

# AMATA B.GRIMM POWER (RAYONG) 2 LTD.

No. 8/2019

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

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## RATIONALE

TRIS Rating affirms the company rating on Amata B.Grimm Power (Rayong) 2 Ltd. (ABPR2) at "A-". The rating reflects the reliable cash flows ABPR2 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 uses of proven technology in its cogeneration power plant. In addition, ABPR2'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

ABPR2 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 ABPR2 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, ABPR2 also has long-term off-take agreements with industrial customers in Amata City Industrial Estate (ACIE). The agreements cover 24 MW of electricity and 14 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

ABPR2'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.

ABPR2'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, ABPR2 can operate the gas turbines even when the steam turbine is undergoing maintenance or for load management purposes.

ABPR2 has an eight-year long-term service agreement (LTSA) with Siemens. Under the LTSA, Siemens provides maintenance services, including spare parts, for the gas turbine units. The agreement covers major overhaul and contains an option to extend the LTSA for another eight years. 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, ABPR2 has its own operation and maintenance

teams. The teams leverage BGRIM’s expertise in the operation and maintenance of cogeneration power plants. ABPR2’s operation has met the targets specified in the PPA since the plant started up in 2013. For the first nine months of 2018, ABPR2 sold about 484 gigawatt-hour (GWh) of electricity to EGAT, 101 GWh to industrial customers, and 26 GWh to related companies (other power plants in ACIE owned by BGRIM) for load management purposes. Sales to EGAT constituted about 79% of total electricity sales. The actual availability factor was 97.4% and the heat rate was 7,539 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 ABPR2 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**

ABPR2’s revenue and earnings have been stable for the past several years. During 2014-2016, revenues ranged between Bt2,400-Bt3,000 million per year. Earnings before interest, taxes, depreciation, and amortization (EBITDA) ranged between Bt660-Bt730 million per year over the same period. From 2014-2016, revenue comprised electricity sold to EGAT (77%), electricity sold to industrial customers (15%), and steam sold to industrial customers (5%). The balance (3%) was from electricity sold to related companies that own and operate power plants located in ACIE. The intercompany transactions are on arm’s length basis. The transaction helps balance the load for the industrial customers in ACIE.

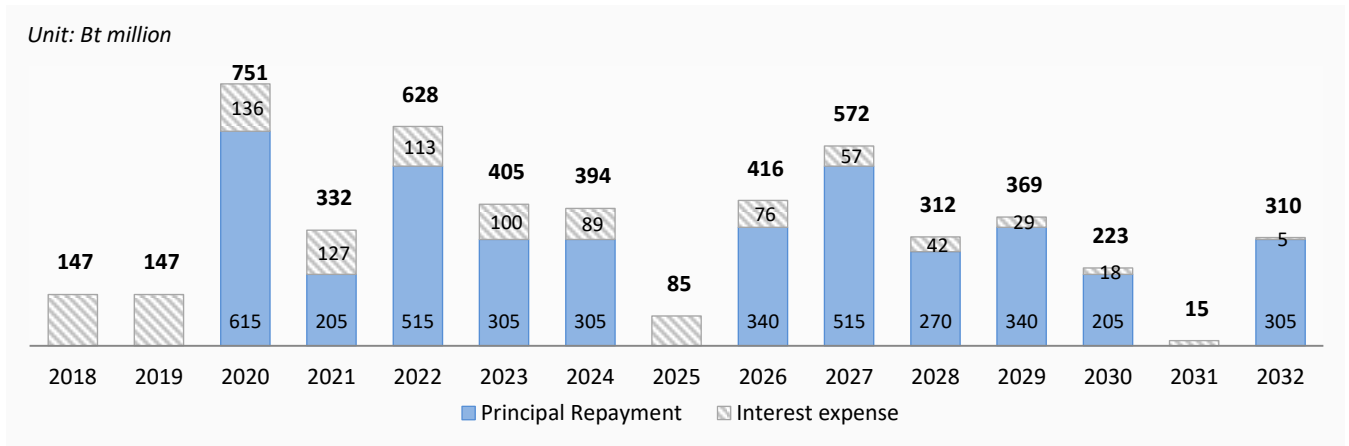
In 2017, revenue increased by 8% to Bt2,598 million. ABPR2 sold more electricity to EGAT and industrial customers. EBITDA increased by 20% to Bt790 million. The operating margin (operating income as a percentage of total operating revenues) was 30.3%, up from 27.4% in 2016

**Moderate debt service capability**

In April 2017, ABPR2 borrowed Bt3,920 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. ABPR2’s debt service obligations vary significantly year to year. Debt services range from Bt15 million to Bt751 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. ABPR2 will manage its liquidity needs and reserve cash for the years in which large principal repayments must be made.

