

XAYABURI POWER CO., LTD.

No. 71/2022
7 July 2022

CORPORATES

Company Rating:	A-
Issue Rating:	
Senior unsecured	BBB+
Outlook:	Stable

Last Review Date: 29/03/22

Company Rating History:

Date	Rating	Outlook/Alert
29/03/22	A-	Stable

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RATIONALE

TRIS Rating affirms the company rating on Xayaburi Power Co., Ltd. (XPCL) at “A-” with a “stable” outlook. At the same time, TRIS Rating assigns the rating of “BBB+” to XPCL’s proposed issue of up to THB10 billion in senior unsecured debentures. The issue rating’s one-notch below the company rating reflects XPCL’s high level of secured debt compared with its total debt. XPCL will use the proceeds from the debentures to refinance its existing debts.

The ratings mirror the stable cash flow from XPCL’s long-term power purchase agreement (PPA) with the Electricity Generating Authority of Thailand (EGAT; rated “AAA/Stable” by TRIS Rating). The ratings also recognize the prudent contractual framework of the PPA and competitive cost of electricity generation. On the contrary, the ratings are weighed down by the company’s debt-heavy capital structure and high interest expense burden. The ratings are also tempered by the uncertainty of water flow and the country risk of the Lao People’s Democratic Republic (Lao PDR).

XPCL’s revenue was THB2.7 billion in the first three months of 2022, a 19% growth from THB2.3 billion in the same period of 2021. The increase revenue was from more electricity sale to EGAT resulted from higher water inflow. XPCL’s earnings before interest, taxes, depreciation, and amortization (EBITDA) were THB2.3 billion, a 6% increase year-on-year (y-o-y). Its EBITDA margin declined to 84.2% in the first three months of 2022, from 95% in the same period of 2021. This was due in large part to extraordinary expenses on social and environmental obligations under the concession agreement.

At the end of March 2022, XPCL’s debt totaled THB103.4 billion, of which THB82 billion was secured debt. The secured debt to total debt ratio was 79.3% suggesting that XPCL’s unsecured creditors are significantly disadvantaged to the secured lenders with respect to claims against the company’s assets. In effect, we rate XPCL’s senior unsecured debentures one notch below the company rating.

RATING OUTLOOK

The “stable” outlook reflects our expectation that XPCL’s power plant will perform satisfactorily and deliver stable cash flow over the long term, leading to a steady decline in financial leverage.

RATING SENSITIVITIES

As XPCL’s power plant is in early phase of operation, an upgrade of the ratings is unlikely in the near term. However, over a longer horizon, a ratings upgrade could occur if XPCL is able to generate higher-than-expected cash flow while the cash flow against debt obligations significantly improves on a sustained basis. Negative rating pressure could emerge if XPCL’s operating performance is consistently below expectation, resulting in material weakening in cash generation against debt obligations.

RELATED CRITERIA

- Key Financial Ratio and Adjustments for Corporate Issuers, 11 January 2022
- Issue Rating Criteria, 15 June 2021
- Rating Methodology – Corporate, 26 July 2019

Xayaburi Power Co., Ltd. (XPCL)

Company Rating:	A-
Issue Rating:	
Up to THB10,000 million senior unsecured debentures due within 5 years	BBB+
Rating Outlook:	Stable

TRIS Rating Co., Ltd.

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