TRIS RATING
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THAI SOLAR ENERGY PLC

No. 124/2025
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CORPORATES

Company Rating:	BBB
Issue Rating:	
Senior unsecured	BBB-
Outlook:	Negative

Last Review Date: 03/09/24

Company Rating History:

Date	Rating	Outlook/Alert
01/08/24	BBB	Stable
30/09/20	BBB-	Stable
26/09/19	BBB	Negative
08/02/16	BBB	Stable

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RATIONALE

TRIS Rating revises the rating outlook on Thai Solar Energy PLC (TSE) to “negative” from “stable” and affirms the company rating at “BBB”. The outlook revision reflects emerging pressure on TSE’s credit metrics due to substantial investment commitments, particularly in the “Big Lot” renewable energy projects TSE have secured.

At the same time, we downgrade the rating on its senior unsecured debenture to “BBB-” from “BBB”. The one-notch downgrade reflects the structural subordination risk of the issued debenture as the priority debt ratio is likely to remain above our 50% threshold.

The ratings continue to reflect the stable and predictable cash flow generated by the company’s renewable energy portfolio, supported by the consistent operational performance of its power plants. However, the ratings are constrained by the reduction in cash flows following the divestment of Thai Solar Renewable Co., Ltd. (TSR), and the likelihood of a significant increase in financial leverage from committed investments.

KEY RATING CONSIDERATIONS

Committed investments to materially weaken credit metrics

TSE’s anticipated new investment cycle will likely weaken its credit metrics over the near to medium term. The company has won the bids for government-backed “Big Lot” projects, totaling 229 megawatts (MW) in contracted capacity (92.9 MW for Phase 1 and 136.1 MW for Phase 2). We expect TSE to spend roughly THB7.64 billion for these committed projects during 2025-2029, which will likely be funded by debt. The projected outlays are substantial relative to TSE’s post-divestment cash flow and its current equity base. As a result, we see a high likelihood of TSE’s debt to EBITDA ratio remaining at high levels over the course of project development until all power plants achieve full commercial operation by 2030. We now forecast TSE’s credit metrics will be incommensurate with the current ratings.

In our base case, despite potential delay, we assume power purchase agreements (PPAs) for Big Lot Phase 2 projects will be concluded to allow project commencement aligning with the government’s stipulated timeline. During 2025-2027, the company’s EBITDA is expected to fall and remain at THB500-THB600 million annually after the divestment of TSR. We project TSE’s debt to EBITDA ratio to soar from around 3.5 times in 2025 to 7 times and above during the development period, with the funds from operations (FFO) to debt ratio falling from 15% to below 10% over the same period. We expect the key credit metrics to weaken and persist until 2029. This far exceeds our previous base case.

We believe the company will continue pursuing capacity growth targets by seeking further investment opportunities such as waste-to-energy power plants and small solar projects for portfolio expansion. However, we do not factor them in our base case.

TSR divestment partly supports funding for growth

We view the divestment of TSR as a strategic move by TSE to bolster its financial readiness for growth opportunities. TSE has decided to divest its entire 60% stake in TSR to Levanta Renewables (Thailand) Co., Ltd. for net proceeds of about THB1.8 billion. The transaction is expected to close in the third quarter of 2025. Proceeds from the transaction will be pivotal for funding the company's Big Lot projects, which are targeted at rebuilding TSE's earnings base and underpin its long-term growth.

Despite this, TSE may still require further strategic adjustment to optimize its financial health for its significant investment plan. Moreover, the divestment will result in a moderate decline in recurring operating cash flows, reduced business scale and lower debt-carrying capacity. The post-divestment EBITDA is considered low, relatively compared with peers in the "BBB" rating category.

Big Lot Phase 2 projects support smoother growth momentum

Winning the Big Lot Phase 2 projects is crucial for TSE, as it helps bridge the operational gap between their project timelines. While most Phase 2 projects are slated to begin operations during 2027 and 2028, all Phase 1 projects are scheduled to commence until 2030. This different timeline makes Phase 2 projects essential for maintaining smoother growth momentum and facilitating the recovery of TSE's cash generation.

However, regulatory risk remains a significant concern. While the PPAs for Phase 1 projects have been secured, the pending government approval for Phase 2 PPAs continues to pose risks of delays and lower tariff rates.

