TPI POLENE PLC

No. 62/2019
12 September 2019

CORPORATES

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

Last Review Date: 14/06/19

Company Rating History:

Date	Rating	Outlook/Alert
10/04/19	BBB+	Positive
02/10/12	BBB+	Stable

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RATIONALE

TRIS Rating affirms the company rating on TPI Polene PLC (TPIPL) 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 TPIPL’s newly proposed issue of up to Bt4 billion in senior unsecured debentures. The proceeds from the new debentures will be used to refinance a maturing debenture of Bt3 billion and the rest to fund its working capital.

The ratings continue to reflect TPIPL’s strong market position in the Thai cement market, diversified sources of revenue, and stable cash flows from the power generation business. The ratings also incorporate TRIS Rating’s expectation of an improving financial profile when all new power plants achieve full-year operations. However, these strengths are offset by the cyclicality of the cement and plastic industries as well as the inherent operational risks of its refuse-derived fuel (RDF) power plants. The ratings are also constrained by TPIPL’s concentrated sources of borrowing and significant refinancing risk.

TPIPL’s performances continue to recover, commensurate with our forecast. The growing cash flows from power business, supported by rising power outputs and more efficient operations of its power plants, are the key factors in restoring TPIPL’s financial results. However, the weak performance of its cement business has constrained the recovery of overall performance as well as its credit strength. The earnings before interest, tax, depreciation, and amortization (EBITDA) grew to approximately Bt3.7 billion in the first half of 2019, up by 45.8% year-over-year. The financial profile also improved as the debt to EBITDA ratio declined to 6.6 times in June 2019, from 7.6 times in 2018 and 11.2 times in 2017.

TRIS Rating still holds the view that TPIPL’s financial profile will strengthen gradually. We forecast that the company’s debt to EBITDA ratio will decline toward 6.0 times over the next two or three years in absence of new aggressive debt-funded investments and further weakening of the cement business. We also note that cash flow from the power plants will start dropping in 2022 due to the expiry of the adders from the two RDF-fired power plants with capacities of 20 MW and 60 megawatts (MW).

The ratings are also weighed by TPIPL’s lack of diversifying sources of borrowing. The company heavily depends on debentures, which made up about 84% of total outstanding debts. The refinancing risk of the outstanding debentures is significant, considering the size of scheduled repayments of about Bt7.2 billion in 2020 and surge to Bt17.2 billion in 2021.

RATING OUTLOOK

The “positive” outlook reflects TRIS Rating’s expectation that TPIPL’s financial profile will improve further, with a potential recovery of its cement business and a larger contribution of predictable cash flows from the power business.

RATING SENSITIVITIES

The ratings could be upgraded if TPIPL’s cement business recovers significantly and the power plants generate sizable cash flow while material cost saving are attained as planned. A rating upgrade could also occur if the debt to EBITDA ratio falls below 6 times for a sustained period and TPIPL diversifies its sources of borrowings.

The ratings and/or outlook could be revised downward if TPIPL's financial profile deteriorates significantly. This could happen from weaker-than-expected performance of the power plants and/or excessive debt-financed investments. A large equity loss from pending legal claims is another key factor that could trigger a negative rating action.

RELATED CRITERIA

- Rating Methodology – Corporate, 26 July 2019
- Key Financial Ratios and Adjustments, 5 September 2018

TPI Polene PLC (TPIPL)

Company Rating:	BBB+
Issue Ratings:	
TPIPL201A: Bt3,000 million senior unsecured debentures due 2020	BBB+
TPIPL207A: Bt2,000 million senior unsecured debentures due 2020	BBB+
TPIPL208A: Bt2,205 million senior unsecured debentures due 2020	BBB+
TPIPL214A: Bt1,600 million senior unsecured debentures due 2021	BBB+
TPIPL214B: Bt8,000 million senior unsecured debentures due 2021	BBB+
TPIPL218A: Bt3,600 million senior unsecured debentures due 2021	BBB+
TPIPL221A: Bt3,530 million senior unsecured debentures due 2022	BBB+
TPIPL224A: Bt1,200 million senior unsecured debentures due 2022	BBB+
TPIPL228A: Bt4,000 million senior unsecured debentures due 2022	BBB+
TPIPL231A: Bt3,000 million senior unsecured debentures due 2023	BBB+
TPIPL234A: Bt2,645 million senior unsecured debentures due 2023	BBB+
TPIPL251A: Bt3,000 million senior unsecured debentures due 2025	BBB+
Up to Bt4,000 million senior unsecured debentures due within 5 years	BBB+
Rating Outlook:	Positive

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