

# BANPU PLC

No. 57/2018

1 August 2018

## CORPORATES

<b>Company Rating:</b>	A+
<b>Issue Ratings:</b>	
Senior unsecured	A+
<b>Outlook:</b>	Stable

### Company Rating History:

Date	Rating	Outlook/Alert
26/12/14	A+	Stable
29/11/13	AA-	Negative
15/12/10	AA-	Stable
06/07/10	AA-	Alert Developing
26/06/08	AA-	Stable
07/11/05	A+	Stable
28/07/05	A	Positive
12/07/04	A	Stable
14/01/03	A	-
23/03/01	A-	-

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## RATIONALE

TRIS Rating affirms the company rating and the ratings of existing senior unsecured debentures of Banpu PLC (BANPU) at "A+". At the same time, TRIS Rating also assigns the rating of "A+" to BANPU's proposed issue of up to US\$50 million in senior unsecured debentures.

The ratings of BANPU reflect the company's leading position in the coal industry within the Asia-Pacific region, diverse customer base and geographic diversification of coal reserves, and reliable stream of income from the power business. However, the ratings are partially offset by the cyclicity of coal prices, slow demand for coal driven in part by the efforts to reduce emissions worldwide, as well as the uncertainties concerning coal-related policies implemented by the government of China.

For the first three months of 2018, BANPU's revenue grew by 11% year-on-year (y-o-y) to US\$700 million, mainly driven by coal price. BANPU's average coal selling price increased by 23% y-o-y to about US\$80.9 per tonne, while sales volume decreased by 15% to 7.3 million tonnes due to lower coal production caused by rain and geological conditions. BANPU's operating margin declined to 21.8%, compared with 24.6% for the first three months of 2017, caused by the lower coal production and higher fuel price for the power business. However, the earnings before interest, tax, depreciation and amortization (EBITDA) interest coverage ratio of 5.9 times and the ratio of funds from operation (FFO) to total debts of 10.2% were in line with our estimation of 4-5 times for the EBITDA interest coverage ratio and 10%-15% for the FFO to total debt ratio during 2018-2020.

## RATING OUTLOOK

The "stable" outlook reflects our expectation that BANPU will maintain its leading position in the coal industry. Dividends from the steady power business will provide some cushion for the company's coal business. BANPU's financial discipline, prudent cash management, plus financial flexibility, will help BANPU weather the volatile conditions of the coal market.

## RATING SENSITIVITIES

An upside for BANPU's ratings may occur if the company could improve its financial profile significantly or exhibit more earnings stability. A rating downgrade will emerge if coal prices tumble and cash flow substantially weakens below our expectations. Any debt-funded investments, which could worsen the company's capital structure and deteriorate cash flow protection for an extended period, would be another factor supporting a downgrade.

**FINANCIAL STATISTICS AND KEY FINANCIAL RATIOS\***

Unit: US\$ million

	Jan-Mar 2018	----- Year Ended 31 December -----			
		2017	2016	2015	2014
Revenue	700	2,877	2,259	2,477	3,145
Gross interest expense	41	140	130	130	132
Funds from operations (FFO)	32	517	267	155	362
Earnings before interest, tax, depreciation and amortization (EBITDA)	243	916	493	377	602
Capital expenditures and Investments	223	604	545	352	221
Cash and short-term investments	839	690	469	449	423
Total assets	8,660	8,223	6,973	6,553	6,903
Total debts	4,269	3,859	3,184	3,341	3,235
Shareholders' equity	3,231	3,211	2,738	2,065	2,386
Operating income before depreciation and amortization as % of sales	21.4	23.1	15.1	12.0	15.0
Pretax return on permanent capital (%)	10.4 **	10.7	5.4	3.4	6.7
Earnings before interest, tax, depreciation, and amortization (EBITDA) interest coverage (times)	5.9	6.5	3.8	2.9	4.6
FFO/total debt (%)	10.2 **	13.4	8.4	4.7	11.2
Total debt/capitalization (%)	56.9	54.6	53.8	61.8	57.6

\* Consolidated financial statements

\*\* Annualized with trailing 12 months

## Banpu PLC (BANPU)

<b>Company Rating:</b>	A+
<b>Issue Ratings:</b>	
BANPU195A: Bt2,850 million senior unsecured debentures due 2019	A+
BANPU207A: Bt2,300 million senior unsecured debentures due 2020	A+
BANPU207B: Bt3,000 million senior unsecured debentures due 2020	A+
BANPU214A: Bt4,000 million senior unsecured debentures due 2021	A+
BANPU225A: Bt3,000 million senior unsecured debentures due 2022	A+
BANPU234A: Bt3,500 million senior unsecured debentures due 2023	A+
BANPU247A: Bt5,000 million senior unsecured debentures due 2024	A+
BANPU257A: Bt2,100 million senior unsecured debentures due 2025	A+
BANPU264A: Bt2,000 million senior unsecured debentures due 2026	A+
BANPU274A: Bt10,000 million senior unsecured debentures due 2027	A+
BANPU234B: US\$150 million senior unsecured debentures due 2023	A+
Up to US\$50 million senior unsecured debentures due within 10 years	A+
<b>Rating Outlook:</b>	Stable

### TRIS Rating Co., Ltd.

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