

CK POWER PLC

No. 72/2021
15 September 2021

CORPORATES

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

Last Review Date: 30/04/21

Company Rating History:

Date	Rating	Outlook/Alert
02/05/18	A	Stable

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RATIONALE

TRIS Rating affirms the company rating on CK Power PLC (CKP) at “A”, with a “stable” rating outlook, and also affirms the ratings on CKP’s existing senior unsecured debentures at “A-”. At the same time, TRIS Rating assigns the rating of “A-” to CKP’s proposed issue of up to THB2 billion in senior unsecured debentures. The proceeds from the new debentures will be used to refinance existing debt and to fund working capital. The issue ratings’ one notch below the company rating reflects the structural subordination of the debentures, relative to the loans extended to CKP’s operating subsidiaries.

The ratings mirror CKP’s strengths in developing and operating large-scale hydroelectric power plants, reliable cash flow derived from power purchase agreements (PPAs) with the Electricity Generating Authority of Thailand (EGAT; rated “AAA/Stable” by TRIS Rating), and the track record of sound operations. However, the ratings are held back by the susceptibility to hydrology risk and the country risk of the Lao People’s Democratic Republic (Lao PDR).

For the first six months of 2021, CKP’s performance was in-line with our projection. CKP’s earnings before interest, tax, depreciation, and amortization (EBITDA) was THB2.2 billion, increasing by 55% year-on-year (y-o-y). The debt to EBITDA ratio (annualized with trailing with 12 months) was 6.9 times, improving from 7.6 times at the end of 2020.

As of June 2021, CKP’s consolidated debt totaled THB31.5 billion. CKP’s priority debt was THB19.2 billion, consisting of secured debt of CKP’s subsidiaries (THB5.9 billion) and senior unsecured debt of CKP’s subsidiaries (THB13.3 billion). The company’s priority debt ratio was about 61% as of June 2021, exceeding the 50% threshold according to TRIS Rating’s “Issue Rating Criteria”, that determines senior unsecured creditors’ significantly disadvantaged position to priority debt holders. That is reflected in the one-notch down on the issue ratings from the company rating.

RATING OUTLOOK

The “stable” outlook reflects our expectation that CKP’s power plants will perform in accordance with their respective guidance. As such, we expect CKP will continue receiving stable cash flows from its investments, with its financial leverage and cash flow against debt obligations at levels in line with our forecast.

RATING SENSITIVITIES

The prospect of a rating upgrade is limited over the next 12-18 months. In contrast, downward rating pressure could develop if the performances of the operating power plants materially weaken. This could occur from prolonged low levels of water inflow. Any large debt-funded investment that significantly weakens the company’s financial profile could also trigger a rating downgrade.

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

- Issue Rating Criteria, 15 June 2021
- Group Rating Methodology, 13 January 2021
- Rating Methodology – Corporate, 26 July 2019
- Key Financial Ratios and Adjustments, 5 September 2018

CK Power PLC (CKP)

Company Rating:	A
Issue Ratings:	
CKP22NA: THB1,000 million senior unsecured debentures due 2022	A-
CKP23NA: THB1,500 million senior unsecured debentures due 2023	A-
CKP245A: THB1,500 million senior unsecured debentures due 2024	A-
CKP265A: THB1,000 million senior unsecured debentures due 2026	A-
CKP27NA: THB1,500 million senior unsecured debentures due 2027	A-
CKP285A: THB1,500 million senior unsecured debentures due 2028	A-
CKP286A: THB2,500 million senior unsecured debentures due 2028	A-
Up to THB2,000 million senior unsecured debentures due within 10 years	A-
Rating Outlook:	Stable

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