC).

The ratings on BGRIM continue to reflect its stable earnings, backed by long-term power purchase agreements (PPAs) and solid performances of its cogeneration power plants. The ratings also mirror the company’s well-diversified power portfolio. Conversely, the ratings are weighed down by its increasing debt load over the course of business expansion, and heightened gas prices which have pressured its earnings.

For the first nine months of 2022, BGRIM’s performance was in line with TRIS Rating’s forecast. Revenue was at THB47.9 billion, a 42% growth year-on-year (y-o-y). Earnings before interest, taxes, depreciation, and amortization (EBITDA) were THB7.9 billion, down from THB10.6 billion y-o-y due to the surge in gas prices. The adjusted net debt was at THB88.9 billion as of September 2022, up from THB74.9 billion at the end of 2021. The ratio of debt to EBITDA was at 8.5 times (annualized with trailing 12 months), rising from 5.7 times in 2021.

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 embeds our expectations that BGRIM’s power plants will continue to perform satisfactorily and deliver reliable cash flow, the company will complete the committed projects as planned, and its earnings and financial leverage are in line with our forecasts.

RATING SENSITIVITIES

An upward revision on the ratings could happen if BGRIM can materially enlarge its cash flows while improving its capital structure on a sustained basis. Contrarily, a downward revision to the ratings could occur if BGRIM’s operating performance falls significantly short of our expectation. A negative rating pressure could also arise if the capital structure weakens significantly due to large amounts of debt-funded investments.

RELATED CRITERIA

- Group Rating Methodology, 7 September 2022
- Corporate Rating Methodology, 15 July 2022
- Key Financial Ratios and Adjustments for Corporate Issuers, 11 January 2022
- Hybrid Securities Rating Criteria, 28 June 2021
- Issue Rating Criteria, 15 June 2021

B.Grimm Power PLC (BGRIM)

Company Rating:	A
Issue Ratings:	
BGRIM230A: THB1,500 million senior unsecured debentures due 2023	A-
BGRIM247A: THB2,000 million senior unsecured debentures due 2024	A-
BGRIM255A: THB4,200 million senior unsecured debentures due 2025	A-
BGRIM255B: THB300 million senior unsecured debentures due 2025	A-
BGRIM267A: THB3,000 million senior unsecured debentures due 2026	A-
BGRIM275A: THB3,000 million senior unsecured debentures due 2027	A-
BGRIM280A: THB5,000 million senior unsecured debentures due 2028	A-
BGRIM295A: THB2,150 million senior unsecured debentures due 2029	A-
BGRIM317A: THB7,000 million senior unsecured debentures due 2031	A-
BGRIM325A: THB2,550 million senior unsecured debentures due 2032	A-
BGRIM19PA: THB8,000 million subordinated capital debentures	BBB+
Up to THB5,000 million subordinated capital debentures and additional greenshoe portion of up to THB3,000 million	BBB+
Rating Outlook:	Stable

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