TPI POLENE PLC

No. 12/2025
21 February 2025

CORPORATES

Company Rating: A-
Issue Ratings:
Senior unsecured A-
Outlook: Negative

Last Review Date: 25/09/24

Rating History:

Date	Rating	Outlook/Alert
24/02/23	A-	Stable
04/10/22	BBB+	Positive
25/03/20	BBB+	Stable
10/04/19	BBB+	Positive
02/10/12	BBB+	Stable

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RATIONALE

TRIS Rating revises the rating outlook on TPI Polene PLC (TPIPL) to "negative" from "stable". Meanwhile, we affirm the company rating and the ratings on TPIPL's outstanding senior unsecured debentures at "A-".

Also, we assign the rating of "A-" to TPIPL's proposed issue of up to THB5 billion senior unsecured debentures, maturing in up to seven years. The company intends to use the proceeds from the new debentures to refinance its existing loans.

The "negative" outlook reflects TPIPL's lower-than-anticipated performance, resulting in its debt to EBITDA ratio exceeding the downgrade threshold. However, we expect the benefits from cost-saving investments and recovery in the core construction materials business to gradually reduce the debt to EBITDA ratio to around 6 times by 2026.

The ratings continue to reflect TPIPL's strong position in the domestic cement and ethylene vinyl acetate (EVA) markets, steady cash flows from its power business, and benefits from diversification. The ratings also consider the expectation that its cost-saving investments will enhance the efficiency of its power plants and offset the gradual phase-out of additional tariffs (adder) on existing power plants. However, the ratings are constrained by the cyclical nature of the construction materials and polymer markets, as well as the company's increased financial leverage.

KEY RATING CONSIDERATIONS

Lower-than-expected earnings performance

TPIPL's operating performance in 2024 fell short of our expectations, with an EBITDA of THB8.4 billion, achieving 76% of our previous forecast. The shortfall was primarily driven by a slump in the spread of polymers, including EVA, due to an oversupply in China, alongside diminished demand for cement and clinker.

We expect the polymer business to remain under pressure from the chemicals downcycle and increased supply, despite TPIPL's focus on high-value specialty products like EVA solar film. However, benefits from cost-saving investments and anticipated recovery in public construction spending will likely improve its construction materials and power businesses, partially balancing the lower performance of its polymer business.

Looking forward, we expect TPIPL's total operating revenue and EBITDA to stay in the THB38-THB41 billion and THB9-THB10 billion per annum ranges, respectively, during 2025-2027. The EBITDA margin is estimated at 24%-25%.

Higher gearing from major investments and underperformance

TPIPL recently undertook significant expenditures on various cost reduction measures, including enhancing plant efficiency, transitioning from coal to Municipal Solid Waste (MSW)-derived fuel, and developing cost-effective solar power plants. We expect these initiatives to generate cost savings, improving overall profit margins and mitigating the earnings impacts from the adder expiration of its power projects. Nevertheless, the extensive project spending has resulted in considerable debt before the realization of investment returns.

Our base-case forecast assumes capital expenditures of around THB5 billion in 2025, mainly allocated for cost-saving programs, dropping to hundreds of million annually from 2026 onwards. We do not expect any additional substantial capital expenditures or investments. We assume the development of the Special Economic Zone (SEZ) project in Chana district will be put on hold. Furthermore, we do not account for any potential losses from pending legal claims. Based on these assumptions, we expect the company's debt to EBITDA ratio to stay at 7 times in 2025, before declining to around 6 times from 2026 onwards. The fund from operation (FFO) to debt ratio is estimated to be in the 8%-13% range, while the debt to capitalization ratio is likely to hover around 50% over the next three years.

Leading position in domestic cement market

We expect TPIPL to maintain its position as Thailand's third largest cement and concrete producer. The company's competitiveness stems from its substantial scale, vertical integration along the cement production chain, and diverse product range. Also, the integration between its cement and power plants helps lower energy costs for its cement operations. However, these strengths are tempered by industry cyclicality, intense price competition, and fluctuations in energy prices.

