TRIS RATING
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CreditNews ข่าวเครดิต

EDL-GENERATION PUBLIC COMPANY

No. 85/2025
28 May 2025

CORPORATES

Company Rating:	BB+
Issue Ratings:	
Senior unsecured	BB+
Outlook:	Negative

Last Review Date: 30/05/24

Company Rating History:

Date	Rating	Outlook/Alert
22/09/23	BB+	Negative
19/05/23	BBB-	Negative
20/05/22	BBB-	Stable
14/05/21	BBB-	Negative
15/05/20	BBB	Negative
28/06/19	BBB	Stable
12/06/17	BBB+	Negative
15/10/14	BBB+	Stable

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RATIONALE

TRIS Rating affirms the company rating on EDL-Generation Public Company (EDL-Gen) at "BB+" and the ratings on its senior unsecured debentures at "BB+". The rating outlook remains "negative".

The ratings on EDL-Gen are equal to the rating of Electricite du Laos (EDL, rated "BB+/Negative"*) and the sovereign rating on the Lao People's Democratic Republic (Lao PDR) (rated "BB+/Negative"), reflecting our assessment of EDL-Gen's status as a "core subsidiary" of EDL. Additionally, the ratings incorporate EDL-Gen's status as a state-owned enterprise of the Lao PDR and its critical role in the country's power generation.

We maintain our assessment of EDL-Gen's stand-alone credit profile (SACP) at "bb". The SACP continues to mirror EDL-Gen's strong market position in the Lao PDR's electricity generation industry, its satisfactory operating record, and its well-diversified portfolio. However, the SACP is constrained by the company's heavy financial leverage, high vulnerability to exchange rate risk and inadequate liquidity position.

KEY RATING CONSIDERATIONS

Credit status linked to credit profile of EDL and sovereign profile of Lao PDR

The credit standing of EDL-Gen is closely tied to the credit profile of EDL and the sovereign profile of the Lao PDR. EDL is wholly owned by the Ministry of Finance of the Lao PDR (MOFL). As a state-owned utility, EDL is fully controlled by the government of Laos. EDL plays a critical role in implementing the government's electricity policy. It owns the country's main power generation, transmission, and distribution facilities. We see a very strong likelihood of EDL receiving extraordinary support from the government in times of stress. With that, the rating on EDL mirrors and moves in tandem with the sovereign rating on the Lao PDR.

Since its inception, EDL-Gen has assumed the role of electricity generation for the country from EDL. Despite this transition, EDL remains the sole purchaser of EDL-Gen's power and the exclusive operator of the national power grid, reflecting a tight integration between the two entities.

EDL plays a pivotal role in shaping EDL-Gen's business strategies, including growth initiatives, the formulation of future power purchase agreements (PPAs), and dividend policies. Also, both EDL and EDL-Gen play critical roles in the power development plan of the Lao PDR, which is a key component of the country's economic and social development strategy. Similarly, we anticipate EDL-Gen will receive timely government support in the event of financial distress, given its strategic importance to EDL.

Improved operating results in 2024

EDL-Gen's performance improved in 2024, primarily driven by a significant increase in dividend incomes from its independent power producers (IPP) investments. Dividend income rose sharply to LAK1.0 trillion, up 124% year-on-year (y-o-y), compared to the historical range of LAK0.4-LAK0.5 trillion per year during 2021-2023. This surge was mainly due to higher distributions from the Theun Hinboun Project, following the full repayment of its project financing loans.

Electricity sales from wholly owned power plants returned to average levels, totaling 2,517 gigawatt hours (GWh), in line with forecasts. Tariffs remained

* *Our rating on EDL is solely predicated on the sovereign rating on the Lao PDR and our Government-Related Entities (GRE) Rating Methodology.*

relatively flat and slightly below expectations. Total revenue declined 13.6% y-o-y to LAK1.22 trillion. However, EBITDA rose 18% y-o-y to LAK1.88 trillion, exceeding previous projections. Despite operational improvements, large foreign exchange losses continued to weigh on performance. The company reported foreign exchange losses totaling LAK2.38 trillion, with net losses of LAK1.71 trillion.

