

GLOW ENERGY PLC

No. 7/2019
22 January 2019

CORPORATES

Company Rating:	AA-
Issue Ratings: Guaranteed	AA-
Outlook:	Developing

Last Review Date: 06/11/18

Company Rating History:

Date	Rating	Outlook/Alert
06/11/18	AA-	Developing
22/06/18	AA-	Alert Developing
21/09/17	AA-	Stable
09/09/14	A+	Stable
04/05/06	A	Stable
25/07/03	A-	Stable
27/07/00	BBB+	Stable

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RATIONALE

TRIS Rating affirms the company rating on GLOW Energy PLC at “AA-” and also affirms the ratings on GLOW’s outstanding guaranteed debentures at “AA-”. The rating affirmation reflects TRIS Rating’s view in case GLOW decides to sell GSPP1 Co., Ltd., (GSPP1), the divestment will have no impact on the company’s rating and its ratings on its guaranteed debentures.

GLOW plans to sell GSPP1 in order to proceed the acquisition of GLOW by Global Power Synergy PLC (GPSC) after Energy Regulatory Commission (ERC) approved in principal for the acquisition transaction. The approval is subject to the condition that GLOW must sell GSPP1 before or at the same time as the acquisition.

In TRIS Rating’s assessment, the divestiture of GSPP1 will have a minimal effect on GLOW’s credit profile. GSPP1 operates a 124-megawatt (MW) gas-fired cogeneration power plant in WHA Eastern Industrial Estate, Rayong province. GSPP1 contributes only a small portion of GLOW’s total revenue. For example, in 2017, the revenue of GSPP1 made up about 3.8% of GLOW’s total revenue. Its cash flow profile is very short. GSPP1 has two power purchase agreements (PPAs) with the Electricity Generating Authority of Thailand (EGAT), covering 110 MW. However, the PPAs will expire by 2021.

In terms of GLOW’s debentures, GSPP1 is one of the three guarantors for GLOW’s guaranteed bonds. The divestment will result in the termination of GSPP1’s guarantee obligation. GLOW will assign another subsidiary, GLOW SPP11 Co., Ltd. (GSPP11), as a new guarantor, replacing GSPP1’s position in all of the guarantees for GLOW’s outstanding guaranteed debentures.

TRIS Rating views that the change in the guarantor will have no impact on the ratings of the outstanding guaranteed bonds because the credit profile of GSPP11 is stronger than that of GSPP1. GPP11 owns two cogeneration plants and a gas-fired engine power plant with a combined capacity of 272 MW. The plants are located in Siam Eastern Industrial Park, Rayong province. The first two cogeneration units carry two PPAs to sell its combined capacity of 180 MW to EGAT. The two PPAs have lives of seven and 19 years.

RATING OUTLOOK

The “developing” outlook reflects the uncertainty surrounding the share ownership transfer between ENGIE (GLOW’s major shareholder) and GPSC.

RATING SENSITIVITIES

A change in GLOW’s ratings and/or outlook will mainly depend on the completion of the share ownership transfer, which is subject to final approval from the ERC.

If the acquisition is successfully completed, GPSC will become the largest shareholder of GLOW. The post-transaction credit profile of GPSC will largely determine the ratings of GLOW, under our Group Rating Methodology.

COMPANY OVERVIEW

GLOW is a leading private power producer in Thailand. The company was established in 1993 to provide utility services in the Map Ta Phut area. GLOW was listed on the Stock Exchange of Thailand (SET) in April 2005. The business comprises the cogeneration (including the small power producer -- SPP) and the independent power producer -- IPP segments. The company and its affiliates supply electricity, steam, and treated water to large customers in the Map Ta Phut Industrial Estate, the Eastern Industrial Estate, and the Siam Eastern Industrial Park.

As of December 2018, GLOW's power generating capacity totaled 3,216.7 MW, largely consisting of 1,525 MW in the IPP plants and 1,682 MW in the cogeneration segment. GLOW's technical knowhow and operations are underpinned by ENGIE, a French multinational energy company. ENGIE remains GLOW's major shareholder, holding about 69% of the total shares.

RELATED CRITERIA

- Key Financial Ratios and Adjustments, 5 September 2018
- Rating Methodology – Corporate, 31 October 2007

GLOW Energy PLC (GLOW)

Company Rating:	AA-
Issue Ratings:	
GLOW194A : Bt2,000 million guaranteed debentures due 2019	AA-
GLOW190A : Bt1,400 million guaranteed debentures due 2019	AA-
GLOW218A : Bt5,555 million guaranteed debentures due 2021	AA-
GLOW259A : Bt4,000 million guaranteed debentures due 2025	AA-
GLOW265A : Bt3,000 million guaranteed debentures due 2026	AA-
Outlook:	Developing

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