Due to lower sales volume and prices, TPIPL's cement revenue fell by 18% year-on-year (y-o-y) to THB18 billion in 2024. With anticipated infrastructure investment recovery and faster government budget disbursement, we forecast the segment's revenue to grow to THB20-THB22 billion annually from 2025 to 2027. Profit margins should also improve as cost-cutting measures take effect.

The modification of the company's existing power plants to use MSW-derived fuel instead of coal should reduce fuel costs for its power plants and the electricity consumed by its cement plants. TPIPL plans to replace the electricity purchased from the Provincial Electricity Authority (PEA) with electricity from its subsidiary, TPI Polene Power PLC (TPIPP).

Reliable cash flows from power business

The cyclical earnings from TPIPL's construction materials and polymer businesses are partly mitigated by the steady cash flow from TPIPP's power business, highlighting the benefits of diversification. Currently, TPIPP, the core subsidiary of TPIPL, owns and operates eight power plants with a total installed capacity of 440 megawatts (MW). Of the total, four power plants carry multi-year power purchase agreements (PPA) to sell a capacity of 163 MW to the Electricity Generating Authority of Thailand (EGAT), rated "AAA/Stable". The long-term sales contracts with reputable off-takers significantly reduce both demand and payment risks. The power business has contributed significantly to TPIPL's cash flows, accounting for 30%-60% of total EBITDA.

We expect the power business to perform satisfactorily even after the expiration of tariff adders for TPIPP's power plants from 2025 onwards. Revenue from the power business is estimated to be THB5-THB6 billion per annum during 2025-2027. The reduced electricity production costs resulting from plant improvements, along with the development of low-operating-cost solar projects, should partly mitigate the earnings impact from the expiration of the adder.

Manageable liquidity

We expect TPIPL's liquidity to be manageable over the next 12 months. As of December 2024, debt maturing within 12 months totaled THB14.9 billion. Liquidity sources included THB9.6 billion cash and marketable securities, THB1.7 billion undrawn bank credit facilities, and an estimated THB5.6 billion in FFO.

The financial covenant on TPIPL's debentures requires the company to maintain a net interest-bearing debt to equity ratio of below 2 times. As of December 2024, the ratio was 1.1 times. We expect the company to comply with the covenant over the next 12 months.

Debt structure

TPIPL finances its working capital and investments mainly with senior unsecured debentures. Hence, the priority debt comes primarily from debt at subsidiary level. By the end of 2024, TPIPL's consolidated debt was THB80.3 billion, with priority debt amounting to THB30.4 billion, resulting in a 38% priority debt ratio.

BASE-CASE ASSUMPTIONS

Key assumptions in TRIS Rating's base-case forecast (consolidated basis) during 2025-2027 are as follows:

- Total operating revenues to range from THB38-THB41 billion per annum.
- EBITDA margin to stay in the 24%-25% range.
- Capital spending to total THB5 billion in 2025, dropping to hundreds of million annually from 2026 onwards.

RATING OUTLOOK

The "negative" outlook reflects TPIPL's weaker-than-expected operating performance. However, cost-saving measures and a recovery in its construction materials business should lower the debt to EBITDA ratio gradually to around 6 times by 2026. A slower reduction in financial leverage could lead to a further negative rating action.

RATING SENSITIVITIES

The ratings on TPIPL could be downgraded if its performance does not align with our expectations. This could be due to stagnated construction activities and/or lower-than-expected benefits from cost-saving initiatives. Also, increased debt-financed expenditures and significant equity losses from pending legal claims could exert pressure on the ratings. Conversely, we could revise the outlook to "stable" if cost-saving measures produce significant results or if the construction materials business recovers more robustly than anticipated, resulting in better-than-expected financial leverage.

