TRIS RATING
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TPI POLENE POWER PLC

No. 13/2025
21 February 2025

CORPORATES

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

Last Review Date: 16/05/24

Company 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
17/09/18	BBB+	Stable

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RATIONALE

TRIS Rating revises the rating outlook on TPI Polene Power PLC (TPIPP) to "negative" from "stable". At the same time, we affirm the company rating and the ratings on TPIPP's outstanding senior unsecured debentures at "A-". The rating outlook revision follows the rating outlook revision on TPI Polene PLC (TPIPL), its parent company, on 21 February 2025.

We continue to assess TPIPP's stand-alone credit profile (SACP) at "a". The rating on TPIPP is capped by the rating on TPIPL, (rated "A-/Negative"), reflecting our assessment of TPIPP's status as a "core" subsidiary of TPIPL.

TPIPP's SACP reflects the company's steady cash flow, supported by long-term power purchase agreements (PPA) with the Electricity Generating Authority of Thailand (EGAT), and its competitive fuel costs. The SACP also considers the benefits from cost-saving initiatives, which should help offset the earnings decrease due to the phase-out of additional tariffs (adder). The benefits are projected to materialize from 2026 onwards, reducing the company's financial leverage.

KEY RATING CONSIDERATIONS

Ratings reflect TPIPP as "core" subsidiary of TPIPL

We continue to assess TPIPP as a "core" subsidiary of TPIPL, given their strong linkage and close operational ties. Therefore, the company rating on TPIPP reflects not only its SACP but also the group's credit profile (GCP). TPIPP is 70.2% owned by TPIPL. Also, its EBITDA has accounted for 30%-60% of TPIPL's consolidated EBITDA over the past three years.

Operationally, TPIPP supplies about 50%-60% of the electricity consumed by TPIPL, while waste heat from TPIPL's cement plants serves as part of the fuel source for TPIPP. Therefore, any disruptions in TPIPL's cement operations could adversely affect TPIPP's power plants. Looking ahead, TPIPL plans to purchase all electricity used in its cement operations from TPIPP, as the cost is expected to be lower than that from the Provincial Electricity Authority (PEA) once TPIPP completes the modification of its power plants to use municipal solid waste (MSW)-derived fuel instead of coal.

TPIPP's SACP reflects predictable cash flows

TPIPP's SACP of "a" reflects the reliable cash flow generated from its power business. Long-term PPAs with the reliable EGAT (rated "AAA/Stable") for 163 megawatts (MW) greatly reduce demand and payment risks. TPIPP's fuel sources used to generate electricity sold to EGAT come from MSW-derived fuel and waste heat from cement operations. Both are both more environmentally sustainable and cheaper than coal.

TPIPP's steady cash flows are supported by the reliable performance of its MSW-derived fuel power plants, which supply electricity to EGAT. This helps mitigate the unstable waste heat supply linked to cement plant utilization rates. However, using waste heat incurs no additional fuel cost.

Adder expiration impact offset by cost savings and new plant revenues

TRIS Rating expects the expiration of the THB3.50 per kilowatt-hour (kWh) adders for TG4 and TG6 power plants (90 MW total) from April 2025 to reduce TPIPP's annual EBITDA by about THB2.7 billion. However, the company anticipates that investment in cost-saving measures, particularly modification of its power plants to use 100% MSW-derived fuel instead of coal, will lower fuel cost and maintain its EBITDA at similar levels. Currently, the company has successfully converted its TG7 coal-fired power plant to use cheaper MSW as fuel, while the TG8 unit is undergoing a similar fuel transformation, expected to reach completion by the end of 2025. The benefits from these cost-saving measures are projected to fully materialize with positive impact on its earnings from 2026 onwards. Also, TPIPP is developing several new plants, including 94-MW solar power projects for TPIPL and 16-MW MSW-fired projects for PEA.

Our base-case projection forecasts TPIPP's annual power output to gradually increase to nearly 3,000 Gigawatt-hours (GWh) by 2027, from about 2,000 GWh in 2024. The increased output should counterbalance price declines resulting from the adder expiry, thereby maintaining TPIPP's total operating revenue at around THB10 billion over the next three years. TPIPP's EBITDA will likely drop to THB4-THB4.3 billion annually during 2025 and 2026 and rebound to THB4.7-THB4.9 billion in 2027, as the company fully realizes cost-saving benefits from using MSW instead of coal after completing the modification at TG7 and TG8 plants and new projects reach full utilization. We estimate the EBITDA margin to range between 42% and 45% over the next three years.

Moderately high financial leverage

TPIPP's financial leverage is moderately high. We expect its financial profile to remain under pressure from debt-financed investments, mainly for cost-saving initiatives, until significant returns are realized from 2026 onwards. The company is expected to spend around an additional THB4 billion in 2025 and less than THB500 million per annum in 2026-2027.

Our base-case projection forecasts TPIPP's debt to EBITDA ratio to peak at 6 times in 2025, decreasing to around 5 times from 2026 onwards. We estimate the fund from operation (FFO) to debt ratio to remain above 10% and the debt to capitalization ratio to hover around 40% over the next three years. Our base-case projection does not assume additional investment in the Special Economic Zone (SEZ) project development. Therefore, any spending significantly above the estimates could materially impact its projected financial leverage reduction and credit profile.

Sufficient liquidity

We expect the company to maintain sufficient liquidity. The company has no debentures due for redemption in the next 12 months. However, the company may issue new debentures to fund capital spending. We believe TPIPP should be able to comply with the financial covenant of its debenture obligations, which requires maintenance of a net interest-bearing debt to equity ratio of below 3 times. As of December 2024, the ratio was 0.7 times.

