

NATIONAL POWER SUPPLY PLC

No. 39/2022
19 April 2022

CORPORATES

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

Last Review Date: 21/10/21

Company Rating History:

Date	Rating	Outlook/Alert
20/08/21	BBB+	Stable
28/08/20	BBB	Stable
16/11/17	BBB-	Stable
28/11/16	BBB	Negative
08/01/10	BBB	Stable
21/07/05	BBB+	Stable

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RATIONALE

TRIS Rating affirms the company rating on National Power Supply PLC (NPS) and the ratings on NPS's outstanding senior unsecured debentures at "BBB+" with a "stable" rating outlook. At the same time, TRIS Rating assigns the rating of "BBB+" to NPS's proposed issue of up to THB5 billion in senior unsecured debentures. The company will use proceeds from the new debentures to repay its coming due debentures and/or finance its working capital.

The "BBB+" ratings continue to reflect NPS's reliable cash flows from long-term Power Purchase Agreements (PPAs) under the Small Power Producer (SPP) scheme with the Electricity Generating Authority of Thailand (EGAT) and Double A (1991) PLC (DA). The ratings are partly constrained by the ongoing group restructuring and its increasing financial leverage.

In 2021, rising coal prices put pressure on NPS's financial performance. The company's earnings before interest, taxes, depreciation, and amortization (EBITDA) were about THB3.8 billion, 9% lower than our forecast. The debt to EBITDA ratio increased to 3.5 times in 2021 from 3.0 times in 2020.

We believe the pressure of high coal prices on the company's financial performance to ease in the second half of 2022. EGAT normally adjusts their purchase price to reflect the coal price once a year in April. NPS has contracts with EGAT of about 180 megawatts (MW) (25% of total capacity) with the electricity tariff linked with the coal price. Also, the electricity tariff charge for the industrial customers will also increase in tandem with the fuel adjustment charge (the Ft), after being fixed at THB(-)0.1532 per unit during 2021. The Ft has increased to THB0.0139 per unit during January to April 2022 and will increase to THB0.2477 per unit for May to August 2022. NPS has contracts with the industrial customers of about 305 MW (42% of total capacity). NPS coal consumption constitutes 40%-45% of heating value.

We expect the company's debt to EBITDA ratio to increase to over 4 times for 2022, due to the high coal price and its investment plan. NPS plans to acquire utility companies worth about THB5 billion under its group restructuring plan. The target companies are debt-free and in operation. NPS expects the new assets will add EBITDA of about THB500-THB600 million per year to the company. After realizing the full benefits from the acquisition and the adjustment to electricity tariff, we expect the debt to EBITDA ratio of NPS will improve to below 3.5 times in 2023.

As of December 2021, NPS reported a total debt of THB16.7 billion. NPS's priority debt consisted of THB131 million in unsecured debt owed by NPS's subsidiary. NPS's priority debt to total debt ratio was about 0.8% as of December 2021.

RATING OUTLOOK

The "stable" outlook reflects our expectation that NPS's power plants will maintain their performance and generate stable cash flow as planned. We also expect NPS to smoothly replace expiring EGAT PPAs, during 2024-2027, with new PPAs signed with industrial users.

RATING SENSITIVITIES

A rating upgrade is unlikely over the next 12-18 months. A rating downgrade pressure could develop should there be material deterioration in the company's operating performance, as well as any huge debt-funded investment that brings about a weaker-than-expected financial profile.

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

National Power Supply PLC (NPS)

Company Rating:	BBB+
Issue Ratings:	
NPS242A: THB1,383.7 million senior unsecured debentures due 2024	BBB+
NPS24NA: THB1,250 million senior unsecured debentures due 2024	BBB+
NPS258A: THB2,298.2 million senior unsecured debentures due 2025	BBB+
NPS265A: THB2,000 million senior unsecured debentures due 2026	BBB+
NPS273A: THB2,250 million senior unsecured debentures due 2027	BBB+
NPS28NA: THB2,800 million senior unsecured debentures due 2028	BBB+
Up to THB5,000 million senior unsecured debentures due within 10 years	BBB+
Rating Outlook:	Stable

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