Substantial improvement in EBITDA expected

We anticipate that EDL-Gen will demonstrate significant improvement in EBITDA over the forecast period due to an increase in electricity tariff charges to EDL and higher dividend incomes from its investments. EDL-Gen recently signed a Memorandum of Understanding (MoU) with EDL to revise electricity tariffs between the two entities. Under the MoU, EDL-Gen's average selling price is set to increase to USD5 cents per kilowatt-hour (kWh), more than double the average tariff of USD2.25 cents per kWh in 2024. This adjustment is part of national reforms to the electricity tariff structure, aimed at increasing electricity revenue to offset high USD-linked electricity costs as well as ensuring long-term financial sustainability for both EDL and EDL-Gen. While implementation is targeted for the second half of 2025, we believe there remains a risk of delay due to bureaucratic processes.

In addition to the tariff increment, dividend incomes from EDL-Gen's investments in IPPs are expected to rise by approximately 50% in 2025. This increase is primarily due to higher distributions from the Theun Hinboun hydropower Project after fully repaying its project loans, freeing up cash flow.

As a result, we anticipate strong EBITDA growth during 2025-2026. Our base-case scenario conservatively assumes the tariff increase will take effect in 2026 onwards. Dividend incomes from investments are projected to rise to LAK1.5-LAK1.7 trillion annually, up from LAK1.0 trillion in 2024. Consequently, we forecast EBITDA is to reach LAK2.4 trillion in 2025 and LAK3.8–LAK4.2 trillion per year during the 2026-2027 period.

Earnings quality remains tied to uncertainty of EDL's payment capacity

EDL's ability to make timely payments is expected to improve moderately, supported by an anticipated increase in revenue following a nationwide electricity tariff adjustment that began in February 2025. The new rates represent an increase of approximately 30%-40%, which should enhance EDL's income and liquidity. However, structural challenges, such as a heavy debt burden, overdue payments to other power producers, and a potential legal claim from ongoing litigation, may continue to constrain EDL's payment capacity and, to some extent, impact EDL-Gen's cash receipt.

We expect EDL to prioritize payment of electricity bills to EDL-Gen to prevent any likelihood of the latter defaulting on its debentures. In 2024, EDL managed to make full payment of its electricity bills, an improvement from the previous two years. Outstanding electricity payments to EDL-Gen fell significantly in 2024, declining to LAK319 billion from LAK1,060 billion in 2023. The reduction was partly due to EDL assuming certain loan obligations held by EDL-Gen, which were offset against outstanding bills.

Improving Financial leverage

EDL-Gen demonstrated a significant improvement in its financial leverage in 2024, underpinned by liquidity support from MOFL. The debt to EBITDA ratio fell to 8.1 times in 2024, from levels exceeding 11 times during 2020-2023. EDL-Gen's interest-bearing debt declined substantially in 2024, falling to LAK15.5 trillion, a 22.5% reduction y-o-y. The decline was primarily driven by a USD185 million interest-free financial support package from MOFL, which was used to repay maturing debentures and enhance the company's liquidity position.

We believe there is a high likelihood of further deleveraging, considering the expected stronger operating cash flows stemming from increased tariffs and dividend incomes. We expect the company will maintain its prudent policy and tight control of capital expenditure. Under our base-case scenario, we project the debt to EBITDA ratio to decline and remain below 8 times, with the funds from operations (FFO) to debt ratio expected to hover above 15%.

Reliance on MOFL to support liquidity and debentures repayments

EDL-Gen continues to face pressure on its credit profile due to persistently weak liquidity and limited access to capital markets. The company will need to cope with sizable bullet debentures maturities totaling around THB4.1-THB5.8 billion per year over the next three years. We expect MOFL to continue rendering financial support to fulfill any repayment shortfall in a timely manner.

