

EASTERN WATER RESOURCES DEVELOPMENT AND MANAGEMENT PLC

No. 89/2023
21 August 2023

CORPORATES

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

Last Review Date: 30/06/23

Company Rating History:

Date	Rating	Outlook/Alert
29/06/22	A	Stable
25/02/22	A+	Negative
23/01/08	A+	Stable
20/09/07	A+	Alert Developing
12/07/04	A+	Stable
29/06/04	A+	-

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RATIONALE

TRIS Rating affirms the company rating on Eastern Water Resources Development and Management PLC (EASTW) and the ratings on its outstanding senior unsecured debentures at “A” with a “stable” outlook. At the same time, we assign a rating of “A” to EASTW’s proposed issue of up to THB2.9 billion senior unsecured debentures. The proceeds from the new debentures are intended to fund the investment in new water pipelines.

The ratings reflect EASTW’s strength as a major raw water supplier with a comprehensive pipeline network in the Eastern Economic Corridor (EEC), its reliable services and lengthy track record, and strong profitability. These strengths are partially offset by its increasing leverage from some major investments in new water pipelines.

For the first half of 2023, EASTW’s performance was in line with our expectation. Total revenue and earnings before interest, taxes, depreciation, and amortization (EBITDA) were THB2.3 billion and THB1.0 billion, respectively. The adjusted net debt to EBITDA was 6.6 times (annualized based on trailing 12 months) and the funds from operations to adjusted net debt was 11.2% (annualized based on trailing 12 months).

We expect EASTW will be able to comply with its debenture covenants over the next 12 to 18 months. The debt-to-equity ratio (in accordance with terms in debenture’s prospectus) at the end of June 2023 was 1.3 times, well below the debenture covenant of 2 times. The priority debt to total debt ratio was 3% as of 30 June 2023.

RATING OUTLOOK

The “stable” outlook reflects the expectation that EASTW will be able to retain the majority of its customers and continue its cash generation in line with our projection, despite competition from the newcomer.

RATING SENSITIVITIES

A rating upgrade is unlikely in the near term. However, a downgrade could occur if EASTW’s operating performance falls significantly short of our expectations. This could occur if the company loses significant numbers of customers or is unable to build new water pipelines to replace those previously leased from the Treasury Department.

RELATED CRITERIA

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

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.

Eastern Water Resources Development and Management PLC (EASTW)

Company Rating:	A
Issue Ratings:	
EASTW256A: THB1,200 million senior unsecured debentures due 2025	A
EASTW25DA: THB350 million senior unsecured debentures due 2025	A
EASTW275A: THB850 million senior unsecured debentures due 2027	A
EASTW325A: THB750 million senior unsecured debentures due 2032	A
EASTW332A: THB1,000 million senior unsecured debentures due 2033	A
Up to THB2,900 million senior unsecured debentures due within 10 years	A
Rating Outlook:	Stable

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