

TPI POLENE POWER PLC

No. 50/2019
17 July 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
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 TPIPP's outstanding senior unsecured debentures at "BBB+" with a "positive" outlook. At the same time, TRIS Rating assigns a rating on TPIPP's proposed issue of up to Bt4 billion in senior unsecured debentures at "BBB+". The newly assigned issue rating replaces the rating on the proposed issue of up to Bt3 billion announced on 14 June 2019, as the company decided to increase the issue size. The proceeds from the new debentures will be used in 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), high profitability from adders, as well as 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 the RDF-fired power plants and rising leverage from new investments.

TPIPP is a subsidiary of TPI Polene PLC (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 fully generate steady EBITDA (earnings before interest, tax, depreciation, and amortization) of approximately Bt6.5 billion per annum in 2020. However, the EBITDA will start declining in 2022 due to the expiration of the adders from two RDF-fired power plants with capacities of 20 MW and 60 MW.

TPIPP's outstanding debt is likely to rise in the near term due to its new potential projects such as the bidding for new waste-to-energy power projects in Thailand 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 of TPIPP to stay below 2 times over the next three years.

RATING OUTLOOK

The "positive" outlook on TPIPP's ratings 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' performances are 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.

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.

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 Bt4,000 million senior unsecured debentures due within 5 years	BBB+
Rating Outlook:	Positive

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