Stable cash flow derived from solar and biomass assets

TSE's credit strength remains well-supported by reliable cash flows from its renewable energy portfolio. These consistent and predictable inflows are underpinned by long-term PPAs with strong utility off-takers, low operation risk of solar power plants, and a long track record of steady operations in biomass power plants.

Operational results from existing projects remain in line with our expectations. In the first quarter of 2025, TSE generated a total power output of 103 gigawatt-hours (GWh), consistent with the previous year's performance. Without TSR, we project total output of 250 GWh per year during 2025–2026 and 305 GWh in 2027, when some of Phase 2 projects begin operations.

As of June 2025, TSE had a total installed capacity of 480.9 MW, of which 183.3 MW or approximately 38% is operational. The remaining capacity of 297.5 MW is under development, consisting of solar projects from the Big Lot Phase 1 and Phase 2 schemes. After completion of the planned asset sales, the total installed capacity will decrease to 376.1 MW. EBITDA from biomass power projects will account for 60% and the rest primarily from operating solar power projects.

Tightened liquidity with maturing debentures

We assess TSE to have tight liquidity over the next 12 months. Our liquidity assessment excludes the proportionate consolidation of TSR. As of March 2025, TSE had a total of THB2.8 billion debt obligations maturing in the following 12 months, largely comprising secured short-term loans of THB1.2 billion and debentures of THB1.2 billion. Key sources of funds include THB1.8 billion proceeds from the divestment of TSR, cash on hand of THB 0.34 billion, and estimated FFO of THB 0.35 billion. We expect TSE will use the majority of the TSR divestment proceeds to repay secured short-term loans and need to refinance the debentures coming due in January 2026.

We view the refinancing risk as partially mitigated by records of financial support from TSE's main bank. We expect the company to balance bank borrowings and debenture issuance to minimize refinancing risks, particularly those that may arise from unfavorable conditions in the debenture market.

Debt structure

At the end of March 2025, TSE's total debt excluding lease liability, was THB4.0 billion. The priority debt was about THB2.6 billion, comprising TSE's secured short-term loan and subsidiaries' loans. This means the priority debt to total debt ratio was 64.3%.

Although the secured short-term loan is set to be repaid in the near term, we expect the priority debt ratio to sustainably exceed our 50% threshold, considering the potential rise in subsidiaries' loans. As a result, we lower the issue rating on its senior unsecured debenture by one-notch to reflect the subordination risk.

BASE-CASE ASSUMPTIONS

Below are the key assumptions in our base-case forecast for TSE's operations during 2025-2027:

- Total operating revenues to be THB1.3-THB1.4 billion per year.
- EBITDA margin to range between 40%-45%.
- Total capital expenditures and investment to add up to THB4.5 billion.
- TSE to receive proceeds from TSR divestment in the third quarter of 2025.
- No dividend payout

RATING OUTLOOK

The "negative" outlook reflects our expectation that TSE's hefty capital spending plan on the Big Lot projects and other potential investments will likely exert material pressure on its credit metrics over the course of development.

RATING SENSITIVITIES

We could lower the ratings if TSE's financial profile significantly deteriorates, with the debt to EBITDA ratio sustained above 7 times.

Conversely, the rating outlook could be revised to "stable" once we believe that TSE can manage to reduce its financial leverage to a level below our baseline forecast. This could be driven by a more conservative financial policy, possibly through raising fresh capital or seeking partnership to co-invest in the new projects.

COMPANY OVERVIEW

TSE is an investment holding company established in 2008 that primarily focuses on developing renewable power projects. The company was listed on the Market for Alternative Investment (MAI) in October 2014 and later moved to the Stock Exchange of Thailand (SET) in May 2019. The major shareholder is Miss Cathleen Maleenont, holding about 49% as of March 2025.

TSE's core power project is operated by TSR, a 60:40 joint venture between TSE and Global Power Synergy PLC (GPSC). The project has an installed capacity of 104.8 MW and a contracted capacity of 80 MW. Thanks to a tariff adder of THB6.5 per kWh for 10 years, this project has been the centerpiece of profit-making, generating over 50%-55% of TSE's EBITDA during 2019-2023. TSE and GPSC both have decided to divest their entire shares in TSR. The transaction is expected to close in the third quarter of 2025.

