

ELECTRICITY GENERATING PLC

No. 94/2023
30 August 2023

CORPORATES

Company Rating:	AA+
Issue Rating:	
Senior unsecured	AA+
Outlook:	Negative

Last Review Date: 10/08/23

Company Rating History:

Date	Rating	Outlook/Alert
23/09/22	AA+	Negative
08/10/21	AA+	Stable

Contacts:

Rapeepol Mahapant

rapeepol@trisrating.com

Tern Thitinuang, CFA

tern@trisrating.com

Parat Mahuttano

parat@trisrating.com

Monthian Chantarklam

monthian@trisrating.com



WWW.TRISRATING.COM

RATIONALE

TRIS Rating affirms the company rating on Electricity Generating PLC (EGCO) at “AA+” with a “negative” outlook. At the same time, we assign the rating of “AA+” to EGCO’s proposed issue of up to THB10 billion senior unsecured debentures with a tenor of up to 15 years. The company intends to use the proceeds from the new debentures for debt and/or equity repayments and/or business expansion.

The ratings reflect EGCO’s strong market presence, its large and well-diversified power portfolio, and the high reliability of cash flows, aided by long-term power purchase agreements (PPAs). However, these strengths are held back by risks associated with the company’s overseas investments and a potential rise in financial leverage from implementing its growth strategy.

The ratings factor in EGCO being a strategic affiliate of the Electricity Generating Authority of Thailand (EGAT, rated “AAA/stable”). Hence, the ratings incorporate a one-notch uplift from EGCO’s stand-alone credit profile (SACP) of “aa” to reflect our expectation of support from EGAT in times of financial stress.

EGCO’s recent operating performance was in line with our expectation. We maintain our forecast that EGCO will arrive at THB20 billion in earnings before interest, taxes, depreciation, and amortization (EBITDA) this year. However, the expiration of PPA of a 460-megawatt (MW) coal-fired power plant in the Philippines in mid-2025 may lower its EBITDA to THB16-THB17 billion annually thereafter.

Given the company’s pursuit of growth, we view its financial leverage as having a tendency to rise. We project EGCO’s debt to EBITDA ratio as potentially reaching 6 times in 2025, indicating a deterioration in financial profile. As of June 2023, EGCO’s consolidated debt, excluding lease liabilities, was about THB121 billion, of which THB27 billion was considered priority debt. The priority debt to total debt ratio was 22%.

RATING OUTLOOK

The “negative” outlook reflects the prospect of deterioration in EGCO’s financial profile. The combination of earnings contraction from the PPA expiry of its large power plant and the expected rise in debt load from its growth strategy is likely to weaken the company’s cash generation against debt.

RATING SENSITIVITIES

The rating outlook could be revised to “stable” if EGCO has solid plans to manage the earnings contraction and leverage to keep the debt to EBITDA ratio below 5 times. This could develop from a capital increase or divesting parts of its power projects. Conversely, we could revise EGCO’s SACP downward if the prospects of weakened earnings and looming rise in debt burden continue, pushing EGCO’s debt to EBITDA ratio to above 5 times without clear signs of reversal. Any further material cost overruns and delays in projects under development could also negatively affect the SACP. A downward revision to the rating on EGAT or a change in our view on EGCO’s degree of importance to EGAT could also affect the ratings on EGCO.

CreditUpdate, reviews ratings of companies or debt issues that have already been rated by TRIS Rating. The CreditUpdate occurs when new debt instruments are issued or if significant events have taken place that may impact a company’s current ratings or when current ratings are cancelled. The CreditUpdate announces whether a rating has been “upgraded,” “downgraded,” “affirmed” or “cancelled.” The update includes information to supplement the previously published ratings.

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RELATED CRITERIA

- Group Rating Methodology, 7 September 2022
- Corporate Rating Methodology, 15 July 2022
- Key Financial Ratios and Adjustments for Corporate Issuers, 11 January 2022
- Issue Rating Criteria, 15 June 2021

Electricity Generating PLC (EGCO)

Company Rating:	AA+
Issue Rating:	
Up to THB10,000 million senior unsecured debentures due within 15 years	AA+
Rating Outlook:	Negative

TRIS Rating Co., Ltd.

Silom Complex Building, 24th Floor, 191 Silom Road, Bangkok 10500, Thailand Tel: +66 2 098 3000

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