

CH. KARNCHANG PLC

No. 33/2025
1 April 2025

CORPORATES

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

Last Review Date: 03/03/25

Company Rating History:

Date	Rating	Outlook/Alert
09/04/21	A-	Stable
04/04/19	A	Stable
30/01/15	A-	Stable
24/01/14	BBB+	Positive
26/02/13	BBB+	Stable
21/01/11	BBB	Stable
09/06/09	BBB+	Negative
23/07/07	BBB+	Stable
16/02/07	A-	Alert Negative
07/09/04	A-	Stable

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RATIONALE

TRIS Rating assigns a rating of “A-” to Ch. Karnchang PLC (CK)’s proposed issue of up to THB5.5 billion senior unsecured debentures due within 10 years. The new issue rating replaces the issue rating previously assigned on 3 March 2025, following CK’s request to increase the issue size to up to THB5.5 billion from up to THB5.0 billion. The company plans to use the proceeds from the debenture issuance to repay some of its existing debts and/or fund business expansion and working capital. At the same time, TRIS Rating affirms the company rating on CK and the ratings on its outstanding senior unsecured debentures at “A-” with a “stable” rating outlook.

The ratings reflect CK’s leading position in Thailand’s engineering and construction (E&C) industry. This is underpinned by its strong competitive advantages in executing large-scale and complex construction projects, as well as a substantial backlog. The ratings also recognize the synergy and financial flexibility derived from the company’s key investments. Nonetheless, these strengths are tempered by CK’s elevated leverage and the relatively thin profit margins inherent to the E&C business, which is subject to cyclicity and intense competition.

CK’s operating performance in 2024 was in line with TRIS Rating’s expectations. Revenue in 2024 increased to THB37.9 billion, up 3% from the previous year. However, CK’s gross profit margin declined to 7.9% in 2024 and 7.6% in 2023, from 8.7% in 2022. This decline is mainly due to the Luang Prabang Hydropower Project, which accounted for 48%-50% of total revenues in 2023-2024 and had a gross profit margin of only 7%.

At the end of 2024, CK’s backlog reached THB210 billion, the highest since its inception. We estimate CK’s revenue to increase to THB42 billion in 2025, THB50 billion in 2026, and THB53 billion in 2027. The current backlog is expected to secure about 90% of the base-case revenue in 2025, 70% in 2026, and 65% in 2027. We also expect the company’s gross profit margin to remain in the 7.5%-8.0% range, and EBITDA margin within 9%-10% during this period. Consequently, CK’s annual EBITDA is forecast to be around THB4.1-THB4.7 billion during 2025-2027.

CK’s financial leverage improved in 2024 but remains relatively high. Its debt to capitalization ratio declined to 63% in 2024 from 65% in 2023, while the debt to EBITDA ratio was around 12.5 times, unchanged from 2023. We expect CK’s debt level to remain largely unchanged in the near term, as Xayaburi Power Co., Ltd. extended sponsor loan repayment of the THB5 billion to CK from 2025 to 2027. To reduce leverage, CK plans to partially divest its equity stake in the Luang Prabang Hydropower Project. The proceeds from this divestment will help lower its debt while reducing its equity investment in the project by half, to around THB1.4 billion over the next three years. With the expected improvement in its earnings, CK’s debt to capitalization ratio is projected to decline to around 61%-63% and debt to EBITDA ratio to gradually decrease to around 10-11 times during 2025-2027.

The key financial covenant on its debenture obligations requires maintenance of a net interest-bearing debt to equity ratio below 3 times. The ratio stood at 1.7 times as of December 2024. Most of CK’s debts are unsecured debts at the company level, with a very low level of priority debt.

We assess CK's liquidity as manageable over the next 12 months. Debts coming due over the next 12 months will amount to THB16.4 billion, comprising THB7.2 billion debentures and THB9.2 billion bank loans. The company is likely to spend THB3.0-THB4.5 billion in capital expenditures, dividend payments, and equity investments in its affiliates. CK's sources of liquidity as of December 2024 comprised THB10.2 billion in cash on hand, plus undrawn committed credit facilities from banks of THB6.5 billion. We forecast CK's funds from operations (FFO) over the next 12 months to be THB1.9-THB2.0 billion. Also, the company has the flexibility to divest some of its shares in Bangkok Expressway and Metro PLC (BEM), CK Power PLC (CKP), and TTW PLC (TTW), if needed. However, it is likely that CK will maintain significant shareholding in these companies.

RATING OUTLOOK

The "stable" outlook reflects our expectation that CK will maintain its competitive position in the E&C business and achieve an operating performance in line with our target. We expect CK to keep its EBITDA margin at around 9%-10%, and the debt to EBITDA ratio to decline and be maintained at around 10 times over the next couple of years.

RATING SENSITIVITIES

A rating upgrade largely depends on CK generating stronger-than-expected earnings and reducing its debts, resulting in a debt to EBITDA ratio below 8 times for a sustained period.

Downward pressures on the ratings could emerge from significant cost overruns in major projects or unanticipated, extensive financial support provided to its affiliates, resulting in the debt to EBITDA ratio remaining above 13 times for a sustained period.

RELATED CRITERIA

- Issue Rating Criteria, 26 December 2024
- Corporate Rating Methodology, 15 July 2022
- Key Financial Ratios and Adjustments for Corporate Issuers, 11 January 2022

CH. Karnchang PLC (CK)

Company Rating:	A-
Issue Ratings:	
CK255A: THB3,200 million senior unsecured debentures due 2025	A-
CK258A: THB3,000 million senior unsecured debentures due 2025	A-
CK25NA: THB1,000 million senior unsecured debentures due 2025	A-
CK265A: THB800 million senior unsecured debentures due 2026	A-
CK265B: THB3,800 million senior unsecured debentures due 2026	A-
CK267A: THB2,700 million senior unsecured debentures due 2026	A-
CK274A: THB2,376 million senior unsecured debentures due 2027	A-
CK275B: THB500 million senior unsecured debentures due 2027	A-
CK283A: THB800 million senior unsecured debentures due 2028	A-
CK285A: THB1,700 million senior unsecured debentures due 2028	A-
CK285B: THB1,000 million senior unsecured debentures due 2028	A-
CK287A: THB1,020 million senior unsecured debentures due 2028	A-
CK294A: THB557 million senior unsecured debentures due 2029	A-
CK295B: THB900 million senior unsecured debentures due 2029	A-
CK296A: THB3,500 million senior unsecured debentures due 2029	A-
CK305A: THB1,000 million senior unsecured debentures due 2030	A-
CK308A: THB1,500 million senior unsecured debentures due 2030	A-
CK314A: THB204 million senior unsecured debentures due 2031	A-
CK315A: THB2,500 million senior unsecured debentures due 2031	A-
CK325A: THB1,500 million senior unsecured debentures due 2032	A-
CK335A: THB3,200 million senior unsecured debentures due 2033	A-
CK344A: THB2,345 million senior unsecured debentures due 2034	A-
Up to THB5,500 million senior unsecured debentures due within 10 years	A-
Rating Outlook:	Stable

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