

# TPI POLENE PLC

No. 42/2019  
14 June 2019

## CORPORATES

|                        |          |
|------------------------|----------|
| <b>Company Rating:</b> | BBB+     |
| <b>Issue Ratings:</b>  |          |
| Senior unsecured       | BBB+     |
| <b>Outlook:</b>        | Positive |

**Last Review Date:** 10/04/19

### 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+” to TPIPL’s newly proposed issue of up to Bt6 billion in senior unsecured debentures. The assigned issue rating replaces the rating on the proposed issue of up to Bt5 billion announced on 10 April 2019, as the company decided to increase the issue size. The proceeds from the new debentures will be used to refinance outstanding debentures and bank loans.

The ratings continue to reflect TPIPL’s strong market position in the Thai cement market, diversified sources of revenue, and material cash flows from the power generating segment. However, these strengths are offset by the cyclical nature of the cement and plastics industry as well as the operational risks inherent in refuse-derived fuel (RDF) power plants. The ratings are also constrained by TPIPL’s concentrated source of borrowings and refinancing risk.

TRIS Rating maintains the view that TPIPL’s performance will gradually improve, backed by the recovery of its cement business, enlarging cash flow, and stronger profitability once its new power plants are fully operational. New investment cycle may cause rising leverage but we believe that growing cash flow enable the company to handle the rise in debt. We expect TPIPL’s debt to earnings before interest, tax, depreciation, and amortization (EBITDA) ratio will steadily decline towards 6 times over the next three years.

TRIS Rating notes that TPIPL’s liquidity profile shows its heavy dependence on debenture issuances as a major source of financing and its refinancing risk in 2021. Since a series of outstanding debentures totaling Bt17.2 billion will be due in 2021, we expect TPIPL’s key management will take a proactive approach to smooth out the refinancing.

## 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 portion of predictable cash flows from the power segment. TRIS Rating expects that TPIPL’s competitive positions in the cement and plastic businesses will remain, whilst its power business will continue to exhibit satisfactory performance and remain the largest cash flow contributor. Given the enhanced cash flow, the debt to EBITDA ratio should steadily decline.

## RATING SENSITIVITIES

The ratings could be upgraded if TPIPL’s cement business recovers significantly and the power plants generate sizable cash flow while there are material cost savings 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

**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.

trigger a negative rating action.

**RELATED CRITERIA**

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

**TPI Polene PLC (TPIPL)**

|  |          |
|--|----------|
| <b>Company Rating:</b>   | BBB+     |
| <b>Issue Ratings:</b>  |          |
| TPIPL197A: Bt2,000 million senior unsecured debentures due 2019      | BBB+     |
| TPIPL198A: Bt2,750 million senior unsecured debentures due 2019      | BBB+     |
| 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+     |
| TPIPL234A: Bt2,645 million senior unsecured debentures due 2023      | BBB+     |
| Up to Bt6,000 million senior unsecured debentures due within 6 years | BBB+     |
| <b>Rating Outlook:</b>   | Positive |

**TRIS Rating Co., Ltd.**

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