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

No. 6/2018 9 January 2018

**Company Rating:** A-

**Outlook:** Stable

**Company Rating History:**

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

## Rating Rationale

TRIS Rating affirms the company rating of Amata B.Grimm Power (Rayong) 2 Ltd. (ABPR2) at "A-". The rating reflects the reliable cash flows received through a long-term power purchase agreement (PPA) with the Electricity Generating Authority of Thailand (EGAT) under the Small Power Producer (SPP) scheme, proven technology of combined-cycle gas turbine used for its cogeneration power plant, and B.Grimm Group's experience in the power business. The rating is constrained by ABPR2's single asset risk and highly-leveraged balance sheet.

ABPR2 was established in 2011 to own and operate a power plant under the SPP scheme. The plant is located in Amata City Industrial Estate (ACIE), Rayong province. The power plant has an installed capacity of 124.4 megawatts (MW) plus 30 tonnes per hour of steam. Of the 124.4 MW, 90 MW is sold to EGAT under the 25-year PPA, while the rest is sold to industrial customers in ACIE. ABPR2's plant commenced commercial operation on 21 June 2013. Currently, ABPR2's shareholders are B.Grimm Power PLC (BGRIM -- 61.7%), Summit 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%).

ABPR2 has a 25-year PPA with EGAT for 90 MW under the SPP scheme. ABPR2 also has long-term off-take agreements with industrial customers to sell 24 MW of electricity and 14 tonnes per hour of steam. The PPA with EGAT has helped mitigate market risk as EGAT agreed to dispatch not less than 80% of the contracted capacity based on operating hours. The PPA also contains a gas price pass-through mechanism. For the industrial customers, the contracts also specify minimum off-take amounts. The electricity tariffs charged to the industrial customers are based on the electricity tariff the Provincial Electricity Authority (PEA) charges to large general service customers. The tariff generally carries a fuel adjustment charge or Ft to adjust for changes in fuel price. ABPR2 holds a gas supply contract (GSA) with PTT PLC (PTT) for 25 years covering the term of the PPA with EGAT.

ABPR2's power plant employs proven technology used in its combine cycle cogeneration plant. 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 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 both made by Siemens. By selecting gas turbines with bypass stacks, ABPR2 has the flexibility to independently operate the gas turbines during maintenance of the steam turbine or for load management purposes. ABPR2 entered into an eight-year long-term service agreement (LTSA) with Siemens. The agreement helps mitigate operational risk and control maintenance cost. For the day-to-day operation, ABPR2 has its own operation and maintenance team, leveraging BGRIM's expertise in the operation and maintenance of cogeneration power plants.

ABPR2's operations have met the PPA targets since its inception in 2013. For the first nine months of 2017, ABPR2 sold about 494 gigawatt-hour (GWh) of electricity to EGAT, 77% of total electricity sales, while sold about 99 GWh of electricity to industrial customers, and sold about 45 GWh to Amata B.Grimm Power (Rayong) 1 Ltd. (ABPR1) for load management purposes. The actual availability factor was 99.5%, as there was no planned maintenance, and the heat

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rate was 7,467 British Thermal Unit/kilowatt-hour (BTU/kWh), better than the PPA allowance of 8,000 BTU/kWh. In terms of energy efficiency, ABPR2's plant has managed to achieve the primary energy saving (PES) threshold and received an additional tariff of 0.36 Bt/kWh of fuel saving (FS) payment from EGAT.

Planned maintenance plus a lower gas price in 2016 caused the company's revenue and earnings before interest, tax, depreciation, and amortization (EBITDA) to decline to Bt2,371 million and Bt652 million, respectively. The company's operating margin (operating income before depreciation and amortization as a percentage of sales) was 26% in 2016. The ratio of funds from operations (FFO) to total debt was 11.7%. At the end of 2016, ABPR2's debts totaled Bt3,771 million, with a debt to capitalization ratio of 73.2%.

In April 2017, the company refinanced its project loans with intercompany loans borrowed from Amata B.Grimm Power SPV1 Ltd. (ABPSPV) totalling Bt3,920 million. According to the loan agreement, the repayment profile is in line with the repayment profile of ABPSPV. The first repayment of Bt615 million will come due in 2020. Looking forward, TRIS Rating's base case scenario expects ABPR2's EBITDA will be Bt600-Bt700 million per year, while maintaining cash on hand of over Bt1,000 million. With this assumption, the company could cover its debt repayments in 2020 and the years after. However, due to its repayment profile, the company's debt to capitalization ratio is expected to remain high during 2018-2019.

**Rating Outlook**

The "stable" outlook reflects the expectation that ABPR2 will maintain smooth operations, and generate a reliable EBITDA of Bt600-Bt700 million per year. In addition, ABPR2 is expected to manage its liquidity needs to accommodate rises in bullet payments in 2020.

An upside for ABPR2's rating is limited over the next 12-18 months. A rating downside case may occur if ABPR2's performance deteriorates significantly, hurting its cash flow generation.

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

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

**Plant Performance Statistics of ABPR2**

| Plant Performance | Unit | Jan-Sep 2017 | 2016 | 2015 | 2014 | 2013 |
|---|---|---|---|---|---|---|
| Net output energy* | GWhe | 656.8 | 793.2 | 820.6 | 813.6 | 342.0 |
| Plant heat rate | BTU/kWh | 7,467 | 7,571 | 7,553 | 7,550 | 7,748 |
| Primary energy saving factor | % | 16.0 | 14.4 | 16.2 | 16.4 | 12.8 |
| Availability | % | 99.5 | 93.2 | 96.3 | 98.1 | 96.5 |
| Unplanned outage | % | 0.5 | 1.4 | 2.7 | 1.2 | 3.5 |
| Planned outage | % | 0.0 | 5.4 | 1.0 | 0.7 | 0.0 |

* *Net output of electricity and steam*

**Financial Statistics and Key Financial Ratios***

*Unit: Bt million*

| | -------------- Year Ended 31 December ------------ | | | |
|---|---|---|---|---|
| | **2016** | **2015** | **2014** | **2013** |
| Revenue | 2,371 | 2,815 | 2,973 | 1,212 |
| Gross interest expense | 207 | 228 | 232 | 179 |
| Net income from operations | 217 | 270 | 286 | 24 |
| Funds from operations (FFO) | 440 | 420 | 520 | 100 |
| Earnings before interest, tax, depreciation, and amortization (EBITDA) | 652 | 725 | 713 | 234 |
| Capital expenditures | 2 | 7 | 39 | 1,077 |
| Total assets | 5,511 | 5,757 | 5,857 | 5,595 |
| Total debts | 3,771 | 3,947 | 3,940 | 4,053 |
| Shareholders' equity | 1,378 | 1,429 | 1,487 | 1,116 |
| Operating income before depreciation and amortization as % of sales | 26.0 | 24.6 | 22.9 | 19.2 |
| Pretax return on permanent capital (%) | 8.1 | 9.2 | 9.8 | 2.9 |
| Earnings before interest, tax, depreciation, and amortization (EBITDA) interest coverage (times) | 3.1 | 3.2 | 3.1 | 1.3 |
| FFO/total debt (%) | 11.7 | 10.6 | 13.2 | 2.5 |
| Total debt/capitalization (%) | 73.2 | 73.4 | 72.6 | 78.4 |

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