

THAILUXE ENTERPRISES PLC

No. 17/2018

28 February 2018

CORPORATES

Company Rating: BB
Outlook: Negative

Company Rating History:

Date	Rating	Outlook/Alert
31/05/17	BB	Stable

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RATIONALE

TRIS Rating affirms the company rating of Thailuxe Enterprises PLC (TLUXE) at “BB” but revises the rating outlook to “negative” from “stable”. The “negative” outlook reflects weaker-than-expected financial performance, investment spending which was higher than expected, and increasing refinancing risk. TRIS Rating subsequently withdraws the company rating of TLUXE at the company's request. As a result, the rating previously-assigned to TLUXE will no longer be monitored, effective from the date of this announcement.

During the first nine months of 2017, TLUXE’s operating performance remained weak and notably below TRIS Rating’s expectation. The operating performance suffered as a result of delays in the commercial operation dates (COD) of several power plants, and because of sizable expenses relating to acquiring new power plants. TLUXE incurred acquisition expenses of Bt98 million in the first nine months of 2017. Funds from operations (FFO) remained negative in the first nine months of 2017, sliding to negative Bt37 million, from negative Bt27 million during 2016. Financial leverage has risen sharply and will continue to climb, as a result of more investments in power segment. The total debt to capitalization ratio jumped to 57.4% as of September 2017, from 44.9% in 2016. Additionally, TLUXE announced plans to spend Bt1,725 million to buy 19 more geothermal power plants in Japan. This investment is on top of previously announced plans to spend approximately Bt4,000 million on other geothermal power and wind power projects during 2018-2020. Cash flow protection is very weak. Earnings before interest, tax, depreciation, and amortization (EBITDA) interest coverage fell to 0.7 times in the first nine months of 2017, compared with 1.9 times in 2016 and 9.6 times in 2015.

Refinancing risk has increased because the company’s financial performance is weak and because TLUXE breached a financial covenant on one bank loan. The debt to equity was 1.6 times as of September 2017, over the threshold of 1.5 times. TLUXE has a significant amount of debt due over the next 12 months. TLUXE must pay a short-term loan of Bt378 million and bonds worth Bt986 million. The company does have some back up liquidity from investments in marketable securities and bills of exchange worth about Bt1,500 million as of September 2017 to support the scheduled repayment.