

EDL-GENERATION PUBLIC COMPANY

No. 24/2023

20 February 2023

CORPORATES

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

Last Review Date: 07/06/22

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 THB3.0 billion and additional greenshoe portion of up to THB1.078 billion senior unsecured debentures. The company intends to use the proceeds from the new debentures to refinance its senior unsecured debentures coming due in July 2023.

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 generated by EDL-Gen’s wholly owned power plants.

For the first nine months of 2022, EDL-Gen’s revenue increased by 13.6% year-on-year (y-o-y) to LAK1,042 billion. The company’s dividend yield from its investments in independent power producers (IPP) has also improved, rising to LAK467.9 billion, a 20.3% increase from the previous year. Total earnings before interest, taxes, depreciation, and amortization (EBITDA) grew to LAK1.3 trillion, up by 11.3% y-o-y.

As of September 2022, the company’s debt declined to about LAK15 trillion, from LAK16.1 trillion at the end of 2021. This was mainly because the company reached an agreement with EDL to offset its loans from EDL with overdue electricity payments EDL owed to EDL-Gen, and transferred debt related to two hydro power projects back to EDL.

EDL-Gen’s capital structure remains highly leveraged. However, we anticipate that its financial position will continue to improve, underpinned by expected increases in tariffs as well as the growing dividends received from its investments. We hold our forecast of EDL-Gen’s net debt to EBITDA ratio of 9-10 times during 2022-2024, slightly improving from approximately 11 times in 2021.

Foreign exchange risk continues to be a major constraint on EDL-Gen’s credit profile. As almost all of its financial debt is denominated in THB and USD, further depreciation of the LAK could result in a significant increase in debt. Based on the company’s past record of accessing the Thai bond market, EDL-Gen should be able to refinance the debentures due to mature in July 2023. In addition, we believe that the government of the Laos will provide full support to EDL-Gen, given the important role EDL-Gen plays in power generation in Laos.

EDL-Gen’s headroom in meeting the requirements of financial covenants has improved following its debt reduction. The company is obligated to maintain an interest-bearing debt (IBD) to equity ratio of below 2 times. As of September 2022, the ratio was reported to be 1.29 times.

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.

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. The rating on EDL-Gen is linked to the credit profile of EDL and sovereign rating profile of the Lao PDR.

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
- Government-Related Entities Rating Methodology, 30 July 2020

EDL-Generation Public Company (EDL-Gen)

Company Rating:	BBB-
Issue Ratings:	
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-
EDLGEN271A: THB972.4 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 THB3,000 million senior unsecured debentures and additional greenshoe portion of up to THB1,078.1 million due within 5 years	BBB-
Rating Outlook:	Stable

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