

B. GRIMM POWER PLC

No. 48/2021
29 June 2021

CORPORATES

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

Last Review Date: 25/05/21

Company Rating History:

Date	Rating	Outlook/Alert
09/04/18	A	Stable

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RATIONALE

TRIS Rating affirms the company rating on B. Grimm Power PLC (BGRIM) at “A”, the ratings on its existing senior unsecured debentures at “A-”, and subordinated capital debentures at “BBB+”. The rating outlook remains “stable”.

At the same time, TRIS Rating assigns a rating of “A-” to BGRIM’s proposed issue of up to THB8 billion in senior unsecured debentures and the additional greenshoe portion of up to THB4 billion. The new issue rating replaces the issue rating previously assigned on 25 May 2021, following BGRIM’s request to increase the issue size up to THB12 billion. The assigned issue rating is one notch below the company rating, reflecting the structural subordination of the proposed debentures compared with the debt obligations at the operating subsidiaries. The proceeds from the proposed debentures will be used to repay existing loans and debentures, to invest in new projects, and to fund working capital.

The ratings continue to reflect the company’s highly predictable cash flow from long-term power purchase agreements (PPAs) with the Electricity Generating Authority of Thailand (EGAT) under the small power producer (SPP) scheme. The ratings also reflect the company’s proven record of operating cogeneration power plants and its well-diversified power portfolio. However, the ratings are weighed down by the company’s highly leveraged capital structure resulting from rising debt load to support business expansion.

For the first three months of 2021, BGRIM’s revenues were THB10.5 billion, 7.4% declined from THB11.3 billion for the same period of 2020. The decline in revenues was mainly attributed to a drop in the amount received from energy payment due to the decline in gas prices and softening revenue from the solar projects in Vietnam. Despite the drop in revenue, earnings before interest, taxes, depreciation, and amortization were THB3.6 billion, a 16% increase from the same period in 2020, thanks to the improved performance of cogeneration power plants.

At the end of March 2021, BGRIM’s adjusted debt stood at THB60.5 billion with a debt to capitalization ratio of 59.5%.

RATING OUTLOOK

The “stable” outlook reflects our expectations that the company’s operating power plants will continue to run with satisfactory performance and generate cash flow as planned. The outlook also reflects the expectation that BGRIM will be able to manage its capital structure in accordance with the company’s policy of maintaining a net interest-bearing debt to equity ratio of less than 2 times.

RATING SENSITIVITIES

A rating upgrade could occur if BGRIM can enlarge its cash generation while improving its capital structure on a sustained basis. A rating downside scenario may arise if BGRIM’s cash flow weakens considerably, which could occur if power plant performance falls significantly short of our forecast or the projects under development are materially delayed. Downward rating pressure could develop if the company’s capital structure weakens significantly, which could be the case from excessive growth of debt-funded investments.

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

- Issue Rating Criteria, 15 June 2021
- Group Rating Methodology, 13 January 2021
- Rating Methodology – Corporate, 26 July 2019
- Hybrid Securities Rating Criteria, 12 September 2018
- Key Financial Ratios and Adjustments, 5 September 2018

B. Grimm Power PLC (BGRIM)

Company Rating:	A
Issue Ratings:	
BGRIM210A: THB2,700 million senior unsecured debentures due 2021	A-
BGRIM230A: THB1,500 million senior unsecured debentures due 2023	A-
BGRIM280A: THB5,000 million senior unsecured debentures due 2028	A-
Up to THB8,000 million senior unsecured debentures and additional greenshoe portion of up to THB4,000 million due within 10 years	A-
BGRIM19PA: THB8,000 million subordinated capital debentures	BBB+
Rating Outlook:	Stable

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