

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

No. 6/2021  
21 January 2021

## CORPORATES

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

**Last Review Date:** 08/01/20

### Company Rating History:

Date	Rating	Outlook/Alert
28/02/17	A-	Stable

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## RATIONALE

TRIS Rating affirms the company rating on Amata B. Grimm Power (Rayong) 2 Ltd. (ABPR2) at “A-” with a “stable” rating outlook. The rating reflects the predictable 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 fact that ABPR2 uses of proven technology in its cogeneration power plant. In addition, its major shareholder, B. Grimm Power PLC (BGRIM), has a strong track record in the operation of gas-fired power plants.

## 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 has long-term off-take agreements with industrial customers in Amata City (Rayong) Industrial Estate (ACRIE). 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. However, the Ft adjustment carries a time lag and is subject to the authorities’ discretion on the timing and size of the adjustments.

### 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 industry. The Siemens SGT 800 gas turbine has a proven track record, with 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, and one steam turbine. The gas turbines and the steam turbine are all made by Siemens. The Siemens 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.

In 2020, ABPR2 extended the period of the long-term service agreement (LTSA) with Siemens to 2035, which covers the next two major overhaul (MO) cycles of the power plant. The extended LTSA was signed under the collaboration between Siemens and BGRIM, which will benefit the power plant through a higher availability factor and improved efficiency.

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 turbines and keeps maintenance costs under control.

### Proven track record in power plant operations

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 operations have met the targets specified in the PPA since the plant started up in 2013.

For the first nine months of 2020, the plant’s actual availability factor was 91.7% and the heat rate was 7,558 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 THB0.36/kWh from EGAT as a fuel saving (FS) payment.

### Sales are largely contributed by EGAT

ABPR2’s sales to EGAT constituted about 74%-77% of total sales per annum. During 2017-2019, ABPR2 annually sold about 631-657 gigawatt-hours (GWh) of electricity to EGAT, 132-136 GWh to industrial customers, and 36-61 GWh to related companies (other power plants in ACRIE owned by BGRIM) for load management purposes. ABPR2’s revenue and earnings have been stable for the past several years. During 2017-2019, revenues ranged from THB2.6-THB2.7 billion per year. Earnings before interest, taxes, depreciation, and amortization (EBITDA) ranged between THB730-THB788 million per year over the same period. Revenues for the period from 2017 to 2019 were derived from electricity sold to EGAT (75%), electricity sold to industrial customers (16%), and steam sold to industrial customers (5%).

### Low impact from COVID-19

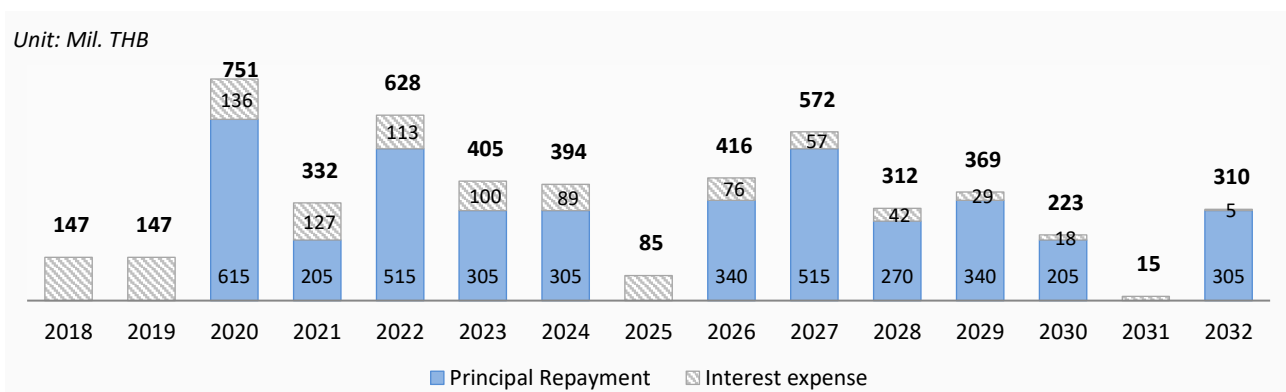
For the first nine months of 2020, ABPR2 sold about 452 GWh of electricity to EGAT, 91 GWh to industrial customers, and 29 GWh to related companies. Total electricity sale volume dropped 7.5% from the same period of the previous year. The decreased electricity sale volume was mainly attributed to the 34% drop in power demand of industrial customers in the second quarter of 2020, induced by the fallout from the Coronavirus Disease 2019 (COVID-19). ABPR2’s revenues recovered in the third quarter of 2020. Nevertheless, total revenue for the first nine months of 2020 decreased by 11.1% on a year-on-year basis to THB1.8 billion while EBITDA decreased by 13.4% to THB467 million due to the higher maintenance cost for the scheduled maintenance.

