

CHAROEN POKPHAND FOODS PLC

No. 67/2021
27 August 2021

CORPORATES

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

Last Review Date: 31/03/21

Company Rating History:

Date	Rating	Outlook/Alert
08/12/20	A+	Stable
13/03/20	A+	Alert Negative
31/03/15	A+	Stable
20/06/14	AA-	Negative
19/05/11	AA-	Stable
30/04/10	A+	Positive
22/06/06	A+	Stable
20/05/05	A	Positive
12/07/04	A	Stable
28/05/04	A	-
01/03/01	A+	-

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RATIONALE

TRIS Rating affirms the company rating on Charoen Pokphand Foods PLC (CPF) and the ratings on its existing senior unsecured debentures at "A+" as well as subordinated capital debentures (hybrid debentures) at "A-", with a "stable" outlook.

At the same time, TRIS Rating assigns a rating of "A+" to CPF's proposed issues of up to THB12 billion in senior unsecured debentures due within 15 years. The proceeds from the new debenture issuances are intended to be used for the following purposes of the company or companies in the CPF Group: (1) general business operations and/or (2) business expansion and/or (3) investment in shares or assets and/or (4) repayment of debts and/or (5) lending to companies in the CPF Group or restructuring of shareholding structure in the CPF Group.

The ratings continue to reflect CPF's leading position in the Thai agribusiness and food industry, as well as the geographic diversity of its operations, and diverse range of product offerings and markets served. The ratings also reflect the financial flexibility the company gains from its strategic investments. However, these strengths are partly offset by the inherent cyclicity of commodity-type products, exposure to disease outbreaks, changes in regulations imposed by importing countries, and the prolonged economic downturn.

CPF's operating results for the first half of 2021 were in line with our expectations. Thanks to strong domestic operations, the company reported satisfactory results despite a rise in raw material price and falling swine price. The company's earnings before interest, taxes, depreciation, and amortization (EBITDA) edged up by 5.1% year-on-year (y-o-y) to THB43.8 billion in the first half of 2021.

CPF's debt level against cash generation remained sound. The adjusted debt to EBITDA ratio was 4.6 times in the first half of 2021, up slightly from 4.5 times in 2020, but significantly improved from 6-7 times in 2018-2019. The ratio of funds from operations (FFO) to total debt was 14.9% in the first half of 2021, improved from 14.6% in 2020 and 8%-10% in 2018-2019.

For the remainder of 2021, we expect CPF's operating performance to remain at a satisfactory level, despite facing several uncertainties from fluctuating commodity prices and escalated Coronavirus Disease 2019 (COVID-19) situations in several countries. The company's strategies that focus on technology adaptation for efficiency improvement and cost reduction, as well as value-added product offerings should help the company sustain steady operating performance.

As of June 2021, the company's interest-bearing debt, excluding lease liabilities, was THB399 billion. About 80% of which was debentures and long-term loans, while the remainder was short-term loans to finance its working capital needs. We assess CPF to have adequate liquidity for the next 12 months. The major cash outflows are its scheduled debt repayments of approximately THB40 billion due over the next 12 months, which are expected to be funded primarily by cash flow from operations. During 2021-2023, CPF's FFO are projected to hover around THB45 billion per year. The company also has a significant liquidity buffer with cash on hand of around THB43 billion and numerous credit lines from commercial banks.

The key financial covenant on the company's debentures requires maintenance of a net interest-bearing debt to equity ratio below 2 times. CPF's net debt to equity ratio at the end of June 2021 was 1.2 times. We expect the company to remain in compliance with the covenant over the forecast period during 2021-2023.

RATING OUTLOOK

The "stable" outlook reflects our expectation that CPF will maintain its leading position in the dynamic agribusiness and food industry. We expect the company's diverse range of operations, products, and markets to mitigate the volatile effects of commodity-like farm products and the risk of disease outbreaks.

RATING SENSITIVITIES

A rating upgrade hinges primarily on CPF's ability to strengthen its capital structure significantly and demonstrate a material, sustainable improvement in debt servicing metrics.

In contrast, a rating downgrade scenario could emerge should CPF's operating performance fall significantly below the anticipated levels or any debt-funded acquisitions materially weaken the company's balance sheet and cash flow protection, such that the ratio of adjusted debt to EBITDA rises above 8 times for a sustained period.

RELATED CRITERIA

- Hybrid Securities Rating Criteria, 28 June 2021
- Issue Rating Criteria, 15 June 2021
- Rating Methodology – Corporate, 26 July 2019
- Key Financial Ratios and Adjustments, 5 September 2018

Charoen Pokphand Foods PLC (CPF)

Company Rating:	A+
Issue Ratings:	
CPF225A: THB7,600 million senior unsecured debentures due 2022	A+
CPF228A: THB4,000 million senior unsecured debentures due 2022	A+
CPF231A: THB2,500 million senior unsecured debentures due 2023	A+
CPF235A: THB5,500 million senior unsecured debentures due 2023	A+
CPF237A: THB1,940 million senior unsecured debentures due 2023	A+
CPF244A: THB3,500 million senior unsecured debentures due 2024	A+
CPF246A: THB8,407.6 million senior unsecured debentures due 2024	A+
CPF246B: THB2,725 million senior unsecured debentures due 2024	A+
CPF24NA: THB2,200 million senior unsecured debentures due 2024	A+
CPF251A: THB5,460 million senior unsecured debentures due 2025	A+
CPF257A: THB3,000 million senior unsecured debentures due 2025	A+
CPF261A: THB13,064.5 million senior unsecured debentures due 2026	A+
CPF276A: THB7,164.4 million senior unsecured debentures due 2027	A+
CPF276B: THB2,643 million senior unsecured debentures due 2027	A+
CPF277A: THB2,000 million senior unsecured debentures due 2027	A+
CPF281A: THB6,540 million senior unsecured debentures due 2028	A+
CPF281B: THB4,028.7 million senior unsecured debentures due 2028	A+
CPF28NA: THB3,200 million senior unsecured debentures due 2028	A+
CPF30NA: THB5,300 million senior unsecured debentures due 2030	A+
CPF311A: THB5,034.4 million senior unsecured debentures due 2031	A+
CPF314A: THB2,500 million senior unsecured debentures due 2031	A+
CPF326A: THB940 million senior unsecured debentures due 2032	A+
CPF328A: THB5,000 million senior unsecured debentures due 2032	A+
CPF331A: THB5,372.4 million senior unsecured debentures due 2033	A+
CPF356A: THB3,120 million senior unsecured debentures due 2035	A+
CPF418A: THB4,000 million senior unsecured debentures due 2041	A+
CPF41DA: THB6,000 million senior unsecured debentures due 2041	A+
CPF17PA: THB15,000 million subordinated capital debentures	A-
Up to THB12,000 million senior unsecured debentures due within 15 years	A+
Rating Outlook:	Stable

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