

# AMATA B.GRIMM POWER 3 LTD.

No. 6/2019  
11 January 2019

## CORPORATES

**Company Rating:** A-  
**Outlook:** Stable

**Last Review Date:** 09/01/18

### Company Rating History:

Date	Rating	Outlook/Alert
02/02/17	A-	Stable

### Contacts:

Narongchai Ponsirichusopol  
narongchai@trisrating.com

Sermwit Sriyotha  
sermwit@trisrating.com

Parat Mahuttano  
parat@trisrating.com

Wiyada Pratoomsuwan, CFA  
wiyada@trisrating.com



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## RATIONALE

TRIS Rating affirms the company rating on Amata B.Grimm Power 3 Ltd. (ABP3) at "A-". The rating reflects the reliable cash flows ABP3 receives through a long-term power purchase agreement (PPA) with the Electricity Generating Authority of Thailand (EGAT) under the Small Power Producer (SPP) scheme. The rating also reflects the use of proven technology in its cogeneration power plant. In addition, ABP3's parent company, B.Grimm Power PLC (BGRIM), has extensive experience as a producer of electric power.

## KEY RATING CONSIDERATIONS

### Predictable cash flow from long-term PPAs with EGAT

ABP3 has a 25-year PPA with EGAT, covering 90 megawatts (MW), under the SPP scheme. Under the terms of a standard PPA for an SPP cogeneration plant, EGAT agrees to dispatch at least 80% of the contracted capacity, based on operating hours. The PPA is on a take-or-pay basis, which stabilizes the cash flow ABP3 receives. In addition, the risks of fuel price and exchange rate fluctuations are largely mitigated through the tariff formula specified in the PPA.

In addition to the PPA with EGAT, ABP3 also has long-term off-take agreements with industrial customers in Amata Nakorn Industrial Estate (ANIE). The agreements cover 46 MW of electricity and 13 tonnes per hour of steam. The contracts with the customers in the industrial estate specify the minimum amounts of electricity and/or steam each customer is obligated to purchase.

The electricity tariffs charged to the industrial customers are based on the electricity tariffs the Provincial Electricity Authority (PEA) charges to large general service customers. The tariffs generally carry a fuel adjustment charge, or Ft, to reflect changes in the price of fuel.

### Proven technology mitigates operational risks

ABP3's combined cycle cogeneration power plant employs proven technology from Siemens, one of the world's leading suppliers in the power industries. The Siemens SGT 800 gas turbine has a proven track record, with a fleet of more than 100 units sold worldwide since 1997. ABP3's power plant comprises two gas turbine units with bypass stacks, two heat recovery steam generators (HRSGs), and one steam turbine. The gas turbines and the steam turbine are all made by Siemens. The Siemen gas turbines have bypass stacks, which give the power plant additional flexibility. For example, ABP3 can operate the gas turbines even when the steam turbine is undergoing maintenance or for load management purposes.

In September 2018, ABP3 extended another 16-year long-term service agreement (LTSA) for gas turbines with Siemens. The extended LTSA will expire in 2034, covering two cycles of power plant's major overhaul (MO). Under the LTSA, Siemens provides maintenance services, including spare parts and performance upgrades, for the gas turbine units. The LTSA helps ensure the reliability of the turbine and keeps maintenance costs under control.

### Proven track record of running power plant

For day-to-day operations, ABP3 has its own operation and maintenance

teams. The teams leverage BGRIM’s expertise in the operation and maintenance of cogeneration power plants. ABP3’s operation has met the targets specified in the PPA since the plant started up in 2012. For the first nine months of 2018, ABP3 sold about 489 gigawatt-hour (GWh) of electricity to EGAT, 179 GWh to industrial customers, and 62 GWh to related companies (other power plants in ANIE owned by BGRIM) for load management purposes. Sales to EGAT constituted about 67% of total electricity sales. The actual availability factor was 98.8% and the heat rate was 7,508 British thermal units/kilowatt-hour (BTU/kWh), better than the figure of 8,000 BTU/kWh specified in the PPA. In terms of energy efficiency, the ABP3 plant achieved the primary energy saving (PES) threshold and received an additional tariff of 0.36 Bt/kWh from EGAT as a fuel saving (FS) payment.

