

CK POWER PLC

No. 27/2024
27 March 2024

CORPORATES

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

Last Review Date: 05/03/24

Company Rating History:

Date	Rating	Outlook/Alert
05/03/24	A-	Stable
02/05/18	A	Stable

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RATIONALE

TRIS Rating affirms the company rating on CK Power PLC (CKP) at "A-" and the ratings on its existing senior unsecured debentures at "BBB+". The outlook is "stable". At the same time, TRIS Rating assigns a rating of "BBB+" to CKP's proposed issue of up to THB4 billion senior unsecured debentures, with a tenor of up to five years. CKP intends to use the proceeds from the new debentures issuance to refinance its existing debts and invest in new projects.

The issue ratings are one notch below the company rating as the priority debt to total debt ratio exceeds our 50% threshold.

The ratings reflect the reliability of cash flow from its power portfolio, underpinned by long-term power purchase agreements (PPAs) with the Electricity Generating Authority of Thailand (EGAT, rated "AAA/Stable") and track record of sound operations. However, the ratings are mainly weighed down by the hydrology risk. The ratings also take into account CKP's exposure to the country risk of the Lao People's Democratic Republic (Lao PDR).

In 2023, CKP had earnings before interest, taxes, depreciation, and amortization (EBITDA) of THB4.5 billion, a 7% increase from THB4.2 billion in 2022. The debt to EBITDA ratio stood at 4.8 times in 2023. We expect CKP to have sizable outlays for its committed equity investment in the Luang Prabang Hydroelectric Power Project (LPHPP) in the years ahead. With that, we project the debt to EBITDA ratio to stay at 5 times or above during 2024-2026.

At the end of December 2023, CKP's consolidated debt, excluding lease liability, was THB28 billion. CKP's priority debt was THB15.9 billion, consisting of secured debt and senior unsecured debt owed by CKP's subsidiaries. The priority debt to total debt ratio was 57%, suggesting that CKP's unsecured creditors are significantly disadvantaged to the priority debt holders with respect to claims against the company's assets. In effect, we rate CKP's senior unsecured debentures one notch below the company rating. Looking forward, we expect the priority debt ratio to decrease, given the gradual decline in debts of subsidiaries. Therefore, we expect the structural subordination risks to abate over a longer term.

RATING OUTLOOK

The "stable" outlook embeds our expectation that CKP's power plants will continue to perform well in line with their respective guidance and generate cash flows as forecasted. We expect CKP's cash flow against debt obligations and financial leverage level will align with our forecast.

RATING SENSITIVITIES

An upgrade of ratings is unlikely, given that CKP is in an investing phase in LPHPP. However, we could revise the ratings upward if CKP strengthens its capital structure significantly, which most probable from a capital increase. Conversely, we could take a negative action on the ratings if CKP's cash flow against debt obligations is significantly worse than our forecast. This could occur if CKP's operating power plants severely underperform. An adverse scenario could also develop if CKP engages more debt-funded investments or outlays, particularly those related to shareholder commitments to LPHPP.

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.

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

CK Power PLC (CKP)

Company Rating:	A-
Issue Ratings:	
CKP245A: THB1,500 million senior unsecured debentures due 2024	BBB+
CKP265A: THB1,000 million senior unsecured debentures due 2026	BBB+
CKP27NA: THB1,500 million senior unsecured debentures due 2027	BBB+
CKP285A: THB1,500 million senior unsecured debentures due 2028	BBB+
CKP286A: THB2,500 million senior unsecured debentures due 2028	BBB+
CKP310A: THB2,000 million senior unsecured debentures due 2031	BBB+
CKP32NA: THB1,000 million senior unsecured debentures due 2032	BBB+
Up to THB4,000 million senior unsecured debentures due within 5 years	BBB+
Rating Outlook:	Stable

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