

GULF ENERGY DEVELOPMENT PLC

No. 25/2023
22 February 2023

CORPORATES

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

Last Review Date: 13/01/23

Company Rating History:

Date	Rating	Outlook/Alert
13/01/23	A+	Stable
26/08/21	A	Stable
26/04/21	A	Alert Negative
25/12/18	A	Stable

Contacts:

Rapeepol Mahapant

rapeepol@trisrating.com

Narongchai Ponsirichusopol

narongchai@trisrating.com

Parat Mahuttano

parat@trisrating.com

Wiyada Pratoomsuwan, CFA

wiyada@trisrating.com



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RATIONALE

TRIS Rating affirms the company rating on Gulf Energy Development PLC (GULF) at “A+” and affirms the ratings on GULF’s existing senior unsecured debentures at “A”, with a “stable” outlook. At the same time, we assign a rating of “A” to GULF’s proposed issue of up to THB20 billion senior unsecured debentures. The proceeds from the new debentures will be used for business expansion and/or debt repayment.

The ratings reflect the company’s position as one of the leading power producers in Thailand, its well-diversified portfolio, its proven record of developing and operating power plants, as well as its highly predictable cash flows, backed by long-term power purchase agreements (PPA) with the Electricity Generating Authority of Thailand (EGAT, rated “AAA/stable”). However, the ratings are constrained by risks associated with the company’s overseas investments and its rapid expansion.

We expect GULF’s cash flows to rise significantly in coming years, bolstered by its two Independent Power Producer (IPP) projects. Earnings before interest, taxes, depreciation, and amortization (EBITDA) should rise to THB41 billion in 2025, from about THB29 billion in 2022. Increasing cash flows will likely lower its debt to EBITDA ratio to about 7 times over the next three years. The legal issue concerning one of the wind power projects GULF has jointly invested in with Gunkul Engineering PLC (GUNKUL) should not materially affect GULF’s credit profile as the investment accounts for less than 1% of GULF’s total assets.

The issue ratings’ single notch below the company rating reflects the subordination of the company’s senior unsecured debentures to its priority debt. As of December 2022, GULF’s consolidated debt was about THB248 billion, of which THB137 billion was considered priority debt, comprising secured debt owed by GULF and all borrowings incurred by its operating subsidiaries. The priority debt to total debt ratio was 55%, suggesting that GULF’s unsecured creditors are significantly disadvantaged to the priority debt holders with respect to claims against the company’s assets.

RATING OUTLOOK

The “stable” outlook reflects our expectations that GULF’s power plants in operation will run smoothly and generate cash flows as planned, while the plants under construction will commence operations as scheduled, and the company’s growth strategy will not significantly weaken its financial profile from the current level.

RATING SENSITIVITIES

A rating upgrade could happen if GULF’s financial profile significantly improves. Conversely, a rating downside could occur if the projects under development are materially delayed from schedule, significantly affecting projected cash flows. Any large debt-funded investment that materially deteriorates the company’s capital structure could also put downward pressure on the ratings. A debt to EBITDA ratio significantly above 8 times on a sustained basis could pressure the ratings.

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

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

Gulf Energy Development PLC (GULF)

Company Rating:	A+
Issue Ratings:	
GULF238A: THB4,500 million senior unsecured debentures due 2023	A
GULF241A: THB2,500 million senior unsecured debentures due 2024	A
GULF249A: THB12,000 million senior unsecured debentures due 2024	A
GULF252A: THB10,000 million senior unsecured debentures due 2025	A
GULF258A: THB2,500 million senior unsecured debentures due 2025	A
GULF258B: THB7,000 million senior unsecured debentures due 2025	A
GULF261A: THB2,000 million senior unsecured debentures due 2026	A
GULF268A: THB2,200 million senior unsecured debentures due 2026	A
GULF268B: THB15,928.2 million senior unsecured debentures due 2026	A
GULF269A: THB6,000 million senior unsecured debentures due 2026	A
GULF272A: THB8,000 million senior unsecured debentures due 2027	A
GULF278A: THB2,000 million senior unsecured debentures due 2027	A
GULF278B: THB1,000 million senior unsecured debentures due 2027	A
GULF289A: THB3,000 million senior unsecured debentures due 2028	A
GULF291A: THB1,000 million senior unsecured debentures due 2029	A
GULF292A: THB1,000 million senior unsecured debentures due 2029	A
GULF298A: THB800 million senior unsecured debentures due 2029	A
GULF298B: THB5,071.8 million senior unsecured debentures due 2029	A
GULF308A: THB1,000 million senior unsecured debentures due 2030	A
GULF319A: THB9,000 million senior unsecured debentures due 2031	A
GULF322A: THB5,000 million senior unsecured debentures due 2032	A
GULF328A: THB3,000 million senior unsecured debentures due 2032	A
Up to THB20,000 million senior unsecured debentures due within 12 years	A
Rating Outlook:	Stable

TRIS Rating Co., Ltd.

Silom Complex Building, 24th Floor, 191 Silom Road, Bangkok 10500, Thailand Tel: +66 2 098 3000

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