### Satisfactory debt service capability

In April 2017, ABPR2 borrowed THB3.92 billion from Amata B. Grimm Power SPV1 Ltd. (ABPSPV) as an inter-company loan. The proceeds were used to refinance an outstanding bank project loan. The repayment schedule of the inter-company loan matches the maturity of the bonds issued by ABPSPV. ABPR2’s debt service obligations vary significantly from year to year. Debt services will range from THB15 million to THB751 million per year during 2018-2032 with no principal repayments called for in 2018, 2019, 2025, and 2031. The first principal repayment was made in April 2020. We expect ABPR2 to manage its liquidity needs and reserve cash for the years in which large principal repayments are scheduled to be made.

As of September 2020, ABPR2 had cash on hand and cash equivalents of THB1.1 billion. EBITDA is forecast to be THB596-THB672 million per year during 2020-2024. The cash on hand and cash equivalents plus the forecast EBITDA exceed its debt service obligation of THB332-THB628 million due in 2021-2024.

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



Sources: ABPR2 and TRIS Rating’s estimates

## BASE-CASE ASSUMPTIONS

- During 2020-2024, the plant availability factor to be in a range of 86.6%-98.3%.
- PPA with EGAT to be 90 MW, PPAs with industrial customers to be 24 MW, and the steam purchase agreements (SPAs) with industrial customers to be 14 tonnes/hour.
- During 2020-2024, revenue to be in a range of THB2.09-THB2.47 billion per year. EBITDA to be in a range of THB596-THB672 million per year. Cash on hand to stay around THB319-THB786 million per year.
- Capital expenditure to be THB5-THB74 million per year.
- The inter-company loan repayment is made according to repayment schedule.

## RATING OUTLOOK

The “stable” rating outlook reflects TRIS Rating’s expectation that ABPR2 will maintain smooth operations and generate a reliable EBITDA of around THB596-THB672 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 arise if ABPR2's operating performance or financial results deteriorate significantly, hurting its capability 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 ACRIE, 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 ACRIE. 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, under which Siemens will maintain the gas turbines, ensuring reliable operations. 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 2020, 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

**Table 1: Plant Performance Statistics of ABPR2**

Plant Performance	Unit	Jan-Sep 2020	2019	2018	2017	2016	2015
Net output energy *	GWhe	580.4	838.0	824.5	874.8	793.2	820.6
Plant heat rate	BTU/kWh	7,558	7,508	7,542	7,474	7,571	7,553
Primary energy saving factor	%	14.3	14.4	14.6	15.9	14.4	16.2
Availability	%	91.7	96.5	98.0	99.7	93.2	96.3
Unplanned outage	%	0.0	0.8	0.1	0.3	1.4	2.7
Planned outage	%	8.3	2.8	1.9	0.0	5.4	1.0

\* Net output of electricity and steam

Source: ABPR2

## FINANCIAL STATISTICS AND KEY FINANCIAL RATIOS

Unit: Mil. THB

	-----Year Ended 31 December -----			
	2019	2018	2017	2016
Total operating revenues	2,731	2,605	2,598	2,406
Earnings before interest and taxes (EBIT)	506	501	559	429
Earnings before interest, taxes, depreciation, and amortization (EBITDA)	737	730	788	659
Funds from operations (FFO)	575	568	573	458
Adjusted interest expense	161	162	216	201
Capital expenditures	8	7	4	2
Total assets	5,989	5,920	5,898	5,511
Adjusted debt	2,606	2,996	2,920	3,043
Adjusted equity	1,549	1,538	1,512	1,378
<b>Adjusted Ratios</b>				
EBITDA margin (%)	26.97	28.04	30.34	27.38
Pretax return on permanent capital (%)	9.18	9.10	10.45	8.06
EBITDA interest coverage (times)	4.58	4.50	3.66	3.28
Debt to EBITDA (times)	3.54	4.10	3.70	4.62
FFO to debt (%)	22.06	18.96	19.61	15.06
Debt to capitalization (%)	62.73	66.08	65.89	68.83

## RELATED CRITERIA

- Rating Methodology – Corporate, 26 July 2019
- Key Financial Ratios and Adjustments, 5 September 2018
- Group Rating Methodology, 10 July 2015

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

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

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**TRIS Rating Co., Ltd.**

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