

RATCHABURI ELECTRICITY GENERATING CO., LTD.

No. 105/2018

24 July 2018

CORPORATES

Company Rating:	AAA
Outlook:	Stable

Company Rating History:

Date	Rating	Outlook/Alert
10/04/15	AAA	Stable
25/04/13	AA+	Stable
15/06/05	AA	Stable
12/07/04	AA-	Stable
26/06/03	AA-	-

RATIONALE

TRIS Rating affirms the company rating on Ratchaburi Electricity Generating Co., Ltd. (RATCHGEN) at “AAA”. The rating continues to reflect the predictable cash flows RATCHGEN receives from its long-term power purchase agreements (PPAs) with the Electricity Generating Authority of Thailand (EGAT), its state-of-the-art Ratchaburi and Tri Energy power plants, as well as the company's proven record of managing power plants and its strong balance sheet.

KEY RATING CONSIDERATIONS

Reliable cash flow from long-term PPAs with EGAT

RATCHGEN's power plants have long-term PPAs with EGAT (rated “AAA” by TRIS Rating). The PPAs call for RATCHGEN to keep its power plants available for dispatch orders received from EGAT. EGAT will make full available payment (AP) to RATCHGEN as long as it can achieve the availability target. The PPAs enable RATCHGEN to pass-through fuel cost to EGAT at any changes in the cost of fuel, which helps reduce fuel price risk.

Proven track record

Ratchaburi and Tri Energy power plants have almost 20-year track record of smooth operation. Its plants have been able to meet the availability targets specified in the PPAs. During the last 10 years, the plant availability figures and plant efficiency values have exceeded the targets set in the PPAs almost every year.

No sizable investment ahead

RATCHGEN has no plan to make any sizable investment from now through 2020. Currently, Thailand has a sufficient power reserve margin, meaning the existing power-generating capacity will exceed demand for at least the next five years. In addition, renewable energy trend has limited the need for new conventional power plants in Thailand.

Strong balance sheet

RATCHGEN's financial position will stay strong for at least the next three years. As of March 2018, RATCHGEN had total debt of Bt3.8 billion and the total debt to capitalization ratio of 13.2%. We forecast RATCHGEN's debt to capitalization ratio will maintain in the range of 13%-16% through 2020, depending on its working capital needs. The ratio will improve further when the company repays its debentures of Bt2 billion in 2022.

Ample liquidity

RATCHGEN's liquidity profile is very strong. Its sources of funds comprise cash on hand of Bt557 million and undrawn credit facilities of Bt24.5 billion as of March 2018. We expect its funds from operations (FFO) over the next 12 months will be around Bt6.5 billion. Debts due over the next 12 months, in the form of a shareholder loan, amount Bt1.8 billion. We expect no large investment through 2020 other than routine maintenance expenditures of about Bt150-Bt200 million per year.



RATING OUTLOOK

The “stable” outlook reflects our expectation that RATCHGEN will continue to meet the plant availability and efficiency targets spelled out in the PPAs. We also expect RATCHGEN to generate reliable streams of revenue throughout the lives of the PPAs.

RATING SENSITIVITIES

The credit rating downside may occur if RATCHGEN’s financial leverage increases dramatically due to any large-scale, debt-funded investment.

COMPANY OVERVIEW

RATCHGEN is a wholly-owned subsidiary of Ratchaburi Electricity Generating Holding PLC (RATCH), which is also rated “AAA” by TRIS Rating. RATCHGEN is a flagship for RATCH to investment in conventional power plants in Thailand.

At the end of March 2018, RATCHGEN’s power plant portfolio consisted of two power plants located in Ratchaburi province, with a total capacity of 4,365 megawatts (MW). The two plants account for 10% of Thailand’s total installed capacity.

RATCHGEN’s Power Plant Portfolio

	Ratchaburi Plant	Tri Energy Plant	Total
Capacity (MW)	1,470	2,175	720
Plant Type	Thermal	Combined Cycle	Combined Cycle
COD	2000	2002	2000
PPA with EGAT	25 years	25 years	20 years
Beginning	2000	2002	2000
Ending	2025	2027	2020
GSA with PTT	25 years	25 years	20 years
Beginning	2000	2002	2000
Ending	2025	2027	2020

* GSA = Gas sales agreement with PTT PLC

Source: RATCHGEN

KEY OPERATING PERFORMANCE

Performance Statistics of Ratchaburi Power Plant

Unit	Jan-Mar 18	Jan-Mar 18	2017	2016	2015
	(Target)	(Actual)			
Ratchaburi Plant (Thermal Units)					
Dispatch factor	%	-	-	1.3	24.8
EAF* avg. 12 months	%	95.6	100.0	86.3	97.1
Planned outage	Hours	-	-	1,920	-
Forced outage	Hours	190.0	-	-	38
Maintenance outage	Hours	-	-	-	256
Ratchaburi Plant (CCGT Units)					
Dispatch factor	%	70.9	84.7	86.9	87.0
EAF avg. 12 months	%	88.1	92.1	89.9	91.6
Planned outage	Hours	360	360	1,780	1,208
Forced outage	Hours	399	37	203	280
Maintenance outage	Hours	-	109	768	592
TECO Plant					
Dispatch factor	%	0.0	22.4	80.0	70.0
EAF* avg. 12 months	%	100.0	99.1	90.8	70.6
Planned outage	Hours	-	-	207.0	512.5
Forced outage	Hours	-	19.5	231.0	1,896
Maintenance outage	Hours	-	-	-	1,230

* Equivalent Availability Factor (EAF)

Source: RATCHGEN

FINANCIAL STATISTICS AND KEY FINANCIAL RATIOS

Unit: Bt million

	Jan-Mar 2018	Year Ended 31 December			
		2017	2016	2015	2014
Revenue	8,409	39,621	45,010	54,618	48,822
Gross interest expense	30	172	323	428	512
Net income from operations	794	3,183	3,678	3,884	4,139
Funds from operations (FFO)	1,817	6,976	6,929	7,284	7,933
Earnings before interest, tax, depreciation, and amortization (EBITDA)	1,983	8,304	8,400	9,001	9,396
Capital expenditures and investments	116	509	477	548	774
Total assets	34,473	35,408	38,571	41,846	50,648
Total debts	3,788	4,718	7,386	8,360	14,225
Shareholders' equity	24,899	24,466	24,940	25,599	25,578
Operating income before depreciation and amortization as % of sales	19.8	18.2	16.6	15.2	17.6
Pretax return on permanent capital (%)	13.6 *	13.9	15.1	14.9	14.7
Earnings before interest, tax, depreciation, and amortization (EBITDA) interest coverage (times)	67.1	48.3	26.0	21.0	18.3
FFO/total debt (%)	178.6 *	147.9	93.8	87.1	55.8
Total debt/capitalization (%)	13.2	16.2	22.8	24.6	35.7

* Annualized with trailing 12 months

Note: FFO, EBITDA, and all financial ratios are adjusted with lease receivable from related party

Ratchaburi Electricity Generating Co., Ltd. (RATCHGEN)

Company Rating:	AAA
Rating Outlook:	Stable

TRIS Rating Co., Ltd.

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

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