Debt structure

At the end of December 2024, EDL-Gen's total outstanding debt was LAK15.5 trillion. There was no priority debt.

BASE-CASE ASSUMPTIONS

These are the key assumptions in TRIS Rating's base-case forecast for EDL-Gen's operations during 2025-2027:

- Total electricity sold from wholly owned power plants of 2,500-2,600 GWh per annum.
- Revenue from electricity sales of LAK1.4 trillion in 2025, before rising to LAK2.8-LAK3.3 trillion per annum during 2026-2027.
- Dividend incomes from IPP investments to total between LAK1.5 and LAK1.7 trillion per annum.
- Operating margin of 65% in 2025 and 75%-80% during 2026-2027
- Capital expenditure to hover around LAK0.3-LAK0.4 trillion per annum.
- Dividend payment of LAK50 billion in 2025 and no dividend payment thereafter.

RATING OUTLOOK

The "negative" outlook on EDL-Gen mirrors that on EDL and the Lao PDR. This rests on our expectation that the linkage between EDL and EDL-Gen will remain intact as we expect EDL to continue holding a majority interest in EDL-Gen. It also reflects our expectation that EDL and EDL-gen will receive full support from the government of Laos in a timely manner if they face financial distress.

RATING SENSITIVITIES

The ratings and outlook on EDL-Gen will follow those on EDL and the Lao PDR.

We could consider raising the SACP if EDL-Gen's performance improves as forecast, with the net debt to EBITDA ratio remaining below 8 times on a sustainable basis and liquidity improving due to timely collection of electricity charges from EDL. Conversely, we could lower the SACP should EDL-Gen's financial profile deteriorate. Tightened liquidity, caused, for example, by delayed support from MOFL, could also lead to negative rating actions.

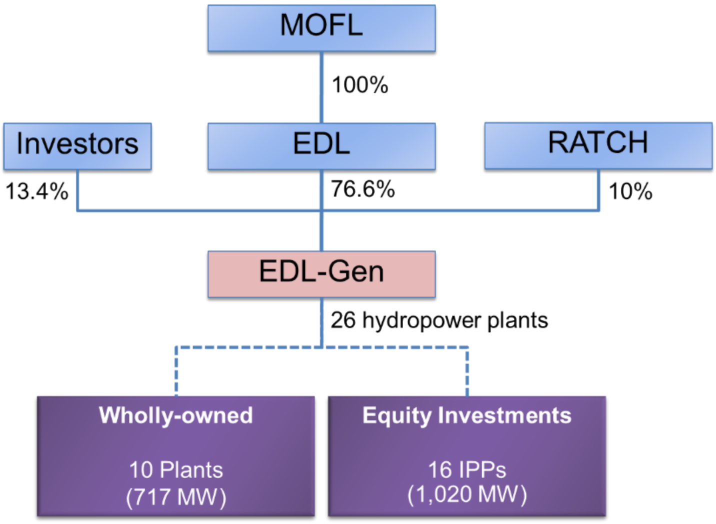
COMPANY OVERVIEW

EDL-Gen was founded in 2010 and listed on the Lao Securities Exchange (LSX) in 2011. The incorporation of EDL-Gen was part of the restructuring of the power sector in the Lao PDR, which called for EDL-Gen to purchase current and future power generating assets from EDL. Before EDL-Gen was set up, EDL was the sole vertically integrated electric power utility, dominating all aspects of the sector in the Lao PDR, from power generation, transmission lines, to the distribution of electricity to end-users. EDL also owned stakes in several IPPs operating in the Lao PDR. Notwithstanding the transfer of its electricity generating assets to EDL-Gen, EDL remains the single buyer of electricity in the Lao PDR and the dominant electricity distributor. EDL owns almost all of the power grids in the Lao PDR.

