

# EDL-GENERATION PUBLIC COMPANY

No. 81/2023  
27 July 2023

## CORPORATES

<b>Company Rating:</b>	BBB-
<b>Issue Ratings:</b>	
Senior unsecured	BBB-
<b>Outlook:</b>	Negative

**Last Review Date:** 19/05/23

### Company Rating History:

Date	Rating	Outlook/Alert
19/05/23	BBB-	Negative
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 “negative” outlook.

At the same time, we assign a “BBB-” rating to EDL-Gen’s proposed issue of up to THB2.692 billion senior unsecured debentures. The company intends to use the debentures proceeds to repay its senior unsecured debentures of USD51 million (approximately THB1.75 billion) coming due on 2 September 2023 and to repay its short-term loans.

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.

For the first three months of 2023, EDL-Gen’s revenue increased by 16.7% year-on-year (y-o-y) to LAK304 billion. The company’s dividend receipts from investments were LAK171.5 billion, a 26.9% drop from the previous year. Total earnings before interest, taxes, depreciation, and amortization (EBITDA) reached LAK436 billion, a slight decline of 3.8% y-o-y.

EDL-Gen’s cash generation should strengthen following expansion of its hydro power portfolio. The company is actively working on transferring three wholly owned power plants, Nam Khan 3, Xeset 3, and Nam Chiane, from EDL with the target transfer date within this year. Once the process is completed, we expect EDL-Gen’s equity capacity to grow by 188 megawatts (MW) and revenues to increase by 30%.

Foreign exchange risk continues to be a major constraint on EDL-Gen’s credit profile. As almost all of its debts are denominated in Thai Baht (THB) and US Dollars (USD), further depreciation of the Lao Kip (LAK) could result in a surge in EDL-Gen’s debts. EDL-Gen continues to face currency mismatches between its revenue, denominated in LAK, and its debt obligations, denominated in THB and USD.

EDL-Gen’s headroom to comply with the financial covenants on its debentures is likely to narrow. We expect the company’s outstanding debt to rise, considering the ongoing depreciation of the LAK. As of 24 July 2023, the LAK had depreciated by about 10% against the THB compared to the end of 2022. The company is obligated to maintain an interest-bearing debt (IBD) to equity ratio of below 2 times. As of March 2023, the ratio was reported to be 1.53 times.

At the end of March 2023, EDL-Gen’s financial leverage remained at a high level. Its adjusted debt was LAK16.8 trillion. In addition to the new bond issuance as a source of refinancing debentures of USD51 million (approximately THB1.75 billion), the company is preparing backup facilities from financial institutions in Laos to serve as additional sources of funds for debt repayment. Given the importance of EDL-Gen’s role in national power generation and its strong linkage with the Lao government, we believe the company will receive financial support from the Ministry of Finance of the Lao PDR (MOFL), in times of financial stress.

**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.

Credit Updates are part of TRIS Rating’s monitoring process. TRIS Rating monitors every rating it assigns until either the debt instrument matures or the rating contract ends. To keep the public informed of changing situations, TRIS Rating periodically issues announcements about the credit ratings it monitors.

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**RATING OUTLOOK**

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The “negative” 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. In addition, we also expect that EDL will continue holding a majority interest in EDL-Gen and receiving full support from the government of Laos.

**RATING SENSITIVITIES**

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

**RELATED CRITERIA**

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- 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
- Government-Related Entities Rating Methodology, 30 July 2020

**EDL-Generation Public Company (EDL-Gen)**

<b>Company Rating:</b>	BBB-
<b>Issue Ratings:</b>	
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-
EDLGEN271A: THB972.4 million senior unsecured debentures due 2027	BBB-
EDLGEN271B: THB2,489.5 million senior unsecured debentures due 2027	BBB-
EDLGEN271C: THB646.3 million senior unsecured debentures due 2027	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 THB2,692.3 million senior unsecured debentures due within 4 years and 3 months	BBB-
<b>Rating Outlook:</b>	Negative

**TRIS Rating Co., Ltd.**

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