

# EGAT INTERNATIONAL CO., LTD.

No. 131/2020  
31 August 2020

## CORPORATES

**Company Rating:** AAA  
**Outlook:** Stable

**Last Review Date:** 30/08/19

### Company Rating History:

Date	Rating	Outlook/Alert
16/09/15	AAA	Stable

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## RATIONALE

TRIS Rating affirms the company rating on EGAT International Co., Ltd. (EGATi) at “AAA” with a “stable” outlook. The rating reflects the company’s status as a wholly-owned subsidiary of Electricity Generating Authority of Thailand (EGAT, rated “AAA/Stable” by TRIS Rating) and its important role as an investment arm of EGAT for its overseas investments in power and energy-related businesses. As EGATi is 100% owned by EGAT, it is a state-owned enterprise under the Thai law. The rating also takes into consideration the high degree of integration between EGAT and EGATi, plus the high level of support EGATi receives from EGAT.

## KEY RATING CONSIDERATIONS

### EGATi’s role as an investment arm of EGAT

Following a Cabinet resolution, EGATi was established in October 2007 as an investment arm of EGAT for investments in power and energy-related businesses outside Thailand. Both EGAT and EGATi are state-owned enterprises under the Thai law. EGATi is wholly owned and controlled by EGAT. Hence, EGATi’s credit profile is closely linked to EGAT’s.

Since its inception, EGATi’s business direction has been aligned with EGAT’s business strategy. EGATi represents EGAT’s interest in government-to-government (G-to-G) power projects in neighboring countries. EGATi’s policy is to invest in energy projects abroad to complement the objective of securing a sufficient supply of electricity for Thailand and obtaining investment return for EGAT.

### High integration with EGAT

A key factor in determining the degree of EGATi’s credit linkage to EGAT is its high level of integration with EGAT. Since EGATi was established, its top management and members of the board of directors have been appointed and seconded by EGAT. In addition, EGAT is actively involved in EGATi’s investment process. Investments approved by EGATi’s board of directors are subject to EGAT’s review before being forwarded to the Ministry of Energy for final approval.

TRIS Rating believes EGAT will continue to provide strong support to EGATi since it is an integral part of EGAT’s long-term business strategy. EGAT has budgeted an equity contribution of THB17 billion to support EGATi’s investment plans. As of March 2020, EGAT made an equity contribution of THB12.2 billion to EGATi. Of this amount, THB11.31 billion was earmarked for the investments in the “Nam Ngiep 1”, “Mong Ton”, and “Quang Tri 1” projects plus “Adaro Indonesia”.

### Coal mining still the main source of cash

Investment in Adaro Indonesia will continue to be the main source of revenue for EGATi over the next three years. Adaro Indonesia is one of the largest coal mining enterprises in Indonesia. It produces about 50 million tonnes of coal per year with proven reserves of 744 million tonnes at the end of December 2019.

EGATi has an 11.53% interest in Adaro Indonesia, acquired at a cost of USD325 million in late 2016. Since this initial investment, EGATi has received THB5.61 billion in dividend income. TRIS Rating forecasts that EGATi will receive dividends of about THB400 million per year during 2020-2021 and

about THB900 million in 2022. This is based on the Newcastle Coal Index prices at about USD60-USD65 per tonne. The dividend income EGATi receives is sufficient to cover the company's operating expenses of about THB200 million per year.

### Investment in three power projects

EGATi's investment portfolio consists of three power projects abroad and an investment in Adaro Indonesia, a coal mine in Indonesia. The three power projects have an aggregate capacity of 4,257 megawatts (MW). The three power projects are as follows: the Nam Ngiep 1 hydro-power project (Nam Ngiep 1) in the Lao People's Democratic Republic (Lao PDR), the Quang Tri 1 coal-fired power project in Vietnam, and the Mong Ton hydro-power project in Myanmar.

### Nam Ngiep 1 project in operation

The Nam Ngiep 1 power project commenced commercial operation on 5 September 2019. The original schedule was delayed by about 6.5 months. This was due to the physical movement of the main dam, causing a misalignment of the generators. The revised project cost of USD957.3 million was still within the investment budget. The incremental cost was about USD51.2 million. The company expects to recover USD27 million from the project being insured against the schedule delay.