Debt structure

TPIPP mainly relies on senior unsecured debentures for financing. As of December 2024, the company's priority debt included only secured short-term loans amounting to THB418 million, while its consolidated debt totaled THB26.4 billion. The priority debt ratio was 2%.

BASE-CASE ASSUMPTIONS

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

- Total power output to reach nearly 3,000 GWh in 2027.
- Total operating revenue to remain at around THB10 billion annually.
- EBITDA margin to stay between 42%-45%.
- Capital spending to be THB4 billion in 2025, dropping to below THB500 million per annum during 2026-2027.

RATING OUTLOOK

The "negative" rating outlook mirrors the rating outlook on TPIPL.

RATING SENSITIVITIES

Based on our assessment of its group status as a "core" subsidiary of TPIPL, the company rating on TPIPP is linked to TPIPL's credit profile. Any changes in TPIPL's rating or outlook will affect TPIPP's rating and outlook accordingly.

An upward revision of TPIPP's SACP is unlikely in the near term. However, a downward revision could occur if its performance falls short of our expectations. This could result from lower-than-anticipated cost-savings or increasing debt-financed spending, resulting in significant deterioration in the group's financial profile.

COMPANY OVERVIEW

Founded in 1991, TPIPP is Thailand's largest waste-to-energy (WTE) power producer. In 2009, it launched its first waste heat recovery plant for TPIPL's cement production. By 2015, TPIPP added two MSW-fired power plants, selling electricity to EGAT. TPIPP was listed on the Stock Exchange of Thailand (SET) in April 2017. In addition to the power generation, the company has engaged in petrol and gas service stations. Electricity sales remain the centerpiece, accounting for more than 90% of total revenue

Currently, TPIPP owns and operates eight power plants, mainly using MSW, waste heat, and coal as fuels, with an installed capacity of 440 MW, in aggregate. All the plants are located Saraburi Province, connected to TPIPL's cement plants. The company distributes electricity to both EGAT and TPIPL. Revenue received from EGAT makes up about 70% of its electricity sales.

KEY OPERATING STATISTICS

Table 1: Power Project Portfolio as of Dec 2024

Project/Country	Location	Fuel Type	Status	Installed Capacity (MW)	Contracted Capacity with EGAT/PEA (MW)	Off-taker	Tariff Scheme	Commercial Operating Date
Thailand								
TG1 & TG2	Saraburi	Waste heat	Operating	40		TPIPL		Jun 2009
TG3	Saraburi	MSW	Operating	20	18	EGAT	Adder THB3.5 (expired in 2022)	Jan 2015
TG5	Saraburi	MSW	Operating	60	55	EGAT	Adder THB3.5 (expired in 2022)	Aug 2015
TG4	Saraburi	Waste heat	Operating	30	90*	EGAT	Adder THB3.5 (expires in 2025)	Jan 2016
TG6	Saraburi	MSW	Operating	70	90*	EGAT	Adder THB3.5 (expires in 2025)	Apr 2018
TG7	Saraburi	Coal/MSW	Operating	70**		TPIPL		Aug 2018
TG8	Saraburi	Coal	Operating	150		TPIPL		Jan 2019
Songkla-MSW	Songkhla	MSW	Developing	12	8	PEA		4Q25
Mukdahan-MSW	Mukdahan	MSW	Developing	10	8	PEA		4Q26
Saraburi-Solar	Saraburi	Solar	Developing	94		TPIPL		2024-2026
				556	**179**			

Source: TPIPP

* *TG4 and TG6 started selling power output to EGAT in Apr 2018 under the same PPA of 90 MW.*

** *Approved capacity of 40 MW*

FINANCIAL STATISTICS AND KEY FINANCIAL RATIOS*

Unit: Mil. THB

	--------------------Year Ended 31 December	----------------			
	2024	**2023**	**2022**	**2021**	**2020**
Total operating revenues	10,934	11,167	10,566	11,314	11,302
Earnings before interest and taxes (EBIT)	3,755	3,818	2,917	4,509	4,814
Earnings before interest, taxes, depreciation, and amortization (EBITDA)	4,783	4,832	3,914	5,426	5,690
Funds from operations (FFO)	3,558	3,942	3,285	4,763	5,177
Adjusted interest expense	1,029	879	626	542	399
Capital expenditures	6,938	6,766	4,860	2,823	6,068
Total assets	66,402	59,767	50,579	48,485	43,775
Adjusted debt	25,408	20,027	14,145	13,111	10,458
Adjusted equity	34,740	33,202	31,564	30,852	28,928
Adjusted Ratios					
EBITDA margin (%)	43.7	43.3	37.0	48.0	50.3
Pretax return on permanent capital (%)	6.2	7.2	6.1	10.0	12.3
EBITDA interest coverage (times)	4.6	5.5	6.2	10.0	14.3
Debt to EBITDA (times)	5.3	4.1	3.6	2.4	1.8
FFO to debt (%)	14.0	19.7	23.2	36.3	49.5
Debt to capitalization (%)	42.2	37.6	30.9	29.8	26.6

* *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 Power PLC (TPIPP)

Company Rating:	A-
Issue Ratings:	
TPIPP262A: THB4,523.6 million senior unsecured debentures due 2026	A-
TPIPP267A: THB3,000 million senior unsecured debentures due 2026	A-
TPIPP278A: THB4,695 million senior unsecured debentures due 2027	A-
TPIPP281A: THB3,000 million senior unsecured debentures due 2028	A-
TPIPP288A: THB3,000 million senior unsecured debentures due 2028	A-
TPIPP291A: THB4,000 million senior unsecured debentures due 2029	A-
TPIPP297A: THB4,000 million senior unsecured debentures due 2029	A-
Rating Outlook:	Negative

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