

# EASTERN POWER GROUP PLC

No. 7/2024  
10 September 2024

## CORPORATES

**Company Rating:** BB-  
**CreditAlert:** Negative

**Last Review Date:** 14/08/24

### Company Rating History:

Date	Rating	Outlook/Alert
14/08/24	BB	Negative
09/08/23	BB+	Negative
07/12/22	BBB-	Negative
07/12/18	BBB-	Stable
01/12/15	BBB	Stable

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## RATIONALE

TRIS Rating downgrades the company rating on Eastern Power Group PLC (EP) to “BB-” from “BB”. The downgrade reflects the company’s very weak liquidity position which heightens the risk of a failure to meet its near-term debt obligations. At the same time, we place CreditAlert with a “negative” implication on the rating, following EP’s announcement to convene a meeting of debenture holders to approve an extension of the maturity date of its THB570-million debenture. The “negative” implication indicates the uncertain outcome of the meeting, and the potential for a default if EP fails to obtain the necessary approval.

EP has called for a meeting of debenture holders on 13 September 2024 to seek approval for a one-year extension of the maturity date of its THB570-million debenture, by offering an increase in the interest rate. As the debentures are due to mature on the following day, EP needs to achieve a quorum at the meeting and obtain the necessary approval in only one attempt. Failure to obtain approval for the extension will likely trigger a payment default as EP currently has insufficient funding sources. We previously expected EP to refinance the debentures with the project loan facility of the Huong Linh 3 project, its operational 28.8-megawatt wind power project. However, the first drawdown of the loan has not been achieved as all the conditions precedent could not be met as planned. We consider EP’s imprudent liquidity management to have led to the heightened refinancing risk.

The downgrade of the rating reflects our view of EP’s tightened liquidity and the risk of the company defaulting on its maturing debt obligations. We characterize EP’s liquidity position as “very weak”. The continued deterioration in liquidity has stemmed from sustained weakness in cash generation. EP’s wind power projects in Vietnam have encountered serious delays in achieving commercial operations while the electricity tariff issue remains unsettled.

As of June 2024, EP had consolidated cash reserves of just THB76.5 million, against short-term and long-term debts coming due in the following 12 months totaling THB3.2 billion. We expect EP’s weak cash generation to continue although one of its four wind power projects has started commercial runs. In addition, we consider EP’s accessibility to the capital market to be severely restricted, considering the current circumstances. Therefore, any prospect of a material restoration of liquidity largely relies on the company’s announced plan for the partial divestment of its wind power projects. That said, we view the uncertainties surrounding the projects, particularly the likelihood of further delays in starting commercial operations, to be a major obstacle. EP has a concentrated debt structure, with debenture issuances representing its major funding sources. The company has nearly THB2 billion in debentures coming due in the next 12 months.

The “negative” CreditAlert signifies that we could lower the rating if we see an increased likelihood of EP failing to secure sufficient funds or extend the debt maturity to avoid a payment default in the next 12 months. Moreover, we could downgrade the rating by multiple notches to “C” if we anticipate a default is about to occur, or to “D” if the company misses an interest or principal payment.

We could remove the CreditAlert if we see a concrete debt refinancing or repayment plan, with firm timelines and sources of funds, that provides adequate assurance of the company being able to meet its near-term debt obligations.

At the end of June 2024, EP had consolidated debt of THB4.7 billion (excluding lease liabilities), most of which comprised unsecured debentures at the company level, with an outstanding amount of THB3.4 billion. The ratio of priority debt to total debt was 28%.

#### RELATED CRITERIA

- Corporate Rating Methodology, 15 July 2022
- Key Financial Ratios and Adjustments for Corporate Issuers, 11 January 2022

#### Eastern Power Group PLC (EP)

<b>Company Rating:</b>	BB-
<b>CreditAlert:</b>	Negative

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