COMPANY OVERVIEW

TPIPL is the third largest cement producer in Thailand. The company was founded by the Leophairatana Family in 1987. Following the financial crisis, TPIPL entered a debt-restructuring program in July 2000 and exited the rehabilitation process in 2009. The Leophairatana Family remains the major shareholder, owning approximately 68% of the company. The family members have served as the company's board members and management team since the firm was founded.

TPIPL operates in various industries: construction materials, polymer, and power generation. The construction material segment produces and sells clinker, cement, mortar, concrete, fiber cement, and concrete roof tiles. The polymer segment manufactures and sells low density polyethylene (LDPE) and EVA products. The power segment generates electricity using mainly MSW and waste heat recovery. The company sells the power to EGAT and supplies within the group. The company's other products include ammonium nitrate, nitric acid, health care products, organic fertilizer, and synbiotics.

FINANCIAL STATISTICS AND KEY FINANCIAL RATIOS*

Unit: Mil. THB

	-----------------Year Ended 31 December				------------------
	2024	**2023**	**2022**	**2021**	**2020**
Total operating revenues	37,291	44,500	50,455	40,827	36,027
Earnings before interest and taxes (EBIT)	5,291	6,674	9,945	9,518	6,281
Earnings before interest, taxes, depreciation, and amortization (EBITDA)	8,437	9,962	13,216	12,591	9,349
Funds from operations (FFO)	4,790	6,876	10,483	9,827	6,847
Adjusted interest expense	3,275	2,899	2,559	2,587	2,326
Capital expenditures	11,029	10,936	7,722	6,693	11,471
Total assets	159,687	163,415	144,499	135,714	123,909
Adjusted debt	73,330	67,341	62,403	60,619	55,877
Adjusted equity	64,824	64,626	62,814	57,562	52,172
Adjusted Ratios					
EBITDA margin (%)	22.6	22.4	26.2	30.8	26.0
Pretax return on permanent capital (%)	3.5	4.6	7.5	7.7	5.6
EBITDA interest coverage (times)	2.6	3.4	5.2	4.9	4.0
Debt to EBITDA (times)	8.7	6.8	4.7	4.8	6.0
FFO to debt (%)	6.5	10.2	16.8	16.2	12.3
Debt to capitalization (%)	53.1	51.0	49.8	51.3	51.7

* *Consolidated financial statements*

RELATED CRITERIA

- Issue Rating Criteria, 26 December 2024
- Group Rating Methodology, 7 September 2022
- Corporate Rating Methodology, 15 July 2022
- Key Financial Ratio and Adjustments for Corporate Issuers, 11 January 2022

TPI Polene PLC (TPIPL)

Company Rating:	A-
Issue Ratings:	
TPIPL256A: THB4,000 million senior unsecured debentures due 2025	A-
TPIPL25NA: THB3,410.7 million senior unsecured debentures due 2025	A-
TPIPL264A: THB4,000 million senior unsecured debentures due 2026	A-
TPIPL269A: THB4,000 million senior unsecured debentures due 2026	A-
TPIPL26NA: THB2,532.8 million senior unsecured debentures due 2026	A-
TPIPL272A: THB2,042.2 million senior unsecured debentures due 2027	A-
TPIPL274A: THB3,215.8 million senior unsecured debentures due 2027	A-
TPIPL276A: THB3,745 million senior unsecured debentures due 2027	A-
TPIPL27NA: THB2,994 million senior unsecured debentures due 2027	A-
TPIPL283A: THB5,000 million senior unsecured debentures due 2028	A-
TPIPL286A: THB4,719.4 million senior unsecured debentures due 2028	A-
TPIPL293A: THB1,766.5 million senior unsecured debentures due 2029	A-
TPIPL29NA: THB6,007.7 million senior unsecured debentures due 2029	A-
Up to THB5,000 million senior unsecured debentures due within 7 years	A-
Rating Outlook:	Negative

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