

# RATCHABURI ELECTRICITY GENERATING CO., LTD.

No. 114/2020  
24 July 2020

## CORPORATES

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

**Last Review Date:** 27/06/19

### 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-	-

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## RATIONALE

TRIS Rating affirms the company rating on Ratchaburi Electricity Generating Co., Ltd. (RATCHGEN) at “AAA”, with a “stable” rating outlook. The rating continues to reflect the predictable cash flows RATCHGEN receives under its long-term power purchase agreements (PPAs) with the Electricity Generating Authority of Thailand (EGAT), 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 supported by its long-term PPAs with EGAT (rated “AAA” with a “stable” outlook by TRIS Rating). The PPAs have mitigated most of market risk. RATCHGEN’s revenue depends mostly on the plants’ availability. EGAT is obliged to make full available payments (AP) to RATCHGEN as long as it attains 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 any changes in fuel costs to EGAT based on the agreed plant heat rate.

#### Decommissioning of Tri Energy power plant

The Tri Energy power plant was decommissioned on 30 June 2020, due to the expiry of PPA with EGAT. The Tri Energy plant had been a part of RATCHGEN’s operation since 2014. This plant had an installed capacity of 720 megawatts (MW). After the decommissioning, RATCH Group PLC will use the plant’s location to develop the Hin Kong power project, a 1,400-MW combined-cycle gas turbine (CCGT) power plant.

#### Proven track record of operation

Ratchaburi power plants have 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 2020, the overall availability factor for RATCHGEN’s power plants was 98.6%, better than the target of 94%. The plant efficiency metric also outperformed the target. The plant heat rate was 7,130 BTU/kWh, better than the target of 7,176 BTU/kWh.

#### No sizable investment ahead

During the forecast period, RATCHGEN has no plan to make any sizable investment. The Hin Kong power project with total capacity of 1,400 MW will be developed by other subsidiary company under RATCH, its parent company.

#### Strong balance sheet

TRIS Rating believes RATCHGEN will maintain its strong balance sheet over the next three years. As of March 2020, RATCHGEN’s reported debt was only THB2 billion. TRIS Rating expects RATCHGEN’s balance sheet to remain strong over the next three years, with its debt to capitalization ratio to stay below 10%. The ratio will likely improve further when the company repays its debentures of THB2 billion in 2022.

## Very strong liquidity profile

RATCHGEN's liquidity profile is very strong. Its sources of funds comprise cash on hand of THB1.5 billion. TRIS Rating forecasts RATCHGEN's funds from operations (FFO) over the next 12 months to be around THB5 billion. There will be no debt due over the next 12 months for RATCHGEN. We expect no large investments for RATCHGEN through 2022 other than routine maintenance expenditures of about THB100 million per year.

## BASE-CASE ASSUMPTIONS

- Earnings before interest, tax, depreciation and amortization (EBITDA) of RATCHGEN to be THB5-THB6 billion per year during 2020-2022.
- Routine maintenance expenditures of about THB100 million per year.

## RATING OUTLOOK

The "stable" outlook reflects our expectation that RATCHGEN will continue to meet the plant availability and efficiency targets set out in the PPAs, enabling it to generate predictable streams of revenue throughout the lives of the PPAs.

## RATING SENSITIVITIES

The rating downside could occur if RATCHGEN's financial leverage increases drastically due to any large-scale, debt-funded investment.

## COMPANY OVERVIEW

RATCHGEN is a wholly-owned subsidiary of RATCH, which is rated "AAA" with a "stable" outlook by TRIS Rating. RATCHGEN is a flagship of RATCH to invest in conventional power plants in Thailand.

As of 1 July 2020, RATCHGEN's total capacity was 3,645 MW, consisting of two thermal unit (1,470 MW) and three CCGT units (2,175 MW). The plant accounts for 8% of Thailand's total installed capacity.

## KEY OPERATING PERFORMANCE

Table 1: Performance Statistics of Ratchaburi Power Plant

	Unit	Jan-Mar 20 (Target)	Jan-Mar 20 (Actual)	2019	2018	2017
<b>Ratchaburi Plant (Thermal Units)</b>						
Dispatch factor	%	-	-	-	-	1.3
EAF* avg. 12 months	%	95.5	100.0	82.3	97.2	86.3
Planned outage	Hours	-	-	2,736	-	1,920
Forced outage	Hours	-	-	-	-	-
Maintenance outage	Hours	198.0	-	-	-	-
<b>Ratchaburi Plant (CCGT Units)</b>						
Dispatch factor	%	66.9	77.6	84.6	88.8	86.9
EAF* avg. 12 months	%	93.0	97.6	88.3	90.0	89.9
Planned outage	Hours	-	-	2,247	1,824	1,780
Forced outage	Hours	-	41	446	138	203
Maintenance outage	Hours	449	106	345	665	768
<b>Tri Energy Plant</b>						
Dispatch factor	%	-	-	7.9	38.0	80.0
EAF* avg. 12 months	%	96.4	98.9	97.4	87.2	90.8
Planned outage	Hours	-	-	208	144.5	207.0
Forced outage	Hours	-	-	-	126.0	231.0
Maintenance outage	Hours	79	-	-	-	-

\* Equivalent Availability Factor (EAF)

Source: RATCHGEN

**FINANCIAL STATISTICS AND KEY FINANCIAL RATIOS**
*Unit: Mil. THB*

	Jan-Mar 2020	-----Year Ended 31 December -----			
		2019	2018	2017	2016
Total operating revenues	9,318	36,322	41,048	43,770	48,464
Earnings before interest and taxes (EBIT)	699	4,026	3,678	4,288	5,006
Earnings before interest, taxes, depreciation, and amortization (EBITDA)	1,552	5,510	7,458	8,308	8,404
Funds from operations (FFO)	1,371	4,603	6,570	7,203	7,076
Adjusted interest expense	17	69	99	176	327
Capital expenditures	2	84	178	159	160
Total assets	30,540	31,711	31,351	35,408	38,571
Adjusted debt	516	0	3	4,001	6,759
Adjusted equity	24,622	24,630	24,288	24,466	24,940
<b>Adjusted Ratios</b>					
EBITDA margin (%)	16.66	15.17	18.17	18.98	17.34
Pretax return on permanent capital (%)	12.65 *	15.19	13.24	13.92	15.09
EBITDA interest coverage (times)	90.36	79.51	75.46	47.20	25.68
Debt to EBITDA (times)	0.10 *	0.00	0.00	0.48	0.80
FFO to debt (%)	n.m.	n.m.	n.m.	180.01	104.70
Debt to capitalization (%)	2.05	0.00	0.01	14.06	21.32

\* 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
- Group Rating Methodology, 10 July 2015

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

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

**TRIS Rating Co., Ltd.**

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