As of March 2025, EDL held a 76.6% stake in EDL-Gen with 10% held by RATCH Group PLC. EDL-Gen owns and operates hydropower assets developed by EDL. EDL-Gen also invests in IPP hydropower projects previously held by EDL. Each of EDL-Gen's power generating assets operates under a PPA and concession covering 30 years.

As of December 2024, EDL-Gen's aggregate equity capacity was 1,737 MW, comprising 717 MW from its 10 wholly-owned hydropower plants and 1,020 MW from equity investments in 16 IPPs.

Chart 1: EDL-Gen Group's Structure



Source: EDL-Gen, illustrated by TRIS Rating

FINANCIAL STATISTICS AND KEY FINANCIAL RATIOS*

Unit: Mil. LAK

	-----------------------------Year Ended 31 December ----------------------				
	2024	**2023**	**2022**	**2021**	**2020**
Total operating revenues	1,362,250	1,496,622	1,355,843	1,235,936	1,211,467
Earnings before interest and taxes (EBIT)	1,957,838	1,848,722	1,963,575	1,473,950	945,075
Earnings before interest, taxes, depreciation, and amortization (EBITDA)	1,883,741	1,596,360	1,533,523	1,509,164	1,117,102
Funds from operations (FFO)	595,618	362,018	403,002	652,009	374,859
Adjusted interest expense	1,284,996	1,233,223	1,050,074	857,155	742,243
Capital expenditures	0	348,638	57,705	87,526	98,009
Total assets	29,549,445	32,120,934	29,669,222	26,552,167	24,702,826
Adjusted debt	15,200,602	19,384,518	16,921,382	16,626,897	14,731,697
Adjusted equity	8,717,531	10,432,204	11,585,568	9,230,594	9,293,720
Adjusted Ratios					
EBITDA margin (%)	138.3	106.7	113.1	122.1	92.2
Pretax return on permanent capital (%)	7.1	6.2	7.2	5.8	3.9
EBITDA interest coverage (times)	1.5	1.3	1.5	1.8	1.5
Debt to EBITDA (times)	8.1	12.1	11.0	11.0	13.2
FFO to debt (%)	3.9	1.9	2.4	3.9	2.5
Debt to capitalization (%)	63.6	65.0	59.4	64.3	61.3

* *Consolidated financial statements*

RELATED CRITERIA

- Issue Rating Criteria, 26 December 2024
- Rating Methodology for Government-related Entities, 27 October 2023
- Group Rating Methodology, 7 September 2022
- Corporate Rating Methodology, 15 July 2022
- Key Financial Ratios and Adjustments for Corporate Issuers, 11 January 2022

EDL-Generation Public Company (EDL-Gen)

Company Rating:	BB+
Issue Ratings:	
EDLGEN257A: THB1,443.1 million senior unsecured debentures due 2025	BB+
EDLGEN259A: THB2,690.3 million senior unsecured debentures due 2025	BB+
EDLGEN268A: THB137.4 million senior unsecured debentures due 2026	BB+
EDLGEN271A: THB972.4 million senior unsecured debentures due 2027	BB+
EDLGEN271B: THB2,489.5 million senior unsecured debentures due 2027	BB+
EDLGEN271C: THB646.3 million senior unsecured debentures due 2027	BB+
EDLGEN27NA: THB303 million senior unsecured debentures due 2027	BB+
EDLGEN287A: THB1,897.9 million senior unsecured debentures due 2028	BB+
EDLGEN307A: THB809.8 million senior unsecured debentures due 2030	BB+
EDLGEN311A: THB1,093.4 million senior unsecured debentures due 2031	BB+
EDLGEN337A: THB1,621.2 million senior unsecured debentures due 2033	BB+
EDLGEN269A: USD166 million senior unsecured debentures due 2026	BB+
EDLGEN289A: USD95 million senior unsecured debentures due 2028	BB+
Rating Outlook:	Negative

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