

# CPF (THAILAND) PLC

No. 90/2020  
8 December 2020

## CORPORATES

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

**Last Review Date:** 10/06/20

### Company Rating History:

Date	Rating	Outlook/Alert
31/03/20	A+	Alert Negative
04/11/15	A+	Stable

### Contacts:

Nauwarut Temwattanangkul

nauwarut@trisrating.com

Suchana Chantadisai

suchana@trisrating.com

Wajee Pitakpaibulkij

wajee@trisrating.com

Sasiporn Vajarodaya

sasiporn@trisrating.com



WWW.TRISRATING.COM

## RATIONALE

TRIS Rating removes the CreditAlert with “negative” implication placed on the company rating and issue ratings of CPF (Thailand) PLC (CPFTH) since 31 March 2020. At the same time, TRIS Rating affirms the company rating and its senior debenture ratings at “A+” with a “stable” outlook.

The ratings on CPFTH reflect its status as a core subsidiary of Charoen Pokphand Foods PLC (CPF), rated “A+” with a “stable” outlook. The ratings also take into consideration the high degree of the operational integration CPFTH has with CPF and the support it receives from CPF.

CPFTH is a core subsidiary of CPF for the domestic livestock operation. CPFTH posted satisfactory results in the first nine months of 2020, owing to the rise of livestock prices together with low feed cost. Sale increased by 4.6% year-on-year (y-o-y) to Bt111.2 billion. Gross margin improved to 13.8% in the first nine months of 2020, compared with 10.2% during the same period of 2019.

The economic fallout from the Coronavirus Disease 2019 (COVID-19) pandemic has had minimal impact on CPFTH’s businesses as its products are essential for everyday life. We expect CPFTH’s operating results in 2020 will benefit from low raw material costs and rising demand of frozen packaged food.

At the end of September 2020, the company’s interest-bearing debt amounted to THB98 billion, with debentures and long-term loans made up 80% of total debts. We assess CPFTH to have adequate liquidity for the next 12 months. The major cash outflows are its scheduled debt repayments of THB13 billion due in 2021, which are expected to be funded primarily by cash flow from operation. CPFTH’s funds from operations (FFO) are projected to hover around THB6-THB7 billion per year. Liquidity buffer is at an acceptable level with cash on hand of around THB31 billion and available credit lines from commercial banks.

## RATING OUTLOOK AND SENSITIVITIES

The “stable” outlook is based on our expectation that CPFTH will remain a core subsidiary of CPF, responsible for the whole chain of CPF’s livestock operations in Thailand. The company rating of CPFTH is aligned with CPF’s credit profile. Any change in CPF’s rating will affect CPFTH’s rating accordingly.

## COMPANY OVERVIEW

CPFTH is a nearly wholly owned (99.99%) subsidiary of CPF. Established in February 2012, the company was founded through the amalgamation of 10 subsidiaries of CPF.

The company is a fully integrated producer of livestock products. CPFTH’s business is divided into three segments: feed, farm, and food. In 2019, the farm segment was the largest, accounting for 55% of CPFTH’s total revenues,

followed by food products (27%) and animal feed (18%). About 87% of CPFTH's products are sold in Thailand, while the rest is exported indirectly through CP Merchandising Co., Ltd., another subsidiary of CPF.

## FINANCIAL STATISTICS AND KEY FINANCIAL RATIOS

Unit: Mil. THB

	----- Year Ended 31 December -----				
	2019	2018	2017	2016	2015
Total operating revenues	144,165	146,983	143,375	142,903	136,697
Earnings before interest and taxes (EBIT)	3,212	(1,865)	2,084	8,700	3,878
Earnings before interest, taxes, depreciation, and amortization (EBITDA)	8,833	3,169	6,470	12,766	7,422
Funds from operations (FFO)	5,956	1,572	4,585	9,724	5,024
Adjusted interest expense	2,841	2,634	1,949	1,635	1,966
Capital expenditures	6,715	10,626	10,544	8,353	6,060
Total assets	150,769	139,628	122,974	118,587	79,656
Adjusted debt	80,596	78,257	68,755	66,605	40,232
Adjusted equity	60,141	50,480	44,003	37,572	20,165
<b>Adjusted Ratios</b>					
EBITDA margin (%)	6.13	2.16	4.51	8.93	5.43
Pretax return on permanent capital (%)	2.32	(1.52)	1.89	10.37	6.68
EBITDA interest coverage (times)	3.11	1.20	3.32	7.81	3.78
Debt to EBITDA (times)	9.12	24.70	10.63	5.22	5.42
FFO to debt (%)	7.39	2.01	6.67	14.60	12.49
Debt to capitalization (%)	57.27	60.79	60.98	63.93	66.61

