

# TPC POWER HOLDING PLC

No. 193/2024  
28 October 2024

## CORPORATES

**Company Rating:** BB+  
**Outlook:** Stable

**Last Review Date:** 25/10/23

### Company Rating History:

Date	Rating	Outlook/Alert
25/10/23	BBB-	Negative
29/10/21	BBB-	Stable
09/10/18	BBB	Stable

### Contacts:

Rapeepol Mahapant  
rapeepol@trisrating.com

Supasith Tiensuksai, CFA  
supasith@trisrating.com

Parat Mahuttano  
parat@trisrating.com

Monthian Chantarklam  
monthian@trisrating.com



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## RATIONALE

TRIS Rating downgrades the company rating on TPC Power Holding PLC (TPCH) to “BB+” from “BBB-”. At the same time, we revise the rating outlook to “stable” from “negative”. This follows our same rating action on the company rating on Thai Polycons PLC (TPOLY, rated “BB+/Stable”), TPCH’s parent company. TPCH’s stand-alone credit profile (SACP) remains at “bbb”, suggesting its stronger credit profile relative to that of TPOLY.

The SACP at “bbb” mirrors TPCH’s reliability of cash flows, backed by long-term power purchase agreements (PPAs) with state-owned utilities. Conversely, the SACP is held back by vulnerability to feedstock supply risk and volatile prices, as well as risks associated with the company’s overseas expansion.

### KEY RATING CONSIDERATIONS

#### Rating capped by rating on parent

We continue to assess TPCH as the core subsidiary of TPOLY, based on the close linkage between the two companies. TPOLY holds the majority interest in TPCH (43.3%) and has direct control over TPCH’s business and financial policies.

The reliable and satisfactory performance of TPCH’s power business has significantly alleviated the weak performance of TPOLY’s construction business. TPOLY’s consolidated earnings have entirely come from the power business of TPCH during the past five years. According to our “Group Rating Methodology”, the company rating on TPCH is capped by that on TPOLY.

#### Reliability of cash flows aided by long-term PPAs

TPCH currently owns 11 power projects including biomass, waste-to-energy (WTE), and a solar farm. Eight with an aggregate contracted capacity of 81.8 megawatts (MW) have been commercially operational. Biomass power remains the centerpiece of its power generating assets. WTE projects are under Siam Power Co., Ltd. (SP), a 50%-owned joint venture (JV) of TPCH.

TPCH’s operating power plants have performed satisfactorily, generating stable cash flows over the past several years. These plants have multi-year PPAs with the state-owned producers and distributors of electricity in Thailand including Electricity Generating Authority of Thailand (EGAT), Provincial Electricity Authority (PEA), and Metropolitan Electricity Authority (MEA). These power buyers are rated “AAA/Stable”, suggesting minimal counterparty risk.

#### Vulnerability to feedstock risk

TPCH’s biomass power projects remain highly vulnerable to feedstock supply risk. The availability of agricultural waste depends on several factors including seasonality, use of biomass in other industries, and number of biomass power plants. In securing sufficient feedstock, TPCH holds long-term supply agreements with local suppliers. Nonetheless, contract enforcement is virtually challenging.

Additionally, earnings from biomass power are exposed to volatile feedstock prices. Biomass fuel prices can swing wildly, while feedstock varies in terms of humidity and calorific value. With respect to WTE, different types of waste provide different calorific values, while contaminants can affect operational stability. The performance of TPCH’s first WTE project has not yet met our

expectation due to contaminants. In our base case, we assume plant performance will gradually improve.

### **Overseas investment risks**

The rating factors in TPCH's strategic growth plan in the Lao People's Democratic Republic (Lao PDR) and Cambodia, exposing it to higher country and regulatory risks. The company has invested in a 40% stake in Laos-based Maekhong Power Co., Ltd. (MKP), the project company developing a 100-MW solar farm to sell electricity to Electricite du Laos (EDL) under a 25-year PPA. The project is slated to start commercial run in 2025, receiving a fixed tariff rate over the PPA life, and is part of the PPA between EDL and Electricity of Cambodia (EDC). This implies that EDC will be the indirect off-taker of the project. Hence, the market risk is somewhat mitigated. Nevertheless, the counterparty of MKP is still EDL. The weakened credit profile of EDL increases the counterparty risk to TPCH.

Additionally, TPCH is jointly developing other renewable power projects with its partner, including a 180-MW solar farm in Cambodia, currently under permit approval processes. TPCH has already spent THB383 million in this project.

We view the credit profiles of the state-run EDL and EDC, the purchasers of electricity, are not as strong as the state-owned power buyers in Thailand. Additionally, TPCH will be at risk of the cross-border risks of fund transferability and currency convertibility with respect to the dividend income it will receive from the investment projects. We consider investments with higher country and regulatory risks as increasing the company's business risk. As such, we expect TPCH's new investments to arrive at returns commensurate with their respective risks.