As of 2017, ABPR2 had cash on hand and cash equivalents of Bt1,058 million. EBITDA is forecast at Bt660-740 million per year during 2019-2021. The cash on hand and cash equivalents plus the forecast EBITDA is cover its debt service obligation of Bt147 million to Bt751 million per year over the same period.

**Chart 1: Debt Service Schedule of ABPR2’s Inter-company Loans**



**BASE-CASE ASSUMPTIONS**

- During 2018-2021, TRIS Rating assumes the company’s availability factor will be in the range of 94%-98%.
- PPA with EGAT of 90 MW, PPAs with industrial customers of 24 MW, and the steam purchase agreements (SPAs) with industrial customers of 14 ton/hour.
- During 2018-2021, ABPR2’s revenue will range between Bt2,500-Bt2,700 million per year. EBITDA is forecast at Bt660-Bt740 million per year, and cash on hand will range between Bt900-Bt1,300 million.
- Maintenance CAPEX of Bt24-Bt77 million per year.

## RATING OUTLOOK

The “stable” outlook reflects TRIS Rating’s expectation that ABPR2 will maintain smooth operations and generate a reliable EBITDA of Bt660-Bt740 million per year.

## RATING SENSITIVITIES

The upside for the rating on ABPR2 is limited over the next 12-18 months. The rating downside case may occur if ABPR2’s operating performances or financial results deteriorate significantly, hurting its ability to generate cash.

## COMPANY OVERVIEW

ABPR2 was established in 2011 to own and operate a cogeneration power plant under the SPP scheme. The plant is located in ACIE, Rayong province. The power plant has an installed capacity of 124.4 MW plus 30 tonnes per hour of steam. Of the 124.4 MW, 90 MW is sold to EGAT under a 25-year PPA while the rest is sold to industrial customers in ACIE. ABPR2 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. ABPR2 has a contract with the PEA to purchase backup power in the event of an emergency. ABPR2’s plant commenced commercial operation on 21 June 2013. As of September 2018, ABPR2’s share-holders were BGRIM (61.7%), Sunrise Energy Co., Ltd. of the Sumitomo Group (SSEC -- 18.6%), Amata Corporation PLC (AMATA -- 16.6%) and B.Grimm Joint Venture Holding Ltd. (BGJV -- 3%).

## KEY OPERATING PERFORMANCE

Plant Performance Statistics of ABPR2							
Plant Performance	Unit	Jan-Sep 2018	2017	2016	2015	2014	2013
Net output energy <sup>(*)</sup>	GWhe	618.8	874.8	793.2	820.6	813.6	342.0
Plant heat rate	BTU/kWh	7,539	7,474	7,571	7,553	7,550	7,748
Primary energy saving factor	%	14.6	15.9	14.4	16.2	16.4	12.8
Availability	%	97.4	99.7	93.2	96.3	98.1	96.5
Unplanned outage	%	0.0	0.3	1.4	2.7	1.2	3.5
Planned outage	%	2.6	0.0	5.4	1.0	0.7	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	2,598	2,406	2,848	3,005
Operating income	788	659	733	718
Earnings before interest and taxes (EBIT)	561	430	502	522
Earnings before interest, taxes, depreciation, and amortization (EBITDA)	790	659	729	718
Funds from operations (FFO)	575	459	369	475
Adjusted interest expense	216	201	360	242
Capital expenditures	4	2	7	72
Total assets	5,898	5,511	5,757	5,857
Adjusted debt	2,891	3,043	3,385	3,495
Adjusted equity	1,512	1,378	1,429	1,487
<b>Adjusted Ratios</b>				
Operating income as % of total operating revenues (%)	30.34	27.38	25.73	23.87
Pretax return on permanent capital (%)	10.52	8.08	9.19	9.80
EBITDA interest coverage (times)	3.66	3.29	2.02	2.96
Debt to EBITDA (times)	3.66	4.61	4.64	4.87
FFO to debt (%)	19.88	15.08	10.89	13.60
Debt to capitalization (%)	65.66	68.83	70.32	70.15

**RELATED CRITERIA**

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

**Amata B.Grimm Power (Rayong) 2 Ltd. (ABPR2)**
**Company Rating:**

A-

**Rating Outlook:**

Stable

**TRIS Rating Co., Ltd.**

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