

# CK POWER PLC

No. 34/2018

17 May 2018

## CORPORATES

<b>Company Rating:</b>	A
<b>Issue Rating:</b>	A-
Senior unsecured	A-
<b>Outlook:</b>	Stable

### Company Rating History:

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

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## RATIONALE

TRIS Rating affirms the company rating of CK Power PLC (CKP) at "A". At the same time, TRIS Rating assigns the rating of "A-" to CKP's proposed issue of up to Bt6,500 million in senior unsecured debentures. The one notch below the company rating reflects the structural subordination of the proposed debentures, compared with existing loans at subsidiaries. The proceeds from the debentures will be used for investment and refinancing its existing debt.

The ratings of CKP reflect the company's proven record of developing and operating large-scale hydroelectric power plants as well as cogeneration power plants, predictable cash flow derived from power purchase agreements (PPAs) with creditworthy counter parties, and the proven technology used in the hydroelectric power plants. However, the ratings are constrained by the hydrology risk and the sovereign risk of the Lao People's Democratic Republic (Lao PDR; rated "BBB+/Negative" by TRIS Rating).

In the first three months of 2018, CKP's revenue increased by 34.5% (year-on-year) to Bt1.82 billion. The increase was mainly due to the full operation of cogeneration power plant phase 2 (Bangpa-in cogeneration 2), which commenced operation in late June 2017. However, the lower electricity sales about 9.4% (y-o-y) at Nam Ngum 2 hydroelectric power plant (NN2HPP) caused a decline in operating margin (operating income before depreciation and amortization as % of sales) to 45.2%. The electricity sales at NN2HPP are expected to improve in the third quarter of year. Normally, the water flow into NN2HPP's reservoir in the first quarter accounts for about 6% of total inflow for the year, while the water inflow in the third quarter of the year makes up about 60%-65%.

At the end of March 2018, CKP's total debt was Bt27.93 billion with debt to capitalization ratio of 47.6%.

## RATING OUTLOOK

The "stable" outlook reflects TRIS Rating's expectation that CKP's power plant will perform in line with their respective guidance. As such, CKP will continue to receive stable cash flows from its investments. Moreover, TRIS Rating also expects the Xayaburi hydroelectric power plant (Xayaburi HPP) will commence operation as planned, and will contribute return as expected.

## RATING SENSITIVITIES

Any credit upside would be limited over the next 12-18 months. A downside case may emerge if the performances of the operating power plants fall short of estimates, which weakens CKP's cash flow. The ratings could be lowered if the Xayaburi HPP delays its commercial operation date or its performance deviates materially from the expectation. Any large debt-funded investments which deteriorates the company's financial profile would be a negative pressure on the ratings as well.

**FINANCIAL STATISTICS AND KEY FINANCIAL RATIOS\***

Unit: Bt million

	Jan-Mar 2018	----- Year Ended 31 December -----			
		2017	2016	2015	2014
Revenue	1,821	6,879	6,319	6,757	6,999
Gross interest expense	279	1,489	1,256	1,130	1,220
Net income from operations	58	278	477	370	477
Funds from operations (FFO)	573	2,536	2,255	2,639	2,732
Earnings before interest, tax, depreciation, and amortization (EBITDA)	831	3,679	3,644	3,732	3,973
Total assets	60,010	60,462	59,305	54,567	49,327
Total debts	27,934	28,428	28,030	21,908	22,574
Shareholders' equity	30,811	30,659	30,506	31,812	26,104
Operating income before depreciation and amortization as % of sales	45.2	52.7	57.4	54.3	55.9
Pretax return on permanent capital (%)	2.9 **	2.9	3.2	3.6	4.3
Earnings before interest, tax, depreciation, and amortization (EBITDA) interest coverage (times)	3.0	2.5	2.9	3.3	3.3
FFO/total debt (%)	9.4 **	8.9	8.0	12.0	12.1
Total debt/capitalization (%)	47.6	48.1	47.9	40.8	46.4

\* Consolidated financial statements

\*\* Annualized with trailing 12 months

**CK Power PLC (CKP)**

<b>Company Rating:</b>	A
<b>Issue Rating:</b>	
Up to Bt6,500 million senior unsecured debentures due within 10 years	A-
<b>Rating Outlook:</b>	Stable

**TRIS Rating Co., Ltd.**

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