The Nam Ngiep 1 project has a 27-year power purchase agreement (PPA) with EGAT for 269 MW. From September to December 2019, Nam Ngiep 1 project had generated about 412 Gigawatts-hour (GWh) of electricity. The company recorded earnings before interest, tax, depreciation and amortization (EBITDA) of about USD29 million. TRIS Rating forecasts that EGATi will receive dividends of around THB150-THB200 million per year beginning in 2022 onwards.

### Other power projects under development

EGATi has two power projects currently under development. The Quang Tri 1 coal-fired power project in Vietnam is designed for an installed capacity of 1,320 MW. EGATi is currently negotiating the electricity tariff with Vietnam Electricity (EVN). EGATi plans to inject equity into the project for construction in 2021, after signing a PPA with EVN. For the Mong Ton hydro-power project in Myanmar, investment has been postponed due to the uncertainty of the master plan for power development in Myanmar.

In addition, EGATi signed a memorandum of understanding (MOU) with Chaleun Sekong Co., Ltd. (CSG) to acquire 80% interest in Nam Ngum 3 Hydro-power project (NN3HPP) from the Electricity Du Laos (EDL). Under the MOU, EGATi will hold 25% interest in the project, while CSG will hold 55% interest in the project. NN3HPP, located in the Lao PDR, has an installed capacity of 480 MW. EDL currently owns the entire project. Construction is about 79% complete, with a scheduled completion date in 2021. Currently, the Sub-Committee on Electric Power Cooperation between Thailand and Neighboring Countries (S-ECTN) is considering the electricity tariff and technical aspects. Once the project company signs a PPA with EGAT, EGATi will inject capital into the project.

### Debt free balance sheet until 2022

EGATi's investment plan during 2020-2022 includes an investment in the Quang Tri and Nam Ngum 3 projects, additional investment in Adaro Indonesia, and the acquisition of renewable projects. Total capital expenditures worth THB8.67 billion will be mainly funded by equity commitment of about THB5.2 billion from EGAT, and its cash and cash equivalent. As of March 2020, EGATi has cash and cash equivalent worth THB5.96 billion.

### BASE-CASE ASSUMPTIONS

- EGATi's share of profits from Adaro Indonesia and Nam Ngiep 1 to be around THB0.6-THB1 billion per year during 2020-2022.
- Dividend income to be about THB400-THB600 million per year in 2020-2021 and about THB900 million in 2022.
- EGATi's investment to be about THB100 million in 2020, and THB3.8-THB4.8 billion per year in 2021-2022.
- Capital expenditures will cover investment in the Quang Tri and Nam Ngum 3 projects, Adaro Indonesia, and the acquisition of renewable power projects.

### RATING OUTLOOK

The "stable" outlook reflects our expectation that EGATi will remain a wholly-owned subsidiary of EGAT and continue its important role as an investment arm of EGAT for overseas investments.

### RATING SENSITIVITIES

A downgrade scenario could emerge if there is a material deterioration in EGAT's credit profile, a significant change in EGATi's relationship with EGAT including its ownership linkage and integration with EGAT, or a material weakening of

support from EGAT.

