

CHAROEN POKPHAND FOODS PLC

No. 1/2020
13 March 2020

CORPORATES

Company Rating:	A+
Issue Ratings:	
Senior unsecured	A+
Hybrid	A-
CreditAlert:	Negative

Last Review Date: 08/05/19

Company Rating History:

Date	Rating	Outlook/Alert
31/03/15	A+	Stable
20/06/14	AA-	Negative
19/05/11	AA-	Stable
30/04/10	A+	Positive
22/06/06	A+	Stable
20/05/05	A	Positive
12/07/04	A	Stable
28/05/04	A	-
01/03/01	A+	-

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RATIONALE

TRIS Rating places CreditAlert with a “negative” implication on the company rating and all issue ratings on Charoen Pokphand Foods PLC (CPF), following CPF’s announcement to acquire 20% of total issued shares in Tesco Stores (Thailand) Limited and Tesco Stores (Malaysia) Sdn. Bhd., collectively referred to as “Tesco Asia Group” which operates retail business under Tesco Lotus brand in Thailand and Tesco brand in Malaysia.

CPF announced on 9 March 2020 that its wholly-owned subsidiary has entered into an agreement to acquire up to 20% of the equity interest in the Tesco Asia Group. Simultaneously, the remaining interest in the Tesco Asia Group will be acquired by Charoen Pokphand Holdings Co., Ltd. (40%) and CP All PLC (40%). The acquisition cost for the 20% interest is approximately US\$1.5 billion (or equivalent to Bt48.0 billion), which CPF intends to fund mostly with debt financing.

The transaction is subjected to conditions precedent which include the approval from the relevant regulators, the Office of Trade Competition Commission of Thailand, Ministry of Domestic Trade and Consumers Affairs of Malaysia, as well as the shareholders of Tesco PLC. CPF expects to complete the transaction by end of 2020.

TRIS Rating views that the acquisition will strengthen CPF’s distribution channels and markets through the acquired leading hypermarket stores in Thailand and Malaysia. However, we expect the debt funded acquisition, if successfully completed, will elevate CPF’s leverage significantly and materially impact its financial risk profile. TRIS Rating estimates the transaction could raise CPF’s total debt to capitalization ratio to around 65% from 62% in 2019.

TRIS Rating will resolve the CreditAlert once the acquisition transaction is completed and the impact from this transaction on CPF’s creditworthiness has been thoroughly analyzed.

RELATED CRITERIA

- Rating Methodology – Corporate, 26 July 2019
- Key Financial Ratios and Adjustments, 5 September 2018
- Group Rating Methodology, 10 July 2015

Charoen Pokphand Foods PLC (CPF)

Company Rating:	A+
Issue Ratings:	
CPF204A: Bt3,060 million senior unsecured debentures due 2020	A+
CPF20NA: Bt6,700 million senior unsecured debentures due 2020	A+
CPF205A: Bt6,500 million senior unsecured debentures due 2020	A+
CPF218A: Bt3,000 million senior unsecured debentures due 2021	A+
CPF218B: Bt5,500 million senior unsecured debentures due 2021	A+
CPF225A: Bt7,600 million senior unsecured debentures due 2022	A+
CPF228A: Bt4,000 million senior unsecured debentures due 2022	A+
CPF235A: Bt5,500 million senior unsecured debentures due 2023	A+
CPF237A: Bt1,940 million senior unsecured debentures due 2023	A+
CPF244A: Bt3,500 million senior unsecured debentures due 2024	A+
CPF24NA: Bt2,200 million senior unsecured debentures due 2024	A+
CPF251A: Bt5,460 million senior unsecured debentures due 2025	A+
CPF257A: Bt3,000 million senior unsecured debentures due 2025	A+
CPF277A: Bt2,000 million senior unsecured debentures due 2027	A+
CPF281A: Bt6,540 million senior unsecured debentures due 2028	A+
CPF28NA: Bt3,200 million senior unsecured debentures due 2028	A+
CPF30NA: Bt5,300 million senior unsecured debentures due 2030	A+
CPF314A: Bt2,500 million senior unsecured debentures due 2031	A+
CPF328A: Bt5,000 million senior unsecured debentures due 2032	A+
CPF41DA: Bt6,000 million senior unsecured debentures due 2041	A+
CPF418A: Bt4,000 million senior unsecured debentures due 2041	A+
CPF17PA: Bt15,000 million subordinated capital debentures	A-
CREDITALERT:	Negative

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