

# GLOBAL POWER SYNERGY PLC

No. 94/2024  
31 May 2024

## CORPORATES

Company Rating:	AA+
Issue Ratings:	
Senior unsecured	AA+
Outlook:	Stable

Last Review Date: 16/01/24

### Company Rating History:

Date	Rating	Outlook/Alert
04/10/21	AA+	Stable
01/10/19	AA-	Stable

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## RATIONALE

TRIS Rating affirms the company rating on Global Power Synergy PLC (GPSC) and the ratings on its existing senior unsecured debentures at “AA+”, with a “stable” outlook.

The company rating on GPSC incorporates a two-notch uplift from GPSC’s stand-alone credit profile (SACP) as we maintain our assessment of GPSC’s group status as a “strategically important” subsidiary of PTT PLC (PTT, rated “AAA/Stable” \*). GPSC’s SACP remains at “aa-”.

The SACP reflects the company’s strong position in Thailand’s power sector, with a sizable power portfolio. The SACP also recognizes GPSC’s high reliability of cash flow, underpinned by long-term power purchase agreements (PPAs) with the Electricity Generating Authority of Thailand (EGAT, rated “AAA/Stable”) and the PTT Group. However, the SACP is tempered by ongoing acquisitive growth, which makes its leverage to remain significant.

## KEY RATING CONSIDERATIONS

### A large power producer

GPSC’s strong business profile is supported by its wealth of power portfolio. As of 2023, GPSC had net operating capacity of 6,461 megawatts (MW), when measured in proportion to its ownership in the power plants. We expect GPSC’s operating capacity to reach 9,315 MW over the medium term, considering its committed investment plans.

Conventional power plants using natural gas as primary fuels make up 51% of its operating capacity while renewable power contributes 36%. GPSC has endeavored to enlarge the proportion of renewable power, a strategy aligned with its group. We expect the renewable power will represent more than half of GPSC’s future capacity. That said, we expect majority of earnings will come from conventional power plants in the next few years.

### Well-diversified power portfolio

GPSC’s power portfolio is well-diversified in terms of geography and type of generation. The company has more than 40 operating power projects across different sites in Thailand and abroad. Power plants in Thailand account for 66% of its net operating capacity, and those located in India account for 27%. The remaining 7% is spread across the Lao People’s Democratic Republic (Lao PDR). GPSC has a solid track record in operating various types of power generation, ranging from large conventional power plants to very small renewable energy plants.

### Highly reliable cash flow

GPSC’s high reliability of cash flow is underpinned by its long-term PPAs with EGAT and credible industrial users under the PTT Group. The typical PPA with EGAT has a term of 21-25 years. GPSC has six power plants under the Independent Power Producer (IPP) Scheme with a combined capacity of 2,439 MW. These power plants receive the full amount of availability payment (AP) as long as the company has maintained the availability of the plants as agreed in the PPA, regardless of EGAT’s dispatchment of electricity.

\* The company rating assigned to PTT is based on public information, which TRIS Rating believes provides a sufficient basis for the assessment of credit profile of PTT. The rating is assigned without participation from PTT.

The company also has a sizable pool of cogeneration power plants operating under the Small Power Producer (SPP) Scheme with a combined capacity of 2,160 MW. Most of which are located in industrial estates in Rayong Province. GPSC's SPPs sell electricity to EGAT and industrial users. EGAT is committed to ordering electricity dispatch of at least 80% of the contracted capacity based on power plant operating hours. The EGAT PPAs also contain a gas price pass-through mechanism in the tariff formula to mitigate fuel price risk. Meanwhile, electricity sales to industrial users carry relatively higher risks with respect to volume and fuel price. The sales volume is highly reliant on the demand from industrial activities while the tariff is subject to the change in fuel adjustment charge, or Ft.

### **Recovery of financial performance**

In 2023, GPSC staged a strong rebound in earnings, due to the wider spark spread (the difference between electricity tariff for industrial customers and fuel cost). This was a result of softened gas prices and Ft upward adjustment. Average gas prices declined to around THB330-THB510 per metric million British thermal unit (MMBTU) in 2023, from around THB430-THB540 per MMBTU in 2022. Meanwhile, average Ft was raised to THB0.89 per kilowatt-hour (kWh), up from THB0.4 per kWh in 2022.

As a result, GPSC's earnings before interest, taxes, depreciation, and amortization (EBITDA) rose to THB20 billion in 2023, marking a strong rebound of 53% increase from THB13.1 billion in 2022. The debt to EBITDA ratio reduced to 5.8 times, down from 9 times in 2022. For the first three months of 2024, GPSC's EBITDA continued to increase by 6% year-on-year (y-o-y).

