

# TPI POLENE POWER PLC

No. 127/2022  
9 December 2022

## CORPORATES

|                        |          |
|------------------------|----------|
| <b>Company Rating:</b> | BBB+     |
| <b>Issue Ratings:</b>  |          |
| Senior unsecured       | BBB+     |
| <b>Outlook:</b>        | Positive |

Last Review Date: 04/10/22

### Company Rating History:

| Date     | Rating | Outlook/Alert |
|----------|--------|---------------|
| 04/10/22 | BBB+   | Positive      |
| 25/03/20 | BBB+   | Stable        |
| 10/04/19 | BBB+   | Positive      |
| 17/09/18 | BBB+   | Stable        |

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## RATIONALE

TRIS Rating affirms the company rating on TPI Polene Power PLC (TPIPP) and the ratings on its outstanding senior unsecured debentures at “BBB+”, with a “positive” outlook. At the same time, TRIS Rating assigns the rating of “BBB+” to TPIPP’s proposed issue of up to THB6.0 billion in senior unsecured debentures. The company intends to use the proceeds to invest in the coal replacement program of existing power plants and to fund working capital.

We assess TPIPP’s stand-alone credit profile (SACP) at “a”. The rating on TPIPP is capped by the rating on TPI Polene PLC (TPIPL, rated “BBB+/Positive”). The rating cap reflects TPIPP’s status as a “core” subsidiary of TPIPL, the strong parent-subsidiary linkage, and the high level of business integration between the two entities.

TPIPP’s SACP mirrors the company’s stable cash flows, backed by power purchase agreements (PPAs) with the Electricity Generating Authority of Thailand (EGAT), and its competitive fuel costs. However, the ratings are constrained by the gradual phase-out of additional tariffs (adder), the rise in financial leverage needed to support new investments and the investment risks associated with the Special Economic Zone (SEZ) project development.

For the first nine months of 2022, the company’s earnings before interest, taxes, depreciation, and amortization (EBITDA) dropped by 26% year-on-year (y-o-y) to THB3.1 billion, mainly due to higher fuel costs, the shutdown of its power plants for efficiency improvement, and the expiration of the adders for the 73-megawatt (MW) municipal solid waste derived fuel (MSW-derived) power plant. However, TPIPP’s debt to EBITDA ratio remained satisfactory at 3.6 times at the end of September 2022 (12-month trailing). We expect the increase in the fuel adjustment charge (Ft) should help support the company’s earnings and offset the impact of the adder expiration.

The proceeds from the proposed debentures issue will be used to modify the boilers of coal-fired power plants to replace coal with MSW-derived fuel. Once all modifications are completed by 2025, the program is expected to reduce fuel costs for the coal-fired plants by THB2.00-THB2.40 per unit, based on the current coal price. The program is also in-line with the company’s policy toward net zero greenhouse gas emissions.

## RATING OUTLOOK

The “positive” outlook reflects the rating outlook on TPIPL, TPIPP’s parent company. We expect TPIPP’s status as a core subsidiary of TPIPL will remain unchanged.

## RATING SENSITIVITIES

Rating revisions on TPIPP are primarily tied to changes in the ratings on TPIPL.

An upward revision of TPIPP’s SACP is unlikely in the near term. Conversely, a downward revision of its SACP could occur if its operating performance is significantly worse than our forecast and/or the company engages in sizable debt-financed investments, which result in a significant deterioration in the group’s financial profile.

## 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 Power PLC (TPIPP)

|   |          |
|---|----------|
| <b>Company Rating:</b>  | BBB+     |
| <b>Issue Ratings:</b>   |          |
| TPIPP23DA: THB3,000 million senior unsecured debentures due 2023      | BBB+     |
| TPIPP247A: THB4,000 million senior unsecured debentures due 2024      | BBB+     |
| TPIPP262A: THB4,523.6 million senior unsecured debentures due 2026    | BBB+     |
| TPIPP278A: THB4,695 million senior unsecured debentures due 2027      | BBB+     |
| Up to THB6,000 million senior unsecured debentures due within 7 years | BBB+     |
| <b>Rating Outlook:</b>  | Positive |

### TRIS Rating Co., Ltd.

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