

EDL-GENERATION PUBLIC COMPANY

No. 59/2022
7 June 2022

CORPORATES

Company Rating:	BBB-
Issue Ratings:	
Senior unsecured	BBB-
Outlook:	Stable

Last Review Date: 20/05/22

Company Rating History:

Date	Rating	Outlook/Alert
20/05/22	BBB-	Stable
14/05/21	BBB-	Negative
15/05/20	BBB	Negative
28/06/19	BBB	Stable
12/06/17	BBB+	Negative
15/10/14	BBB+	Stable

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RATIONALE

TRIS Rating affirms the company rating on EDL-Generation Public Company (EDL-Gen) and the ratings on its existing senior unsecured debentures at “BBB-” with a “stable” outlook. At the same time, TRIS Rating assigns “BBB-” rating to EDL-Gen’s proposed issue of up to THB1.0855 billion in senior unsecured debentures. The company intends to use the proceeds from the new debenture issuance to refinance its maturing debentures.

The “BBB-” ratings continue to reflect our view on EDL-Gen’s status as a core subsidiary of Electricite du Laos (EDL), its status as a state-owned enterprise of the Lao People’s Democratic Republic (Lao PDR), as well as the critical role it plays in the Lao PDR’s electricity industry. EDL is a state-owned enterprise, 100% owned by the government of Lao PDR. EDL’s credit profile is linked to the sovereign rating on the Lao PDR.

EDL-Gen’s stand-alone credit profile (SACP) of “bbb-” reflects its strong market position in the Lao PDR’s electricity generation industry, acceptable operating performance, and well-diversified portfolio. However, EDL-Gen’s SACP is constrained by the weakened financial position of EDL, which is the sole purchaser of the electricity produced by EDL-Gen’s wholly-owned power plants.

EDL-Gen’s power operation in the first quarter of 2022 has improved, resulting from better water inflow as well as increasing contributions from Independent Power Producer (IPP) investments. In the first quarter of 2022, the company’s revenue from electricity sales elevated by 20.6% year-on-year (y-o-y) to LAK260.6 billion, from LAK216.1 billion over the same period last year. Shared profits from investments in IPP projects surged by 66.5% to about LAK164.5 billion in the first quarter of 2022 from LAK98.8 billion in the first quarter of 2021.

We expect EDL’s overdue payments to EDL-Gen for electricity purchases will gradually resolve. Our assessment is based on a continuing growth trend of electricity consumption in the Lao PDR, the important steps taken by EDL to improve its liquidity such as a plan to raise electricity tariff and the transfer of EDL’s transmission lines to Electricite du Laos Transmission Co., Ltd. (EDLT), a joint-venture company between China Southern Power Grid Co., Ltd. (90%) and EDL (10%). The transaction of transferring transmission lines is expected to bring USD500-USD700 million in capital into EDL and the Ministry of Finance of the Lao PDR (MOFL).

In our base-case scenario, we project EDL-Gen’s earnings before interest, taxes, depreciation and amortization (EBITDA) to rise and stay at around LAK2.0-LAK2.2 trillion during 2023-2024 from LAK1.5 trillion in 2021. EDL-Gen’s net debt to EBITDA ratio is expected to improve to 9-10 times during 2022-2024, from about 11 times in 2021. The ratio of funds from operations (FFO) to net debt will likely hover at around 5% over the same period, up from 3.9% in 2021.

EDL-Gen is obliged by a financial covenant on its debt obligations to maintain an interest-bearing debt (IBD) to equity ratio below 2 times. At the end of March 2022, its IBD to equity ratio was 1.86 times. The company is working on a plan to reduce its outstanding debts by offsetting its loans owed to EDL with EDL’s overdue electricity payments.

RATING OUTLOOK

The “stable” outlook reflects the outlook of the sovereign rating on the Lao PDR. TRIS Rating expects that the business model and the level of integration between EDL and EDL-Gen will remain unchanged, and that EDL will continue holding a majority interest in EDL-Gen and receiving full support from the government of Lao PDR.

RATING SENSITIVITIES

A change in the sovereign rating or outlook on the Lao PDR will impact the company rating or outlook on EDL-Gen, as the rating on EDL-Gen is linked to the credit profile of EDL and sovereign rating profile of the Lao PDR.

RELATED CRITERIA

- Key Financial Ratio and Adjustments for Corporate Issuers, 11 January 2022
- Issue Rating Criteria, 15 June 2021
- Group Rating Methodology, 13 January 2021
- Government-Related Entities Rating Methodology, 30 July 2020
- Rating Methodology – Corporate, 26 July 2019

EDL-Generation Public Company (EDL-Gen)

Company Rating:	BBB-
Issue Ratings:	
EDLGEN227A: THB1,085.5 million senior unsecured debentures due 2022	BBB-
EDLGEN237A: THB4,078.1 million senior unsecured debentures due 2023	BBB-
EDLGEN247A: THB1,660.7 million senior unsecured debentures due 2024	BBB-
EDLGEN247B: THB2,099.4 million senior unsecured debentures due 2024	BBB-
EDLGEN249A: THB837.1 million senior unsecured debentures due 2024	BBB-
EDLGEN24DA: THB3,000 million senior unsecured debentures due 2024	BBB-
EDLGEN257A: THB1,443.1 million senior unsecured debentures due 2025	BBB-
EDLGEN259A: THB2,690.3 million senior unsecured debentures due 2025	BBB-
EDLGEN287A: THB1,897.9 million senior unsecured debentures due 2028	BBB-
EDLGEN307A: THB809.8 million senior unsecured debentures due 2030	BBB-
EDLGEN311A: THB1,093.4 million senior unsecured debentures due 2031	BBB-
EDLGEN337A: THB1,621.2 million senior unsecured debentures due 2033	BBB-
EDLGEN239A: USD51 million senior unsecured debentures due 2023	BBB-
EDLGEN269A: USD166 million senior unsecured debentures due 2026	BBB-
EDLGEN289A: USD95 million senior unsecured debentures due 2028	BBB-
Up to THB1,085.5 million senior unsecured debentures due within 5 years	BBB-
Rating Outlook:	Stable

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