## RELATED CRITERIA

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

**CPF (Thailand) PLC (CPFTH)**

<b>Company Rating:</b>	<b>A+</b>
<b>Issue Ratings:</b>	
CPFTH211A: THB7,450 million senior unsecured debentures due 2021	A+
CPFTH215A: THB4,500 million senior unsecured debentures due 2021	A+
CPFTH231A: THB2,150 million senior unsecured debentures due 2023	A+
CPFTH235A: THB4,000 million senior unsecured debentures due 2023	A+
CPFTH237A: THB3,300 million senior unsecured debentures due 2023	A+
CPFTH245A: THB4,000 million senior unsecured debentures due 2024	A+
CPFTH252A: THB13,445 million senior unsecured debentures due 2025	A+
CPFTH255A: THB2,000 million senior unsecured debentures due 2025	A+
CPFTH261A: THB3,350 million senior unsecured debentures due 2026	A+
CPFTH267A: THB1,400 million senior unsecured debentures due 2026	A+
CPFTH275A: THB500 million senior unsecured debentures due 2027	A+
CPFTH278A: THB2,359.1 million senior unsecured debentures due 2027	A+
CPFTH281A: THB3,050 million senior unsecured debentures due 2028	A+
CPFTH287A: THB1,100 million senior unsecured debentures due 2028	A+
CPFTH295A: THB4,000 million senior unsecured debentures due 2029	A+
CPFTH305A: THB3,500 million senior unsecured debentures due 2030	A+
CPFTH308A: THB806.1 million senior unsecured debentures due 2030	A+
CPFTH315A: THB6,500 million senior unsecured debentures due 2031	A+
CPFTH317A: THB2,200 million senior unsecured debentures due 2031	A+
CPFTH328A: THB872.6 million senior unsecured debentures due 2032	A+
CPFTH335A: THB3,000 million senior unsecured debentures due 2033	A+
CPFTH358A: THB2,517.2 million senior unsecured debentures due 2035	A+
<b>Rating Outlook:</b>	<b>Stable</b>

**TRIS Rating Co., Ltd.**

Silom Complex Building, 24th Floor, 191 Silom Road, Bangkok 10500, Thailand Tel: 0-2098-3000

© Copyright 2020, TRIS Rating Co., Ltd. All rights reserved. Any unauthorized use, disclosure, copying, republication, further transmission, dissemination, redistribution or storing for subsequent use for any purpose, in whole or in part, in any form or manner or by any means whatsoever, by any person, of the credit rating reports or information is prohibited, without the prior written permission of TRIS Rating Co., Ltd. The credit rating is not a statement of fact or a recommendation to buy, sell or hold any debt instruments. It is an expression of opinion regarding credit risks for that instrument or particular company. The opinion expressed in the credit rating does not represent investment or other advice and should therefore not be construed as such. Any rating and information contained in any report written or published by TRIS Rating has been prepared without taking into account any recipient's particular financial needs, circumstances, knowledge and objectives. Therefore, a recipient should assess the appropriateness of such information before making an investment decision based on this information. Information used for the rating has been obtained by TRIS Rating from the company and other sources believed to be reliable. Therefore, TRIS Rating does not guarantee the accuracy, adequacy, or completeness of any such information and will accept no liability for any loss or damage arising from any inaccuracy, inadequacy or incompleteness. Also, TRIS Rating is not responsible for any errors or omissions, the result obtained from, or any actions taken in reliance upon such information. All methodologies used can be found at [www.trisrating.com/rating-information/rating-criteria](http://www.trisrating.com/rating-information/rating-criteria)