

EDL-GENERATION PUBLIC COMPANY

No. 112/2023
22 September 2023

CORPORATES

Company Rating:	BB+
Issue Ratings:	
Senior unsecured	BB+
Outlook:	Negative

Last Review Date: 27/07/23

Company Rating History:

Date	Rating	Outlook/Alert
19/05/23	BBB-	Negative
20/05/22	BBB-	Stable
14/05/21	BBB-	Negative
15/05/20	BBB	Negative
28/06/19	BBB	Stable
12/06/17	BBB+	Negative
15/10/14	BBB+	Stable

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RATIONALE

TRIS Rating downgrades the company rating on EDL-Generation Public Company (EDL-Gen) and the ratings on its existing senior unsecured debentures to “BB+” from “BBB-”, while maintaining the outlook at “negative”. The rating action follows the downgrade of the sovereign rating on the Lao People’s Democratic Republic (Lao PDR) to “BB+/negative” from “BBB-/negative”.

The “BB+” ratings continue to reflect our view on EDL-Gen’s status as a core subsidiary of Electricite du Laos (EDL), its status as a state-owned enterprise of Lao PDR, as well as the critical role it plays in the Lao PDR’s electricity industry. EDL is a state-owned enterprise, 100% owned by the Lao government. EDL’s credit profile is therefore linked to the sovereign rating on Laos.

EDL-Gen’s SACP (Standalone Credit Profile) of “bb+” reflects its strong market position in the Lao PDR’s electricity generation industry, acceptable operating performance, and its well-diversified portfolio. However, EDL-Gen’s SACP is constrained by the credit profile of EDL, who is EDL-Gen’s major shareholder and the sole purchaser of the electricity produced by EDL-Gen.

For the first half of 2023, EDL-Gen’s revenue decreased by 18.1% year-on-year (y-o-y) to LAK 548.8 billion, mainly due to lower water inflow. Water inflow in 2022 reached a record high over the past seven years. The company’s earnings before interest, taxes, depreciation, and amortization (EBITDA) for the first half of 2023 was LAK 614.6 billion, a decrease of 26.8% y-o-y.

At the end of June 2023, the company’s adjusted debt rose to LAK18.4 trillion from LAK16.9 trillion at the end of 2022. The increase was due to the ongoing depreciation of LAK by 7% compared to the Thai baht and 8% compared to the US dollar during the first half of 2023. EDL-Gen also issued debentures worth LAK1.65 trillion (THB3.1 billion) during March-May 2023 for refinancing debentures due in July 2023.

Foreign exchange risk continues to constrain EDL-Gen’s credit profile as the depreciation of LAK has aggravated the debt burden and impair its debt servicing capacity. The unfavorable bond market in Thailand also indicates a rise in refinancing risk for EDL-Gen.

The headroom for EDL-Gen to comply with the financial covenants on its debentures is likely to narrow due to the weakening of the LAK. The company is obligated to maintain an interest-bearing debt (IBD) to equity ratio of below 2 times. The ratio was reported to be 1.68 times as of June 2023, increasing from 1.45 times at the end of 2022.

RATING OUTLOOK

The “negative” outlook reflects the outlook of the sovereign rating on the Lao PDR. TRIS Rating expects that the business model and the level of integration between EDL and EDL-Gen will remain unchanged. In addition, we expect that EDL will continue to hold a majority interest in EDL-Gen and receive full support from the government of Laos.

RATING SENSITIVITIES

A change in the sovereign rating or outlook on the Lao PDR will impact the company rating and outlook on EDL-Gen. The rating on EDL-Gen is linked to the credit profile of EDL and sovereign rating profile of the Lao PDR.

COMPANY OVERVIEW

EDL-Gen was founded in 2010 and listed on the Lao Securities Exchange (LSX) in 2011. The incorporation of EDL-Gen was part of the restructuring of the power sector in the Lao PDR, which called for EDL-Gen to purchase current and future power generating assets from EDL. Before EDL-Gen was set up, EDL was the sole vertically integrated electric power utility, dominating all aspects of the sector in the Lao PDR, from power generation, transmission lines, to the distribution of electricity to end-users. EDL also owned stakes in several IPPs operating in the Lao PDR. Notwithstanding the transfer of its electricity generating assets to EDL-Gen, EDL remains the single buyer of electricity in the Lao PDR and the dominant electricity distributor. EDL owns almost all of the power grids in the Lao PDR.

As of June 2023, EDL held a 51% stake in EDL-Gen with 24% held by Phongsavath Group and 10% by RATCH Group. EDL-Gen owns and operates hydropower assets developed by EDL. EDL-Gen also invests in IPP hydropower projects previously held by EDL. Each of EDL-Gen's power generating assets operates under a PPA and concession covering 30 years.

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
- Government-Related Entities Rating Methodology, 30 July 2020

EDL-Generation Public Company (EDL-Gen)

Company Rating:	BB+
Issue Ratings:	
EDLGEN247A: THB1,660.7 million senior unsecured debentures due 2024	BB+
EDLGEN247B: THB2,099.4 million senior unsecured debentures due 2024	BB+
EDLGEN249A: THB837.1 million senior unsecured debentures due 2024	BB+
EDLGEN24DA: THB3,000 million senior unsecured debentures due 2024	BB+
EDLGEN257A: THB1,443.1 million senior unsecured debentures due 2025	BB+
EDLGEN259A: THB2,690.3 million senior unsecured debentures due 2025	BB+
EDLGEN268A: THB137.4 million senior unsecured debentures due 2026	BB+
EDLGEN271A: THB972.4 million senior unsecured debentures due 2027	BB+
EDLGEN271B: THB2,489.5 million senior unsecured debentures due 2027	BB+
EDLGEN271C: THB646.3 million senior unsecured debentures due 2027	BB+
EDLGEN27NA: THB303 million senior unsecured debentures due 2027	BB+
EDLGEN287A: THB1,897.9 million senior unsecured debentures due 2028	BB+
EDLGEN307A: THB809.8 million senior unsecured debentures due 2030	BB+
EDLGEN311A: THB1,093.4 million senior unsecured debentures due 2031	BB+
EDLGEN337A: THB1,621.2 million senior unsecured debentures due 2033	BB+
EDLGEN269A: USD166 million senior unsecured debentures due 2026	BB+
EDLGEN289A: USD95 million senior unsecured debentures due 2028	BB+
Rating Outlook:	Negative

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