

SERMSANG POWER CORPORATION PLC

No. 2/2025
8 January 2025

CORPORATES

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

Last Review Date: 24/09/24

Company Rating History:

Date	Rating	Outlook/Alert
19/09/22	BBB+	Stable
06/10/20	BBB	Stable

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RATIONALE

TRIS Rating assigns a rating of “BBB” to Sermsang Power Corporation PLC (SSP)’s proposed issue of up to THB600 million senior unsecured debentures due within three years. The assigned issue rating is one notch below the company rating, reflecting the structural subordination of the proposed debentures compared with the debt obligations at the operating subsidiaries. Concurrently, we assign a rating of “AAA” to SSP’s proposed issue of up to THB1.2 billion guaranteed debentures due within five years. The guaranteed debentures are fully guaranteed by Export-Import Bank of Thailand (EXIM, rated “AAA/Stable”^{*}). SSP intends to use the proceeds from new debentures to repay existing debentures and to fund its new renewable projects. Also, we affirm the company rating on SSP at “BBB+”. The rating outlook remains “stable”.

We equate the rating on SSP’s guaranteed debentures with the rating on EXIM, the guarantor, as the guarantee qualifies for rating substitution treatment under our criteria. Under the terms of the guarantee, EXIM provides an irrevocable and unconditional guarantee to cover 100% of the principal, interest payments, and obligated payments to the debenture holders’ representative of the guaranteed debentures. The guaranteed obligations will rank at least equally with all other present and future unsecured and unsubordinated indebtedness of EXIM, except for certain obligations required to be preferred by law.

The ratings continue to reflect the company’s stable cash flow generation from its power portfolio, supported by long-term power purchase agreements (PPAs) and proven track record of its power plant performance. However, the ratings are constrained by the potential increase in financial leverage due to the company’s strategic growth commitments.

For the first nine months of 2024, SSP’s solar projects sold approximately 195 gigawatt-hour (GWh) of electricity, a 4.1% year-over-year decline from about 203 GWh in the same period of the previous year. This lower sales volume was primarily attributable to the continued low availability factor experienced by SSP’s core 52-megawatts (MW) solar power plant in Thailand. SSP’s EBITDA reached THB1.8 billion, a 4.2% decrease from THB1.9 billion year-over-year. The debt to EBITDA ratio was 5 times (annualized with trailing 12 months).

Looking forward, we expect SSP’s performance to improve once the repowering plan of the 52-MW solar power plant is completed in the first half of 2025. Combined with the committed new projects and SSP’s financial discipline, we maintain our forecast that SSP’s debt to EBITDA ratio to hover around 5.5-6 times in 2025-2026 and then declining to below 5 times in 2027.

As of September 2024, SSP had consolidated debt of about THB14.7 billion, excluding lease liabilities. Of this total, THB11.2 billion was priority debt, consisting of all borrowings incurred by its operating subsidiaries. The company’s priority debt to total debt ratio was 76%, far above the threshold of 50% according to TRIS Rating’s “Issue Rating Criteria”. This suggests that SSP’s unsecured creditors are significantly disadvantaged to its priority debt holders with respect to claims against the company’s assets.

^{*} The rating assigned to EXIM is based on public information, which TRIS Rating believes provides a sufficient basis for the assessment of credit profile of EXIM. The rating is assigned without participation from EXIM.

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 our expectation that SSP's power plants will consistently exhibit robust performance and generate strong cash flows. It also reflects our expectation that the company will successfully develop and commission new capacity without encountering significant delays or cost overruns. Consequently, SSP's cash generation relative to its debt obligations is anticipated to remain aligned with our baseline forecast.

The rating and outlook on SSP's guaranteed debentures solely reflect those on EXIM.

RATING SENSITIVITIES

An upward credit rating revision is unlikely in the near term. Nevertheless, we may consider a positive rating adjustment if SSP generates substantial cash flow, leading to a significant reduction in its financial leverage. Conversely, downward pressure on the ratings would emerge if SSP's credit metrics deteriorate markedly. This could occur if the company employs a more aggressive financial strategy, including higher-than-forecast debt-funded investments, or the company undertakes substantial share buybacks that significantly weaken credit metrics. An indication of this would be a debt to EBITDA ratio exceeding 5 times, without any prospects of a decline. Although unlikely, we could also initiate a negative rating action if the operational performance of its power plants falls significantly below our projections.

The rating on SSP's guaranteed debentures will track the rating on EXIM.

RELATED CRITERIA

- Issue Rating Criteria, 26 December 2024
- Corporate Rating Methodology, 15 July 2022
- Key Financial Ratios and Adjustments for Corporate Issuers, 11 January 2022

Sermasang Power Corporation PLC (SSP)

Company Rating:	BBB+
Issue Ratings:	
Up to THB600 million senior unsecured debentures due within 3 years	BBB
Up to THB1,200 million guaranteed debentures due within 5 years	AAA
Rating Outlook:	Stable

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