Prior to that, TSE decided to divest its investment in the Onikoube project, which was TSE's largest solar power plant in Japan with an installed capacity of 147 MW. The Onikoube project achieved its commercial operating date in May 2023. TSE has secured an additional capacity of 229 MW under the stated renewable scheme. All projects are scheduled to start commercial operations during 2027 and 2030.

KEY OPERATING PERFORMANCE

Table 1: Power Project Portfolio at End of June 2025

Project/Country	Held by TSE (%)	Status	Installed Capacity (MW)	Contracted Capacity (MW)	Equity Installed Capacity (MW)	Equity Contracted Capacity (MW)	Tariff	Commercial Operating Date
1. Thailand								
Solar								
TSR (SSE1)	60	Operating	104.8	80	62.9	48	Adder (THB6.5)	Jul-13- Jun-14
Solar rooftop	100	Operating	14	14	14	14	FiT (THB6.16)	Sep-14 – Aug-15
SLC (Prajuab Khiri Khan)	100	Operating	1	1	1	1	FiT (THB5.66)	Dec-16
INS (Ang Thong)	100	Operating	2	2	2	2	FiT (THB5.66)	Dec-15
BSS (Ayutthaya)	100	Operating	5	5	5	5	FiT (THB5.66)	Dec-16
SSP (Ang Thong)	100	Operating	9.7	8	9.7	8	Adder (THB8.0)	Mar-13
MARS (Krabi)	100	Operating	5	5	5	5	Fit (THB4.12)	Dec-18
STF (Prachinburi)	100	Operating	8	8	8	8	Private PPA	May-21
SCT (Nakhon Sawan)	100	Operating	8	8	8	8	FiT (THB5.66)	Dec-15
Solar Biglot1 (6 projects)	100	Developing	94.4	77.9	94.4	77.9	FiT (THB2.1679)	2030
Solar Biglot1 + BESS	100	Developing	38.3	15	38.3	15	FiT (THB2.8331)	2030
Solar Biglot2 (21 Project)	100	Waiting for PPAs sign	164.9	136.1	164.9	136.1	Fit (THB2.1679)	2027-2030
Biomass								
BSW	100	Operating	6	4.6	6	4.6	FiT (THB4.24) + premium (THB0.3) (8 years)	Mar-18
OSW 1 & 2	100	Operating	19.8	17.6	19.8	17.6	FiT (THB4.24) + premium (THB0.3) (8 years)	Aug-Oct-18
Total capacity			**480.9**	**382.3**	**439.0**	**350.3**		

Source: TSE

FINANCIAL STATISTICS AND KEY FINANCIAL RATIOS*

Unit: Mil. THB

		-----------Year Ended 31 December ----------			
	Jan-Mar 2025	2024	2023	2022	2021
Total operating revenues	435	1,715	2,231	2,298	2,461
Earnings before interest and taxes (EBIT)	126	319	821	988	952
Earnings before interest, taxes, depreciation, and amortization (EBITDA)	239	781	1,290	1,551	1,541
Funds from operations (FFO)	178	473	727	1,031	1,030
Adjusted interest expense	60	273	492	445	492
Capital expenditures	85	538	1,913	3,009	1,798
Total assets	8,158	8,024	10,876	21,387	20,762
Adjusted debt	4,088	4,111	4,631	13,789	12,842
Adjusted equity	3,077	2,988	3,622	6,443	6,349
Adjusted Ratios					
EBITDA margin (%)	54.9	45.6	57.8	67.5	62.6
Pretax return on permanent capital (%)	2.8**	3.5	5.3	4.8	4.7
EBITDA interest coverage (times)	4.0	2.9	2.6	3.5	3.1
Debt to EBITDA (times)	5.8**	5.3	3.6	8.9	8.3
FFO to debt (%)	10.6**	11.5	15.7	7.5	8.0
Debt to capitalization (%)	57.1	57.9	56.1	68.2	66.9

* *Consolidated financial statements*
** *Annualized with 12 months trailing*

Note: All figures and financial ratios are adjusted by including TSR's financial performance on proportionate basis instead of equity method.

RELATED CRITERIA

- Issue Rating Criteria, 26 December 2024
- Corporate Rating Methodology, 15 July 2022
- Key Financial Ratios and Adjustments for Corporate Issuers, 11 January 2022

Thai Solar Energy PLC (TSE)

Company Rating:	BBB
Issue Rating:	
TSE261A: THB1,175 million senior unsecured debentures due 2026	BBB-
Rating Outlook:	Negative

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