### **Operating performance to remain satisfactory**

As the project sponsor, TPCH has provided guarantees on debt obligations of some JVs, including SP, in proportion to its stakes in the JVs. Given the financial ties to the JVs, we include the assets, liabilities, and respective financial performances of the JVs in TPCH's consolidated accounts, in proportion to the ownership of TPCH in each venture, to better reflect TPCH's financial risk profile.

Looking forward, we expect TPCH's power plants will continue to deliver satisfactory performance. In our base case forecast, total operating revenue will likely slide to THB2.5-THB2.6 billion per annum during 2024-2026, due mainly to the disposal of a pool of five biomass power projects with a combined contracted capacity of 30.4 MW in October 2023. We also project the overseas power projects to contribute insignificant earnings, in the form of dividend incomes, in the next three years. However, its EBITDA should stay at THB0.9-THB1 billion per annum as WTE project performance should gradually improve. We forecast EBITDA margin to stay in the 35%-40% range over the forecast period.

### **Financial leverage to remain under control**

TPCH's financial leverage decreased recently, with the debt to EBITDA ratio lowering to 3.6 times (annualized with trailing 12 months) in the first half of 2024 from a peak of 6.4 times in 2022. This followed the recent power asset disposal, bringing in proceeds of THB1.4 billion, as well as improved performances of the operating power projects.

In addition to the power projects abroad, TPCH also has two WTE projects with a combined contracted capacity of 16 MW in Thailand in the pipeline. The projects are being developed by the subsidiaries of SP. Given that TPCH is the major shareholder of SP, we anticipate that TPCH would likely provide guarantee for the respective project loans, the same financing structure as the first WTE. As such, we proportionately add outlays with respect to the new WTEs to TPCH's planned investments. In contrast, we assume TPCH's overseas projects will be able to seek project loans, without the requirements of sponsor guarantees or additional financial support by TPCH.

Our base-case forecast estimates the company's capital expenditures and investments will add up to THB2 billion throughout the next three years. Most will be spent on the two WTE power projects. TPCH's funds from operations (FFO) of THB0.6-THB0.8 billion annually during 2024-2026 should cover the expenditures. We expect TPCH to control gearing properly in the years ahead. We forecast the debt to EBITDA ratio to rise to 4-5 times during a period of expansion. The FFO to debt ratio should range between 15%-20%, while the debt to capitalization ratio will likely hover around 50% over the forecast periods.

Currently, SP plans to raise funds through its Initial Public Offering (IPO). TPCH's financial leverage should lessen if the IPO plan materializes. We note that TPCH's financial risk profile could change if the project loans for its JVs are structured to prevent creditors having recourse to the company.

### **Manageable liquidity**

We expect TPCH to manage liquidity sufficiently over the next 12 months. As of June 2024, the company had THB787 million in short-term debts and long-term debts coming due in the next 12 months, excluding the debt owned by its JVs. We expect TPCH to roll over its short-term loans for working capital while long-term project loans should be covered by cash flows from the respective operating power projects.

## Debt structure

In assessing the level of priority debt in TPCH's borrowings, we exclude the debt incurred by the JVs which are guaranteed by TPCH. As of June 2024, TPCH's consolidated debt, excluding lease liabilities, was THB3.7 billion. Of this amount, THB2.6 billion was considered priority debt, comprising TPCH's secured debt and all borrowings incurred by its operating subsidiaries. The priority debt to total debt ratio was 70%, suggesting the company's unsecured creditors are significantly disadvantaged to its priority debt holders with respect to claims against the company's assets.

## BASE-CASE ASSUMPTIONS

Key assumptions in TRIS Rating's base-case forecast during 2024-2026 are as follows:

- Aggregate contracted capacity of operating power plants to be 362 MW in the next three years.
- Average capacity factor of operating power plants to range between 80%-90%.
- Total operating revenue to stay around THB2.5-THB2.6 billion per annum.
- EBITDA margin to stay in the 35%-40% range.
- Capital expenditures and investments to total THB2 billion.

## RATING OUTLOOK

The "stable" outlook on TPCH follows the outlook on TPOLY. This rests on our expectation that TPCH's core subsidiary status remains intact. Also, TPCH's operating performance and financial profile should align with our forecast.

## RATING SENSITIVITIES

Based on TPCH's status as a core subsidiary of TPOLY, any change in TPOLY's rating and/or outlook will have the same effect on TPCH's.

We could raise the SACP if TPCH's earnings increase and financial leverage declines significantly. In contrast, we could lower the SACP if the performances of TPCH's power plants fall significantly below our expectations, or the company undertakes more significant debt-funded new investments than we have factored in our base case, or materially increased exposures carrying high country and regulatory risks.

