

GULF ENERGY DEVELOPMENT PLC

No. 18/2022

14 February 2022

CORPORATES

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

Last Review Date: 20/01/22

Company Rating History:

Date	Rating	Outlook/Alert
26/08/21	A	Stable
26/04/21	A	Alert Negative
25/12/18	A	Stable

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RATIONALE

TRIS Rating affirms the company rating on Gulf Energy Development PLC (GULF) at “A” and the ratings on GULF’s 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 THB24 billion senior unsecured debentures. The company intends to use the proceeds from the new debentures 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, and its highly predictable cash flows, backed by long-term power purchase agreements (PPA) with the Electricity Generating Authority of Thailand (EGAT, rated “AAA” by TRIS Rating). In contrast, the ratings are constrained by risks associated with the company’s overseas expansion and the recent rise in its debt load.

GULF’s operating performance has been in line with our expectations. We forecast the company’s revenue and cash flows to rise steeply over the next three years, mainly driven by its two Independent Power Producer (IPP) power projects in Thailand, scheduled for operation during 2021-2024, plus the dividend income from its investment in a 42.25% stake in Intouch Holdings PLC (INTUCH). The increasing cash flows will likely help lower the ratio of debt to earnings before interest, taxes, depreciation, and amortization (EBITDA) to about 6 times in 2024, from about 10 times in 2021.

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 September 2021, GULF’s consolidated debt was about THB219 billion, of which THB164 billion was considered priority debt, comprising secured debt owed by GULF and all borrowings incurred by its operating subsidiaries. As its priority debt to total debt ratio was 75%, exceeding the 50% threshold, we view GULF’s unsecured creditors as being 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 cashflows as planned, while the plants under construction will commence operations as scheduled, and that 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 debt to EBITDA ratio improves and remains below 8 times on a sustained basis. In contrast, 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.

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

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

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-
GULF258A: THB2,500 million senior unsecured debentures due 2025	A-
GULF261A: THB2,000 million senior unsecured debentures due 2026	A-
GULF269A: THB6,000 million senior unsecured debentures due 2026	A-
GULF278A: THB2,000 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-
GULF308A: THB1,000 million senior unsecured debentures due 2030	A-
GULF319A: THB9,000 million senior unsecured debentures due 2031	A-
Up to THB24,000 million senior unsecured debentures due within 10 years	A-
Rating Outlook:	Stable

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