

TPI POLENE PLC

No. 107/2022
4 October 2022

CORPORATES

Company Rating:	BBB+
Issue Ratings:	
Senior unsecured	BBB+
Outlook:	Positive

Last Review Date: 19/04/22

Company Rating History:

Date	Rating	Outlook/Alert
25/03/20	BBB+	Stable
10/04/19	BBB+	Positive
02/10/12	BBB+	Stable

Contacts:

Sermwit Sriyotha
sermwit@trisrating.com

Rapeepol Mahapant
rapeepol@trisrating.com

Parat Mahuttano
parat@trisrating.com

Wiyada Pratoomsuwan, CFA
wiyada@trisrating.com



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RATIONALE

TRIS Rating revises the rating outlook on TPI Polene PLC (TPIPL) to “positive” from “stable”. At the same time, we affirm the company rating on TPIPL and the ratings on its outstanding senior unsecured debentures at “BBB+”. We also assign the rating of “BBB+” to TPIPL’s proposed issue of up to THB10 billion in senior unsecured debentures. The company intends to use the proceeds from the new debentures to refinance its maturing debentures.

The “positive” outlook reflects the company’s better-than-expected operating performance derived mainly from its successful transformation of its polymer business into high value-added products and widening margin of its cement business as a result of rising selling prices and benefits from an ongoing program to replace coal with municipal solid waste derived (MSW-derived) fuel.

The ratings continue to reflect TPIPL’s strong position in the domestic cement market, its leading position in the ethylene vinyl acetate (EVA) market, reliable cash flows from its power business, the benefits gained from business diversification, and the potential benefits from its commitment to net zero carbon emissions.

For the first six months of 2022, the company delivered a strong performance, generating earnings before interest, taxes, depreciation and amortization (EBITDA) of THB7.4 billion, an increase of 17% year-on-year (y-o-y). The robust performance during 2021-2022 was mainly due to higher contribution from the polymer business. The company successfully modified the production process of its polymer business to increase the proportion of “specialty grade” EVA products to about 60%-70% of total polymer production in 2021-2022, from about 40% during 2017-2020. Specialty grade EVA products consist of EVA emulsion and EVA film used in solar panels, wire, and cable, as well as hotmelt adhesive. Specialty EVA can command a premium price over general grade EVA and low-density polyethylene (LDPE).

TPIPL reported an EBITDA of THB7.4 billion during the first six months of 2022. The contribution of EBITDA from the polymer business increased to about 44% of the company’s total EBITDA from about 21% in 2020. We view that the demand for valued-added EVA remains strong, supported by rising demand for solar panels as well as strong demand in the packaging industry. The company plans to increase the proportion of valued-added EVA to about 90% of total production by 2023. The cement segment for the first half of 2022 also improved as the company was able to adjust selling prices of cement products by an average of 22% in response to rising energy costs. TPIPL group plans to invest approximately THB10 billion over 2019-2024 to modify all cement and mortar equipment and boilers for coal-fired power plants to enable TPIPL group to use MSW-derived fuel to replace coal. The investment is expected to result in production cost reduction for cement and mortar by THB150-THB200 per ton, and fuel cost reduction for coal-fired power plants by THB2.00-THB2.40 per unit. The company expects total cost saving from those investment of about THB3-THB4 billion per annum, based on current coal price. This modification helps reduce carbon emission, in-line with the company’s policy toward net zero greenhouse gas emission.

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.

TPIPL also benefits from selling waste heat from cement production process to TPI Polene Power PLC (TPIPP), whereas TPIPP uses waste heat and uses more MSW-derived fuel to produce electricity and sell back to TPIPL, and EGAT, resulting in mutual benefits and higher EBITDA of TPIPL Group.

We estimate TPIPL's EBITDA to improve to about THB13.0-THB13.5 billion per year during 2022-2024, from THB12.6 billion in 2021, with the debt to EBITDA ratio to improve to about 4.5-4.0 times in 2022-2024.

RATING OUTLOOK

The "positive" outlook reflects an improvement in the company's operating and financial performances. We expect the company to deliver solid performance during the second half of 2022 and 2023 along with the economic recovery in Thailand and ASEAN countries.

RATING SENSITIVITIES

The ratings could be upgraded if the company can deliver performance as expected and the debt to EBITDA ratio continues to stay below 6 times on a sustained basis.

The ratings and/or outlook could be revised downward if TPIPL's net debt to EBITDA ratio stays above 8 times for an extended period. This could happen following a plunge in TPIPL's earnings and/or excessive debt-funded investments. A significant equity loss from pending legal claims could also trigger a negative rating action.

RELATED CRITERIA

- Group Rating Methodology, 7 September 2022
- Corporate Rating Methodology , 15 July 2022
- Key Financial Ratios and Adjustments for Corporate Issuers, 11 January 2022
- Issue Rating Criteria, 15 June 2021

TPI Polene PLC (TPIPL)

Company Rating:	BBB+
Issue Ratings:	
TPIPL231A: THB3,000 million senior unsecured debentures due 2023	BBB+
TPIPL231B: THB4,382.7 million senior unsecured debentures due 2023	BBB+
TPIPL234A: THB2,640.5 million senior unsecured debentures due 2023	BBB+
TPIPL241A: THB4,000 million senior unsecured debentures due 2024	BBB+
TPIPL244A: THB4,127 million senior unsecured debentures due 2024	BBB+
TPIPL24NA: THB3,515.3 million senior unsecured debentures due 2024	BBB+
TPIPL251A: THB2,888 million senior unsecured debentures due 2025	BBB+
TPIPL256A: THB4,000 million senior unsecured debentures due 2025	BBB+
TPIPL25NA: THB3,410.7 million senior unsecured debentures due 2025	BBB+
TPIPL264A: THB4,000 million senior unsecured debentures due 2026	BBB+
TPIPL269A: THB4,000million senior unsecured debentures due 2026	BBB+
TPIPL276A: THB3,745million senior unsecured debentures due 2027	BBB+
Up to THB10,000 million senior unsecured debentures due within 7 years	BBB+
Rating Outlook:	Positive

TRIS Rating Co., Ltd.

Silom Complex Building, 24th Floor, 191 Silom Road, Bangkok 10500, Thailand Tel: +66 2 098 3000

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