

TPI POLENE POWER PLC

No. 43/2019
14 June 2019

CORPORATES

Company Rating:	BBB+
Issue Ratings:	
Senior unsecured	BBB+
Outlook:	Positive

Last Review Date: 10/04/19

Company Rating History:

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

Contacts:

Pravit Chaichamnapai, CFA

pravit@trisrating.com

Rapeepol Mahapant

rapeepol@trisrating.com

Parat Mahuttano

parat@trisrating.com

Monthian Chantarklam

monthian@trisrating.com



WWW.TRISRATING.COM

RATIONALE

TRIS Rating affirms the company rating on TPI Polene Power PLC (TPIPP) and the issue ratings on its outstanding senior unsecured debentures at “BBB+” with a “positive” outlook. At the same time, TRIS Rating assigns a rating of “BBB+” on TPIPP’s newly proposed issue of up to Bt3 billion in senior unsecured debentures. The company will use the proceeds for new investments.

The ratings continue to reflect TPIPP’s robust cash flows from its power business backed by power purchase agreements (PPAs) with the Electricity Generating Authority of Thailand (EGAT), with high profitability from adders and a competitive fuel cost from refuse-derived fuel (RDF) and waste heat. However, the ratings are partially offset by the relatively high operational risks of RDF-fired power plants and rising leverage from new investments.

TPIPP is a subsidiary of TPIPL (rated “BBB+/Positive” by TRIS Rating). On a stand-alone basis, TPIPP’s company rating is assigned at “A”, suggesting a stronger credit profile than TPIPL. However, TPIPP’s rating is capped by TPIPL’s rating at “BBB+” according to our group rating methodology.

All of TPIPP’s power plants, with total capacity of 440 megawatts (MW), are in operation and expected to generate steady EBITDA (earnings before interest, tax, depreciation, and amortization) of approximately Bt6.5 billion per annum from 2020 onwards. TPIPP’s outstanding debt is likely to rise in the near term due to its participation in bidding on two waste-to-energy power projects in Bangkok and the development of an industrial estate in the southern part of Thailand. However, TPIPP’s strong cash flow and low debt on its balance sheet should be able to support its new investments. TRIS Rating forecasts the debt to EBITDA ratio to stay below 2 times over the next three years.

RATING OUTLOOK

The “positive” outlook on TPIPP reflects an expected recovery of the parent’s financial strength after TPIPP’s new power plants are all fully operational.

We expect TPIPP’s status as a core subsidiary of TPIPL to maintain. Given the parent-subsidiary relationship, any change in TPIPL’s credit ratings will affect TPIPP’s ratings.

RATING SENSITIVITIES

A rating upgrade could occur if TPIPP’s performance materially improves, thus helping to strengthen the financial profile of the Group. Conversely, a downgrade in the ratings could occur if the plants’ performance is weaker-than-expected or if the company makes excessive debt-financed investments, leading to materially enlarge consolidated debts of TPIPL. The ratings or outlook could also be revised downward if TRIS Rating downgrades TPIPL’s ratings.

RELATED CRITERIA

- Key Financial Ratios and Adjustments, 5 September 2018
- Group Rating Methodology, 10 July 2015
- Rating Methodology – Corporate, 31 October 2007

TPI Polene Power PLC (TPIPP)

Company Rating:	BBB+
Issue Ratings:	
TPIPP21NA : Bt4,000 million senior unsecured debentures due 2021	BBB+
Up to Bt3,000 million senior unsecured debentures due within 5 years	BBB+
Rating Outlook:	Positive

TRIS Rating Co., Ltd.

Silom Complex Building, 24th Floor, 191 Silom Road, Bangkok 10500, Thailand Tel: 0-2098-3000

© Copyright 2019, 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