

# RATCHBURI ELECTRICITY GENERATING CO., LTD.

 No. 98/2019  
 27 June 2019

## CORPORATES

Company Rating: AAA  
 Outlook: Stable

Last Review Date: 24/07/18

### 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-	-

### Contacts:

Sermwit Sriyotha

sermwit@trisrating.com

Pravit Chaichamnapai, CFA

pravit@trisrating.com

Parat Mahuttano

parat@trisrating.com

Wiyada Pratoomsuwan, CFA

wiyada@trisrating.com



WWW.TRISRATING.COM

## 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

### Predictable cash flow from long-term PPAs

RATCHGEN’s predictable cash flow is stemmed from the long-term PPAs with EGAT (rated “AAA” by TRIS Rating). The PPAs have mitigated most of market risk. RATCHGEN’s revenue depends mostly on plants’ availability. EGAT will make full available payments (AP) to RATCHGEN as long as it can achieve the availability target, regardless of dispatching. In addition, the fuel price risk is also mitigated through the PPAs, as it enables RATCHGEN to pass-through fuel cost to EGAT for any changes in fuel costs, based on the agreed plant’s heat rate.

### Proven track record of operation

Both the Ratchaburi and the Tri Energy power plants have almost 20-year track record of smooth operation. The 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.

For the first three months of 2019, the overall availability factor for RATCHGEN’s power plants was 94.3%, better than the target of 89.8%. The plant efficiency metric also outperformed the target. The plant heat rate was 7,073 BTU/kWh, better than the target of 7,143 BTU/kWh

### No sizable investment ahead

During the forecast period, RATCHGEN has no plan to make any sizable investment. The new power plants with total capacity of 1,400 megawatts (MW), as specified in the power development plan 2018 (PDP2018), will be developed by its sibling company under RATCH Group PLC (RATCH), its parent company.

### Strong balance sheet

TRIS Rating believes RATCHGEN will maintain its strong balance sheet over the next three years. As of December 2018, RATCHGEN only had adjusted debt of Bt3 million. TRIS Rating forecasts RATCHGEN’s balance sheet will stay strong over the next three years. Its debt to capitalization ratio is expected to remain below 10%, depending on its working capital needs. The ratio will likely improve further when the company repays its debentures of Bt2 billion in 2022.

### Very strong liquidity profile

RATCHGEN’s liquidity profile is very strong. Its sources of funds comprise cash on hand of Bt2.4 billion. TRIS Rating forecasts RATCHGEN’s funds from operations (FFO) over the next 12 months to be around Bt5 billion. There will be no debt due over the next 12 months for RATCHGEN. We expect no large

investments for RATCHGEN through 2021 other than routine maintenance expenditures of about Bt150-Bt200 million per year.

#### BASE-CASE ASSUMPTIONS

- Earnings before interest, tax, depreciation and amortization (EBITDA) of RATCHGEN are forecast to fall in the range of Bt5.5-Bt6.5 billion per year during 2019-2021.
- The Tri Energy power plant will be retired in mid-2020.
- Routine maintenance expenditures will be 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 rating downside could 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 RATCH, which is also rated “AAA” by TRIS Rating. RATCHGEN is a flagship of RATCH to invest in conventional power plants in Thailand.

At the end of March 2019, RATCHGEN’s power plant portfolios consisted of two power plants located in Ratchaburi province, with a total capacity of 4,365 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	4,365
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 19 (Target)	Jan-Mar 19 (Actual)	2018	2017	2016
<b>Ratchaburi Plant (Thermal Units)</b>						
Dispatch factor	%	-	-	-	1.3	24.8
EAF* avg. 12 months	%	95.6	100.0	97.2	86.3	97.1
Planned outage	Hours	-	-	-	1,920	-
Forced outage	Hours	192	-	-	-	38
Maintenance outage	Hours	-	-	-	-	256
<b>Ratchaburi Plant (CCGT Units)</b>						
Dispatch factor	%	85.1	83.9	88.8	86.9	87.0
EAF avg. 12 months	%	85.9	90.6	90.0	89.9	91.6
Planned outage	Hours	497.3	497.3	1,824	1,780	1,208
Forced outage	Hours	402.1	43.2	137.6	203	280
Maintenance outage	Hours	-	59.5	665.3	768	592
<b>Tri Energy Plant</b>						
Dispatch factor	%	-	10.8	38.0	80.0	69.9
EAF* avg. 12 months	%	95.8	99.9	87.2	90.8	70.6
Planned outage	Hours	-	-	144.5	207.0	512.5
Forced outage	Hours	91.0	-	126.0	231.0	1,896
Maintenance outage	Hours	-	-	-	-	-