**Financial performance in line with expectation**

ABP3’s revenue and earnings have been stable for the past several years. During 2013-2016, revenues ranged from Bt2,700 million to Bt3,400 million per year. Earnings before interest, taxes, depreciation, and amortization (EBITDA) ranged from Bt720 million to Bt740 million per year over the same period. From 2013-2016, revenue comprised electricity sold to EGAT (67%), electricity sold to industrial customers (24%), and steam sold to industrial customers (3%). The balance (6%) was from electricity sold to related companies that own and operate power plants located in ANIE. The inter-company transactions are on arm's length basis. The transaction helps balance the load of power plants in ANIE.

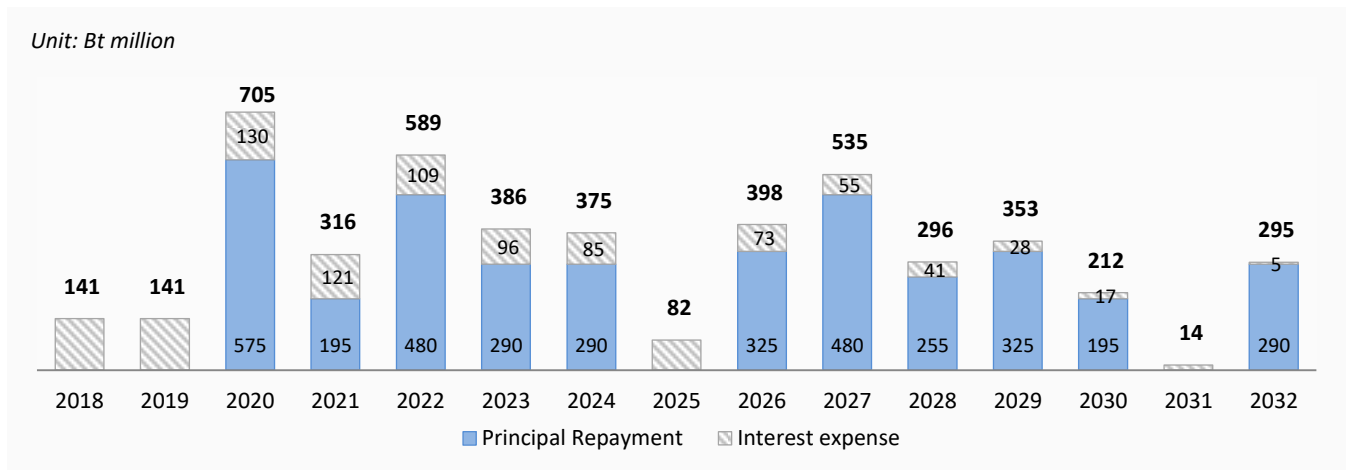
In 2017, revenue increased by 3.2% to Bt2,815 million. ABP3 sold more electricity to industrial customers and related companies. EBITDA increased by 12.5% to Bt811 million. The operating margin (operating income as a percentage of total operating revenues) was 28.8%, up slightly from 26.3% in 2016.

**Moderate debt service capability**

In April 2017, ABP3 borrowed Bt3,700 million from Amata B.Grimm Power SPV1 Ltd. (ABPSPV) as an inter-company loan. The proceeds were used to refinance an outstanding project loan from banks. The repayment schedule of the inter-company loan matches the maturity of the bonds issued by ABPSPV. ABP3’s debt service obligations vary significantly year to year. Debt services range from Bt14 million to Bt705 million per year during 2019-2032 with no principal repayments are called for in 2018, 2019, 2025, and 2031. The next principal repayment will be in 2020. ABP3 will manage its liquidity needs and reserve cash for the years in which large principal repayments must be made.

As of 2017, ABP3 had cash on hand and cash equivalents of Bt1,234 million. EBITDA is forecast at Bt740-Bt830 million per year during 2019-2021. The cash on hand and cash equivalents plus the forecast EBITDA is cover its debt service obligation of Bt141 million to Bt705 million per year over the same period.

**Chart 1: Debt Service Schedule of ABP3’s Inter-company Loans**



**BASE-CASE ASSUMPTIONS**

- During 2018-2021, TRIS Rating assumes the company’s availability factor will be in the range of 92%-98%.
- PPA with EGAT of 90 MW, PPAs with industrial customers of 46 MW, and the steam purchase agreements (SPAs) with industrial customers of 13 tonnes/hour.
- During 2018-2021, ABP3’s revenue will range between Bt2,800-Bt3,100 million per year. EBITDA is forecast at Bt740-Bt830 million per year, and cash on hand will range between Bt790-Bt1,100 million.
- Maintenance CAPEX of Bt20-Bt40 million per year.

