

Research Update

Mai-Liao Power Corp. Ratings Affirmed At 'twAA-/twA-1+'; Liquidity Revised To Exceptional From Adequate; Outlook Stable

October 29, 2019

Rating Action

Taiwan Ratings Corp. today affirmed its 'twAA-' long-term and 'twA-1+' short-term issuer credit ratings on **Mai-Liao Power Corp.** (MLP). At the same time, we affirmed the 'twAA-' issue rating on the company's senior unsecured corporate bond. The outlook on the long-term rating is stable. The ratings reflect MLP's good position serving as a base-load power generator in Taiwan, low-risk business model supported by its power purchase agreement with Taiwan Power Co., and the strong cost efficiency of its coal-fired power plant. MLP's small operating scale compared with that of global peers and high asset concentration on a single site temper these strengths.

We have revised our assessment of MLP's liquidity to exceptional from adequate, which has no impact on the ratings or the company's stand-alone credit profile. The exceptional assessment mainly reflects MLP's strengthening cash flow because of rapid margin expansion over the next one to two years supported by higher tariffs and low coal costs over the period. We expect MLP's ratio of liquidity sources to liquidity uses to be 3.0x-4.0x in over the next 24 months ending June 30, 2021. We also expect the company's liquidity sources to exceed liquidity uses even if forecasted EBITDA were to decline by 50%.

In our view, the strong creditworthiness of MLP's parent group, Formosa Plastics group, support MLP's well-established and solid relationship with banks and the company's high standing in credit markets. MLP's low interest rates on its bank loans and high flexibility to increase bank facilities support our view. There are no financial covenants on the company's bank loans.

Related Criteria

- General Criteria: Group Rating Methodology - July 01, 2019
- Understanding Taiwan Ratings' Rating Definitions - June 26, 2018
- General Criteria: Methodology For National And Regional Scale Credit Ratings - June 25, 2018
- Criteria | Corporates | General: Reflecting Subordination Risk In Corporate Issue Ratings - March 28, 2018
- Criteria | Corporates | General: Corporate Methodology: Ratios And Adjustments - April 01, 2019
- Criteria | Corporates | General: Methodology And Assumptions: Liquidity Descriptors For Global Corporate Issuers - December 16, 2014
- Criteria | Corporates | Industrials: Key Credit Factors For The Unregulated Power And Gas Industry - March 28, 2014

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- General Criteria: Country Risk Assessment Methodology And Assumptions - November 19, 2013
- General Criteria: Methodology: Industry Risk - November 19, 2013
- Criteria | Corporates | General: Corporate Methodology - November 19, 2013
- General Criteria: Methodology: Management And Governance Credit Factors For Corporate Entities - November 13, 2012
- General Criteria: Use Of CreditWatch And Outlooks - September 14, 2009

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Ratings List

Ratings Affirmed

Mai-Liao Power Corp.

Issuer Credit Rating	twAA-/Stable/twA-1+
Issue Credit Rating	twAA-

Certain terms used in this report, particularly certain adjectives used to express our view on rating relevant factors, have specific meanings ascribed to them in our criteria, and should therefore be read in conjunction with such criteria. Please see Ratings Criteria at www.taiwanratings.com for further information. Complete ratings information is available to subscribers of Rating Research Service at rrs.taiwanratings.com.tw. All ratings affected by this rating action can be found on Taiwan Ratings' public website at www.taiwanratings.com.

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