\* Equivalent Availability Factor (EAF)

Source: RATCHGEN

**FINANCIAL STATISTICS AND KEY FINANCIAL RATIOS**

Unit: Bt million

	-----Year Ended 31 December -----				
	2018	2017	2016	2015	2014
Total operating revenues	37,393	39,850	45,151	54,790	48,994
Operating income	7,114	8,158	8,160	9,005	9,404
Earnings before interest and taxes (EBIT)	3,678	4,288	5,006	5,495	5,784
Earnings before interest, taxes, depreciation, and amortization (EBITDA)	7,458	8,308	8,404	9,005	9,404
Funds from operations (FFO)	6,570	7,203	7,076	7,394	7,759
Adjusted interest expense	99	176	327	432	520
Capital expenditures	178	159	160	48	25
Total assets	31,351	35,408	38,571	41,846	50,648
Adjusted debt	3	4,001	6,759	8,241	10,790
Adjusted equity	24,288	24,466	24,940	25,599	25,578
<b>Adjusted Ratios</b>					
Operating income as % of total operating revenues (%)	17.33	18.64	16.84	15.47	17.89
Pretax return on permanent capital (%)	13.24	13.92	15.09	14.89	14.68
EBITDA interest coverage (times)	75.46	47.20	25.68	20.85	18.08
Debt to EBITDA (times)	0.00	0.48	0.80	0.92	1.15
FFO to debt (%)	257,766.46	180.01	104.70	89.72	71.91
Debt to capitalization (%)	0.01	14.06	21.32	24.35	29.67

---

**RELATED CRITERIA**

---

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

**Ratchaburi Electricity Generating Co., Ltd. (RATCHGEN)**

---

<b>Company Rating:</b>	AAA
<b>Rating Outlook:</b>	Stable

---

**TRIS Rating Co., Ltd.**

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

© Copyright 2019, TRIS Rating Co., Ltd. All rights reserved. Any unauthorized use, disclosure, copying, republication, further transmission, dissemination, redistribution or storing for subsequent use for any purpose, in whole or Any unauthorized use, disclosure, copying, republication, further transmission, dissemination, redistribution, or storing for subsequent use for any purpose, in whole or in part, in any form or manner or by any means whatsoever, by any person, of the credit rating reports or information is prohibited, without the prior written permission of TRIS Rating Co., Ltd. The credit rating is not a statement of fact or a recommendation to buy, sell or hold any debt instruments. It is an expression of opinion regarding credit risks for that instrument or particular company. The opinion expressed in the credit rating does not represent investment or other advice and should therefore not be construed as such. Any rating and information contained in any report written or published by TRIS Rating has been prepared without taking into account any recipient's particular financial needs, circumstances, knowledge and objectives. Therefore, a recipient should assess the appropriateness of such information before making an investment decision based on this information. Information used for the rating has been obtained by TRIS Rating from the company and other sources believed to be reliable. Therefore, TRIS Rating does not guarantee the accuracy, adequacy, or completeness of any such information and will accept no liability for any loss or damage arising from any inaccuracy, inadequacy or incompleteness. Also, TRIS Rating is not responsible for any errors or omissions, the result obtained from, or any actions taken in reliance upon such information. All methodologies used can be found at [www.trisrating.com/rating-information/rating-criteria](http://www.trisrating.com/rating-information/rating-criteria)