## RATING OUTLOOK

The “stable” outlook reflects TRIS Rating’s expectation that ABP3 will maintain smooth operations, and generate a reliable EBITDA of Bt740-Bt830 million per year.

## RATING SENSITIVITIES

The upside for the rating on ABP3 is limited over the next 12-18 months. The rating downside case may arise if ABP3’s operating performances or financial results deteriorate significantly, hurting its ability to generate cash.

## COMPANY OVERVIEW

ABP3 was established in 2010 to own and operate a cogeneration power plant under the SPP scheme. The plant is located in ANIE, Chonburi province. The power plant has an installed capacity of 132.5 MW plus 30 tonnes per hour of steam. Of the 132.5 MW, 90 MW is sold to EGAT under a 25-year PPA while the rest is sold to industrial customers in ANIE. ABP3 also has a 25-year gas supply contract with PTT PLC and a long-term water supply agreement with AMATA Water Co., Ltd. The company entered into an LTSA with Siemens, the technology provider. Siemens will maintain the gas turbines, ensuring reliable operation. ABP3 has a contract with the PEA to purchase backup power in an event of an emergency. ABP3’s plant commenced commercial operation on 1 October 2012. As of September 2018, ABP3’s shareholders were BGRIM (60.7%), Summit Sunrise Energy Co., Ltd. of the Sumitomo Group (SSEC -- 18%), Amata Corporation PLC (AMATA -- 18.3%), and B.Grimm Joint Venture Holding Ltd. (BGJV -- 3%).

## KEY OPERATING PERFORMANCE

Plant Performance Statistics of ABP3

Plant Performance	Unit	Jan-Sep 2018	2017	2016	2015	2014	2013
Net output energy <sup>(*)</sup>	GWhe	745.0	967.9	875.0	906.8	943.6	982.7
Plant heat rate	BTU/kWh	7,508	7,521	7,617	7,618	7,562	7,507
Primary energy saving factor	%	15.3	15.2	14.1	13.5	14.9	11.6
Availability	%	98.8	97.2	97.9	92.2	94.4	97.9
Unplanned outage	%	0.7	2.5	1.3	1.3	4.7	2.1
Planned outage	%	0.5	0.3	0.8	6.4	0.9	0.0

<sup>(\*)</sup> Net output of electricity and steam

## FINANCIAL STATISTICS AND KEY FINANCIAL RATIOS

Unit: Bt million

	-----Year Ended 31 December -----			
	2017	2016	2015	2014
Total operating revenues	2,825	2,739	3,160	3,346
Operating income	814	721	724	735
Earnings before interest and taxes (EBIT)	576	486	481	533
Earnings before interest, taxes, depreciation, and amortization (EBITDA)	811	721	723	735
Funds from operations (FFO)	638	539	363	478
Adjusted interest expense	172	180	361	257
Capital expenditures	9	13	12	62
Total assets	5,730	5,241	5,429	6,032
Adjusted debt	2,496	3,039	3,336	3,154
Adjusted equity	1,615	1,482	1,438	1,717
<b>Adjusted Ratios</b>				
Operating income as % of total operating revenues (%)	28.82	26.31	22.91	21.96
Pretax return on permanent capital (%)	11.13	9.53	9.00	9.62
EBITDA interest coverage (times)	4.72	3.99	2.01	2.86
Debt to EBITDA (times)	3.08	4.22	4.61	4.29
FFO to debt (%)	25.55	17.72	10.87	15.16
Debt to capitalization (%)	60.72	67.22	69.88	64.74

## RELATED CRITERIA

- Key Financial Ratios and Adjustments, 5 September 2018
- Group Rating Methodology, 10 July 2015
- Rating Methodology – Corporate, 31 October 2007

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**Amata B.Grimm Power 3 Ltd. (ABP3)**

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<b>Company Rating:</b>	A-
<b>Rating Outlook:</b>	Stable

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**TRIS Rating Co., Ltd.**

Silom Complex Building, 24th Floor, 191 Silom Road, Bangkok 10500, Thailand Tel: 0-2098-3000

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