

CPF (THAILAND) PLC

No. 44/2020
10 June 2020

CORPORATES

Company Rating:	A+
Issue Ratings:	
Senior unsecured	A+
CreditAlert:	Negative

Last Review Date: 31/03/20

Company Rating History:

Date	Rating	Outlook/Alert
31/03/20	A+	Alert Negative
04/11/15	A+	Stable

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RATIONALE

TRIS Rating affirms the company rating on CPF (Thailand) PLC (CPFTH) and the ratings on its outstanding senior unsecured debentures at "A+". At the same time, TRIS Rating assigns a rating of "A+" to CPFTH's proposed issues of up to Bt20 billion in senior unsecured debentures due within 15 years. The proceeds of the new debentures will be used for the following objectives of the company or companies in the CPF group: (1) general business operations and/or (2) business expansion and/or (3) investment in shares or assets and/or (4) repayment of debts and/or (5) lending to companies in the CPF group or purchasing shares in companies in the CPF Group. At the same time, TRIS Rating remains all of the assigned ratings are on a CreditAlert with "negative" implication.

The ratings on CPFTH reflect its status as a core subsidiary of Charoen Pokphand Foods PLC (CPF), rated "A+" with "negative" CreditAlert by TRIS Rating. The ratings also take into consideration the high degree of the operational integration CPFTH has with CPF and the support it receives from CPF.

CPFTH is a core subsidiary of CPF for the domestic livestock operation. Thanks to higher livestock prices together with falling raw material cost for feed production, CPFTH posted satisfactory results in the first quarter of 2020. Sale increased by 6.7% year-on-year (y-o-y) to Bt37.1 billion. Gross margin improved to 13.4% in the first quarter of 2020, compared with 8.8% during the same period of 2019.

The economic fallout from the coronavirus (COVID-19) pandemic has had only a mild impact on CPFTH's businesses as its products are essential for everyday life. TRIS Rating holds the view that CPFTH's operating results in 2020 will benefit from falling raw material costs and rising demand of frozen packaged food.

At the end of March 2020, the company's interest bearing debt amounted to Bt90 billion, with debentures and long-term loans made up 71% of total debts. We assess CPFTH to have adequate liquidity for the next 12 months. The major cash outflows are its scheduled debt repayments of Bt5.3 billion due in 2020, which are expected to be funded primarily by cash flow from operation. CPFTH's funds from operations (FFO) are projected to hover around Bt6-Bt7 billion per year. Liquidity buffer is acceptable with cash on hand of around Bt3.5 billion and available credit lines from commercial banks.

CREDIT ALERT

TRIS Rating has placed CreditAlert with a "negative" implication on the company rating and all issue ratings of CPF since 13 March 2020. The CreditAlert followed CPF's announcement that the company had entered into an agreement to acquire up to 20% of total issued shares in Tesco Stores (Thailand) Ltd. and Tesco Stores (Malaysia) Sdn. Bhd. The acquisition cost for the 20% equity interest is approximately US\$1.5 billion (or equivalent to Bt48 billion), which CPF expects to fund by cash flow from operations and debt financing. The transaction is subjected to conditions precedent which include the approval from the relevant regulators, the Office of Trade Competition Commission of Thailand, Ministry of Domestic Trade and Consumers Affairs of

Malaysia, as well as the shareholders of Tesco PLC.

The “negative” CreditAlert reflects TRIS Rating’s view that the ratings on CPF could be downgraded or remain unchanged from the current level. TRIS Rating views that the acquisition will strengthen CPF’s distribution channels and markets through the acquired leading hypermarket stores in Thailand and Malaysia. However, we expect the debt funded acquisition, if successfully completed, will elevate CPF’s leverage significantly and will materially impact its financial risk profile.

RELATED CRITERIA

- Rating Methodology – Corporate, 26 July 2019
- Key Financial Ratios and Adjustments, 5 September 2018
- Group Rating Methodology, 10 July 2015

CPF (Thailand) PLC (CPFTH)

Company Rating:	A+
Issue Ratings:	
CPFTH207A: Bt5,000 million senior unsecured debentures due 2020	A+
CPFTH211A: Bt7,450 million senior unsecured debentures due 2021	A+
CPFTH215A: Bt4,500 million senior unsecured debentures due 2021	A+
CPFTH231A: Bt2,150 million senior unsecured debentures due 2023	A+
CPFTH235A: Bt4,000 million senior unsecured debentures due 2023	A+
CPFTH237A: Bt3,300 million senior unsecured debentures due 2023	A+
CPFTH245A: Bt4,000 million senior unsecured debentures due 2024	A+
CPFTH255A: Bt2,000 million senior unsecured debentures due 2025	A+
CPFTH261A: Bt3,350 million senior unsecured debentures due 2026	A+
CPFTH267A: Bt1,400 million senior unsecured debentures due 2026	A+
CPFTH275A: Bt500 million senior unsecured debentures due 2027	A+
CPFTH281A: Bt3,050 million senior unsecured debentures due 2028	A+
CPFTH287A: Bt1,100 million senior unsecured debentures due 2028	A+
CPFTH295A: Bt4,000 million senior unsecured debentures due 2029	A+
CPFTH305A: Bt3,500 million senior unsecured debentures due 2030	A+
CPFTH315A: Bt6,500 million senior unsecured debentures due 2031	A+
CPFTH317A: Bt2,200 million senior unsecured debentures due 2031	A+
CPFTH335A: Bt3,000 million senior unsecured debentures due 2033	A+
Up to Bt20,000 million senior unsecured debentures due within 15 years	A+
CREDIT ALERT:	Negative

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