

BANPU POWER PLC

No. 52/2022
20 May 2022

CORPORATES

Company Rating:	A+
Issue Rating:	
Senior unsecured	A+
Outlook:	Stable

Last Review Date: 09/11/21

Company Rating History:

Date	Rating	Outlook/Alert
09/11/21	A+	Stable

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RATIONALE

TRIS Rating affirms the company rating on Banpu Power PLC (BPP) at “A+” with a “stable” rating outlook. At the same time, TRIS Rating assigns the rating of “A+” to BPP’s proposed issue of senior unsecured debentures for an issue size of up to THB2 billion with an additional greenshoe portion of up to THB2 billion. BPP will use the proceeds from the new debentures to refinance existing debts, invest in new projects, and fund its working capital.

The company rating on BPP incorporates a two-notch uplift from BPP’s stand-alone credit profile (SACP) of “a-”, which reflects the company’s status as a core subsidiary of Banpu PLC (BANPU), rated “A+/stable” by TRIS Rating. The SACP reflects the highly predictable cash flow the company receives from its diversified power portfolio, the quality of its power assets, and the proven record of operating performance of its power plants. However, the SACP is partly constrained by the company’s increasing leverage during a period of sizable capacity expansion.

BPP’s revenue was THB3.9 billion in the first three months of 2022, doubled from that of THB1.9 billion in the same period of 2021. The huge increase in revenue was a result of the consolidation of Temple I power plant that BPP acquired in late 2021. BPP’s earnings before interest, taxes, depreciation, and amortization (EBITDA) was THB1.2 billion, a slightly increased from THB1.1 billion in the first three months of 2021. The shrinkage in BPP’s gross profit margin to 8.3% for the first three months of 2022, from 24.7% for the same period of 2021, was mainly due to the surge in coal prices, which continues to pressure BPP’s earnings in 2022.

We view that coal prices will likely decline and gross profit margin to gradually improve in 2023. In addition, the company’s strategy to sell electricity to China’s electricity pool market could help improve BPP’s margin as electricity tariff in this market quickly reflects changes in fuel costs. BPP’s earnings are also derived from dividend received on its investments in a power portfolio currently consisted of four conventional power plants and a cluster of renewable power plants.

At the end of March 2022, BPP’s consolidated debt was THB21.4 billion. BPP’s priority debt was unsecured debt owed by BPP’s subsidiaries worth THB1.2 billion. These translate to a priority debt to total debt ratio of about 5%.

RATING OUTLOOK

The “stable” outlook reflects our expectations that BPP will maintain its status as a core subsidiary of BANPU and continue its important role as a flagship subsidiary for BANPU’s expansion in power generation business.

RATING SENSITIVITIES

As a core subsidiary of BANPU, the rating on BPP will move in tandem with the rating on BANPU. Any change in the rating on BANPU will result in a same rating change on BPP. In addition, any material changes in our view on the group status of BPP could also lead to rating changes on BPP.

The SACP could be revised upward if BPP is able to substantially enlarge its cash generation while improving its cash generation to leverage level on a sustained basis. The SACP could be revised downward if BPP's cash generation weakens considerably. This could occur if the power plant performance falls significantly short of our forecast. Negative rating pressure could also arise if the capital structure weakens significantly, which could be a result from excessive growth of debt-funded investments.

RELATED CRITERIA

- Key Financial Ratio and Adjustments for Corporate Issuers, 11 January 2022
- Issue Rating Criteria, 15 June 2021
- Group Rating Methodology, 13 January 2021
- Rating Methodology – Corporate, 26 July 2019

Banpu Power PLC (BPP)

Company Rating:	A+
Issue Rating:	
Up to THB2,000 million senior unsecured debentures and additional greenshoe portion of up to THB2,000 million due within 12 years	A+
Rating Outlook:	Stable

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