

CHAROEN POKPHAND FOODS PLC

No. 95/2024
27 November 2024

CORPORATES

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

Last Review Date: 01/04/24

Company Rating History:

Date	Rating	Outlook/Alert
01/04/24	A	Stable
14/09/23	A+	Negative
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 assigns a rating of “A” to Charoen Pokphand Foods PLC (CPF)’s proposed issues of up to THB17.9 billion 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.

At the same time, TRIS Rating affirms the company rating on CPF and the ratings on its outstanding senior unsecured debentures at “A”, and affirms the ratings on its subordinated capital debentures (hybrid debentures) at “BBB+”, with a “stable” outlook.

CPF’s operating performance in the first nine months of 2024 (9M24) improved significantly, driven by a substantial reduction in feed costs and a gradual recovery in meat prices both in Thailand and abroad. During 9M24, the company’s EBITDA was THB54.5 billion. Excluding gains or losses on biological assets and adding back by the depreciation on biological assets, the company’s EBITDA amounted to THB58.4 billion, edging up by 48.6% year-on-year (y-o-y). The ratio of debt to EBITDA improved to 7.2 times in 9M24, compared with 10.4 times in 2023.

We assess CPF’s liquidity to be manageable over the next 12 months. A large portion of the debt maturing is expected to be refinanced. CPF’s maturing debts, including debentures and long-term loans, total THB67 billion over the next 12 months. We forecast CPF’s capital expenditures of about THB20 billion for maintenance and expansion. Meanwhile, sources of funds comprised cash on hand of about THB24 billion as of September 2024, plus funds from operations (FFO) of about THB40 billion in 2024. Given CPF’s strong access to the capital markets, we view the refinancing risk as significantly mitigated.

Also, CPF has sizable equity investments in CP All PLC (CPALL) and CP Aextra PLC (CPAXT). Currently, CPF holds a 34.5% stake in CPALL and 8.9% in CPAXT. The market values of CPF’s equity interest in CPALL and CPAXT were around THB203 billion and THB30 billion, respectively, as of 30 September 2024. As these equity investments are marketable securities, they should serve as a source of financial flexibility.

The financial covenant on CPF’s debenture obligations requires the company’s net interest-bearing debt to equity ratio to stay below 2.0 times. As of September 2024, the ratio was 1.5 times. We expect CPF to remain in compliance with the financial covenants over the next 12 to 18 months.

As of September 2024, CPF’s total interest-bearing debt, including the full amount of hybrid debentures but excluding lease liability, was THB485.3 billion, of which about THB321.9 billion was debt at subsidiary level which is considered priority debt. This translates to a priority debt to total debt ratio of 66%, exceeding our 50% threshold. However, given the diversity of CPF’s operating subsidiaries in multiple geographical locations, we consider the senior unsecured debenture holders of CPF are not significantly disadvantaged compared to the unsecured

debt holders at subsidiary level. As a result, we assign the issue ratings on its senior unsecured debt obligations at the same level as the company rating.

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 meaningfully mitigate the volatile effects of commodity-like farm products and the risk of disease epidemics.

RATING SENSITIVITIES

The ratings and/or outlook on CPF could be revised upward if there is an improvement in operating performance and substantial reduction in financial leverage for a sustained period. Conversely, a rating downgrade scenario could emerge if CPF’s earnings is substantially weaker than expected, or if the company has sizable debt-funded investment and/or acquisitions that materially weaken its balance sheet.

RELATED CRITERIA

- Key Financial Ratio and Adjustments for Corporate Issuers, 11 January 2022
- Hybrid Securities Rating Criteria, 28 June 2021
- Issue Rating Criteria, 15 June 2021
- Rating Methodology – Corporate, 26 July 2019

Charoen Pokphand Foods PLC (CPF)

Company Rating:	A
Issue Ratings:	
CPF251A: THB5,460 million senior unsecured debentures due 2025	A
CPF257A: THB3,000 million senior unsecured debentures due 2025	A
CPF25DA: THB2,000 million senior unsecured debentures due 2025	A
CPF261A: THB13,064.5 million senior unsecured debentures due 2026	A
CPF268A: THB4,989.1 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
CPF288A: THB3,079.7 million senior unsecured debentures due 2028	A
CPF28NA: THB3,200 million senior unsecured debentures due 2028	A
CPF292A: THB7,060 million senior unsecured debentures due 2029	A
CPF308A: THB3,806 million senior unsecured debentures due 2030	A
CPF30NA: THB5,300 million senior unsecured debentures due 2030	A
CPF311A: THB5,034.4 million senior unsecured debentures due 2031	A
CPF312A: THB2,190 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: THB3,845 million senior unsecured debentures due 2032	A
CPF331A: THB5,372.4 million senior unsecured debentures due 2033	A
CPF342A: THB2,750 million senior unsecured debentures due 2034	A
CPF356A: THB3,120 million senior unsecured debentures due 2035	A
CPF418A: THB2,465 million senior unsecured debentures due 2041	A
CPF41DA: THB3,580 million senior unsecured debentures due 2041	A
CPF22PA: THB15,000 million subordinated capital debentures	BBB+
CPF23PA: THB11,932 million subordinated capital debentures	BBB+
Up to THB17,900 million senior unsecured debentures due within 15 years	A
Rating Outlook:	Stable

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