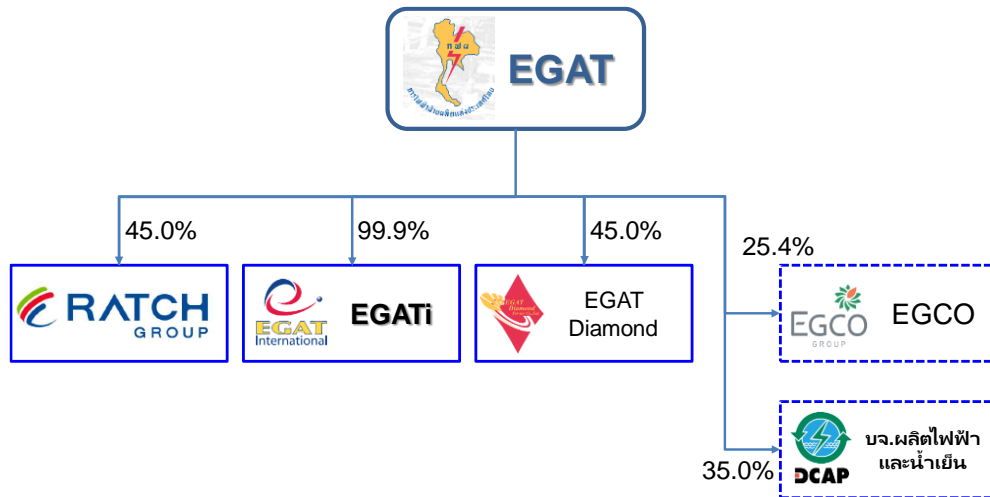
**COMPANY OVERVIEW**

EGATi was founded by a Cabinet resolution on 30 October 2007. Its initial objective was to serve as EGAT’s representative in the G-to-G power projects in neighboring countries. The company was formally established in December 2007, with a registered capital of THB50 million. EGATi is wholly owned by EGAT. EGAT received approval from the Ministry of Energy to inject THB17 billion in equity into EGATi to make investments abroad. In addition to this budget, EGAT pays EGATi's operating expenses through additional equity injections. As of March 2020, EGATi's paid-up capital was THB12.2 billion. Of this amount, THB11.31 billion was earmarked for investment in the Nam Ngiep 1 hydropower project, development of the Mong Ton hydropower project, and investment in Adaro Indonesia and the Quang Tri 1 project.

EGATi's investment portfolio comprises three power projects in the Lao PDR, Vietnam, Myanmar, and a coal mine in Indonesia. The aggregate capacity of the three power projects is 4,257 MW. EGATi has a policy of holding a 25%-40% interest in a project. Of the three projects, the Nam Ngiep 1 project commenced commercial operation in September 2019, while the other projects are in the feasibility study and development phases.

**KEY OPERATING PERFORMANCE**

**Chart 1: EGAT’s Group Structure as of 30 Jun 2020**



Illustrated by TRIS Rating

**Table 1: EGATi’s Portfolio as of 30 Jun 2020**

Project Name	Location	Plant Type	Project Capacity (MW)	EGATi’s Holding (%)	EGATi’s Capacity (MW)	PPA Terms (Years)	COD
<b>Power projects</b>							
1. Nam Ngiep 1	Lao PDR	Hydro power	287	30	86	27	Sep 2019
2. Quang Tri 1	Vietnam	Coal-fired	1,320	40	528	25	2024-2025 (e)
3. Mong Ton	Myanmar	Hydro power	2,650	30	795	40	2028-2030 (e)
<b>Total</b>			<b>4,257</b>		<b>1,409</b>		
Company	Location	Business Type	EGATi’s Holding (%)	EGATi’s Investment (Mil. THB)			
<b>Other investments</b>							
1. Adaro Indonesia	Indonesia	Coal mining	11.53	11,160			
<b>Total</b>				<b>11,160</b>			

e = estimated

Source: EGATi

**FINANCIAL STATISTICS AND KEY FINANCIAL RATIOS\***

Unit: Mil. THB

	Jan-Mar 2020	-----Year Ended 31 December -----			
		2019	2018	2017	2016
Total operating revenues	1	5	7	10	13
Earnings before interest and taxes (EBIT)	343	272	1,344	1,289	(115)
Earnings before interest, taxes, depreciation, and amortization (EBITDA)	307	392	1,553	2,873	(141)
Funds from operations (FFO)	232	309	1,255	2,246	(158)
Adjusted interest expense	0	0	0	0	0
Capital expenditures	7	23	21	22	48
Total assets	18,469	18,122	18,583	17,675	17,570
Adjusted debt	0	0	0	0	0
Adjusted equity	13,115	13,180	13,267	12,282	11,640
<b>Adjusted Ratios</b>					
EBITDA margin (%)	n.m.	n.m.	n.m.	n.m.	n.m.
Pretax return on permanent capital (%)	3.40 **	2.06	10.52	10.78	(1.31)
EBITDA interest coverage (times)	n.m.	n.m.	n.m.	n.m.	n.m.
Debt to EBITDA (times)	0.00 **	0.00	0.00	0.00	0.00
FFO to debt (%)	n.m.	n.m.	n.m.	n.m.	n.m.
Debt to capitalization (%)	0.00	0.00	0.00	0.00	0.00

\* Equity-method

\*\* Annualized with trailing 12 months

n.m. = Not meaningful

**RELATED CRITERIA**

- Rating Methodology – Corporate, 26 July 2019
- Key Financial Ratios and Adjustments, 5 September 2018
- Rating Methodology – Government-Related-Entity, 6 June 2017
- Group Rating Methodology, 10 July 2015

**EGAT International Co., Ltd. (EGATI)**
**Company Rating:**
**AAA**
**Rating Outlook:**
**Stable**
**TRIS Rating Co., Ltd.**

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