## COMPANY OVERVIEW

TPCH was founded in 2012 specifically to receive the power projects owned by TPOLY. TPCH was listed on the Market for Alternative Investment (MAI) in 2015. As of March 2024, TPOLY remained the major shareholder of TPCH, holding a 43.3% stake.

In 2016, the company won contracts for three biomass power projects in Yala and Narathiwat provinces. The contracts cover a combined contracted capacity of 24.7 MW. Since then, TPCH has continued expanding its power portfolio. It recently expanded overseas with the first committed solar power project in the Lao PDR.

As of September 2024, TPCH's aggregate contracted capacity was 197.8 MW, across seven biomass power projects (73.8 MW), three WTE projects (24 MW), and one solar power project (100 MW). Eight of its power plants are currently operating (81.8 MW).

KEY OPERATING PERFORMANCE

Table 1: Power Project Portfolio (as of Sep 2024)

Company/Country	Held by TPCH (%)	Status	Installed Capacity (MW)	Contracted Capacity (MW)	Tariff
<b>Biomass Projects</b>					
CRB	73	Operating	9.5	9.2	FiT
MWE	85	Operating	9.0	8.0	FiT
MGP	46	Operating	9.5	8.0	FiT
TSG	65	Operating	9.5	9.2	FiT
PGP	60	Operating	9.9	9.2	FiT
SGP	51	Operating	9.9	9.2	FiT
PTG	95	Operating	23.0	21.0	Adder
<b>Sub total - Biomass</b>			<b>80.3</b>	<b>73.8</b>	
<b>Waste Projects</b>					
SP	50	Operating	9.5	8.0	FiT
SPNS	45	Developing	9.9	8.0	FiT
SPNK	40	Developing	9.9	8.0	FiT
<b>Sub total - Waste</b>			<b>29.3</b>	<b>24.0</b>	
<b>Solar Projects</b>					
MKP	40	Developing	130.0	100.0	Fixed Rate
<b>Sub total - Solar</b>			<b>130.0</b>	<b>100.0</b>	
<b>Grand total</b>			<b>239.6</b>	<b>197.8</b>	

Source: TPCH

CRB = Chang Raek Bio Power  
MGP = Mahachai Green Power  
PGP = Phathalung Green Power  
PTG = Pattani Green  
SPNS = Siam Power Nongsarai  
MKP = Maekhong Power

MWE = Maewong Energy  
TSG = Thungsung Green  
SGP = Satun Green Power  
SP = Siam Power  
SPNK = Siam Power Naklang

**FINANCIAL STATISTICS AND KEY FINANCIAL RATIOS\***
*Unit: Mil. THB*

	Jan-Jun 2024	-----Year Ended 31 December -----			
		2023	2022	2021	2020
Total operating revenues	1,332	3,100	2,830	2,611	1,910
Earnings before interest and taxes (EBIT)	392	689	449	468	522
Earnings before interest, taxes, depreciation, and amortization (EBITDA)	541	1,096	833	841	764
Funds from operations (FFO)	405	801	589	661	667
Adjusted interest expense	127	285	231	171	96
Capital expenditures	58	221	376	366	1,261
Total assets	8,690	8,489	9,967	10,243	9,308
Adjusted debt	3,897	3,809	5,311	5,175	4,315
Adjusted equity	3,869	3,902	3,917	3,749	4,051
<b>Adjusted Ratios</b>					
EBITDA margin (%)	40.6	35.4	29.4	32.2	40.0
Pretax return on permanent capital (%)	7.8 **	7.8	4.7	5.2	6.5
EBITDA interest coverage (times)	4.3	3.8	3.6	4.9	8.0
Debt to EBITDA (times)	3.6 **	3.5	6.4	6.2	5.7
FFO to debt (%)	20.2 **	21.0	11.1	12.8	15.5
Debt to capitalization (%)	50.2	49.4	57.6	58.0	51.6

*Note: The figures include assets, liabilities, and the respective financial performances of Mahachai Green Power Co., Ltd. (MGP) and SP, in proportion to the ownership stake in these JVs.*

\* Consolidated financial statements

\*\* Adjusted with trailing 12 months

**RELATED CRITERIA**

- Group Rating Methodology, 7 September 2022
- Corporate Rating Methodology, 15 July 2022
- Key Financial Ratios and Adjustments for Corporate Issuers, 11 January 2022
- Issue Rating Criteria, 15 June 2021

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**TPC Power Holding PLC (TPCH)**

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**Company Rating:**

**BB+**

**Rating Outlook:**

**Stable**

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**TRIS Rating Co., Ltd.**

Silom Complex Building, 24th Floor, 191 Silom Road, Bangkok 10500, Thailand Tel: +66 2 098 3000

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