

CK POWER PLC

No. 83/2020
30 October 2020

CORPORATES

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

Last Review Date: 28/04/20

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" outlook. TRIS Rating also affirms the ratings on CKP's outstanding senior unsecured debentures at "A-". At the same time, TRIS Rating assigns the rating of "A-" to CKP's proposed issue of up to THB4 billion in senior unsecured debentures. The proceeds from the proposed debentures issuance will be used for its working capital and investment.

The ratings reflect the company's strengths in developing and operating large-scale hydroelectric power plants, highly predictable cash flow derived from power purchase agreements (PPAs) with the Electricity Generating Authority of Thailand (EGAT; rated "AAA/Stable" by TRIS Rating), and a track record of efficient operations. However, the ratings are constrained by susceptibility to hydrology risk.

For the first half of 2020, CKP's performance fell short of our projection. CKP's earnings before interest, tax, depreciation, and amortization (EBITDA) were THB1.43 billion, achieving about 35% of our previous full-year projection. This was mainly due to the underperformance of Nam Ngum 2 Hydroelectric Power Project (NN2HPP). The performance of CKP's other power plants were in line with our expectations.

NN2HPP makes up the majority of CKP's EBITDA. The weak performance of NN2HPP followed the low water level in its reservoir at the beginning of 2020. The water flow into NN2HPP was also lower than the average rate during 2019-2020. As a result, NN2HPP declared power generation of about 409 gigawatts-hour (GWh) for the first half of 2020, a 60% decrease year-over-year (y-o-y). The lower generation reflects the company's expectation to replenish NN2HPP's reservoir for operation in 2021. As of September 2020, the water level in the reservoir was at 365.6 meters above sea level (masl). Toward the end of the year, the company expects it to rise to 369 masl. This volume of water is expected to be sufficient to generate electricity throughout the dry season in 2021.

For 2020, NN2HPP is temporarily exempt from its obligation to maintain the minimum availability throughout the year, as it declared 2020 a drought year for its operations. For the first nine months of 2020, NN2HPP declared power generation of about 814 GWh. We forecast NN2HPP will generate electricity of about 850-950 GWh in 2020.

In effect, we forecast CKP's EBITDA to arrive at about THB2.5-3.0 billion in 2020 and return to the normal level of about THB4.5-5.0 billion in 2021 onwards. We forecast the debt to EBITDA ratio to temporarily increase to over 7 times in 2020, before declining to 4-5 times in 2021.

RATING OUTLOOK

The "stable" outlook reflects our expectation that CKP will continue receiving stable cash flows from its investments in the long term. Also, that NN2HPP will manage to recover its cash flow generation while the other power plants will perform in accordance with their respective guidance. Moreover, we further expect Xayaburi Hydroelectric Power Project (XHPP) will contribute to the target return.

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, particularly NN2HPP, deteriorate further. The ratings could also be lowered if the performance of XHPP deviates materially from the expectation. Any large debt-funded investment that significantly deteriorates the company's financial profile could also trigger a rating downgrade.

RELATED CRITERIA

- Rating Methodology – Corporate, 26 July 2019
- Key Financial Ratios and Adjustments, 5 September 2018
- Group Rating Methodology, 10 July 2015

CK Power PLC (CKP)

Company Rating:	A
Issue Ratings:	
CKP216A: THB4,000 million senior unsecured debentures due 2021	A-
CKP286A: THB2,500 million senior unsecured debentures due 2028	A-
Up to THB4,000 million senior unsecured debentures due within 10 years	A-
Rating Outlook:	Stable

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