### **Acquisitive growth towards renewable power**

We expect GPSC to continue pursuing acquisitive growth, aimed at enhancing the mix of renewable power. Currently, GPSC has about 2,854 MW in committed capacity under development. Most of the developing capacity comes from the expansion of solar platforms under Avaada Energy Private Ltd. (Avaada), its India-based affiliate. Moreover, GPSC is also developing an offshore wind farm in Taiwan and the Energy Recovery Unit (ERU) Project in Thailand.

In our base-case projection, we expect GPSC to spend nearly THB40 billion for capital expenditures and investments during 2024-2026, with the largest portion going into the ERU Project. We expect GPSC to defray about THB20 billion in early 2026 in exchange of entire ownership in the ERU Project, which is to be transferred from Thai Oil PLC (TOP). In addition, we anticipate additional investments in Avaada to be about THB5 billion over the forecast period.

### **Leverage to remain significant**

We expect GPSC's financial leverage to remain significant over the next few years. The debt level will likely be sustained by debt-financed acquisitions of power generating assets while EBITDA are not anticipated to increase noticeably over the forecast period. We expect Avaada to reserve internally generated cash for further expansion, without paying dividends.

In our base-case projection, we assume gas prices to gradually decrease to ordinary level from 2024 onwards from easing demand-supply imbalance. The Ft adjustment will likely continue to compensate for the subsidy of electricity charges incurred by EGAT. As a result, we forecast GPSC's EBITDA to stay around THB20 billion per year in 2024-2025. EBITDA is projected to rise to THB22 billion in 2026 when the ERU project starts operating. In effect, we forecast GPSC's adjusted net debt to stay around THB108-THB120 billion in 2024-2026, and the debt to EBITDA ratio to remain at 5-6 times with the debt to capitalization ratio to stay at around 50%.

### **Strategically important subsidiary of PTT Group**

We hold the view that GPSC is a strategically important subsidiary of PTT, notwithstanding its insignificant earnings contribution to the group. GPSC is 75% owned by PTT and its subsidiaries. In our view, GPSC is partly integral to the group in terms of day-to-day operations as the company supplies electricity to companies under the group. Like other PTT's flagship subsidiaries, GPSC obtains parental financial support by way of intercompany loan facilities. More importantly, we expect GPSC to remain the flagship subsidiary in spearheading PTT Group's strategy in future energy transition, which includes renewable power, energy storage & energy management systems, battery value chain for electric vehicles (EVs), and other forms of clean energy such as power from hydrogen. With that, we believe that GPSC will continue to receive strong parental support in times of need.

### **Ample liquidity position**

We assess GPSC as having ample liquidity over the next 12 months. On consolidated basis, the company had cash of about THB37.9 billion as of March 2024. The company also had sizable unused credit facilities. Cash on hand, unused credit facilities, and expected funds from operations (FFO) should be sufficient to cover long-term loans and debentures coming due in the next 12 months of THB30.8 billion, as well as short-term debt obligations of THB1 billion.

## Debt structure

As of March 2024, GPSC had consolidated debt (excluding lease liabilities) of THB148 billion. GPSC's priority debt totaled THB15 billion, comprising all borrowings incurred by its operating subsidiaries. The priority debt to total debt ratio was about 11%.

## BASE-CASE ASSUMPTIONS

TRIS Rating's assumptions for GPSC's performance during 2024-2026 are as follows:

- Total electricity sale to range between 13,500-15,000 gigawatts-hour (GWh) per year.
- Steam sale to be around 13.2-13.6 million tonnes per year.
- EBITDA margin to range 23%-26%.
- Net capital expenditures and investments to be THB39.9 billion.

## RATING OUTLOOK

The "stable" outlook reflects our expectations that GPSC's power plants will continue to perform well and deliver strong cash flow. We also expect the company's investment outlays to be in our expected range. As such, its cash generation against debt obligations should align with our forecast. In addition, we expect GPSC to remain strategically important to the PTT Group.

## RATING SENSITIVITIES

A revision to the ratings on GPSC is subject to material changes in its SACP, or its strategic relevance to the PTT Group, or the credit profile of PTT.

We could raise the SACP if GPSC is able to generate materially larger cash flows while improving its cash generation against debt level on a sustained basis. Conversely, we could lower the SACP if GPSC's operating performance falls significantly short of our expectation, or the financial profile deteriorates considerably due to excessive debt-funded investments. In such a scenario, the debt to EBITDA ratio should stay about 7 times without a prospect of downtrend.

## COMPANY OVERVIEW

GPSC was founded on 20 January 2013 through the amalgamation of PTT Utility Co., Ltd. (PTTUT) and Independent Power (Thailand) Co., Ltd. (IPT) as the flagship power company of the PTT Group. Following its establishment, GPSC gradually bought shares in power plants from other companies in the PTT Group.

GPSC was listed on the Stock Exchange of Thailand (SET) in 2015. As of February 2024, the PTT Group held around 75.2% of the company's total shares with the remainder held by the public. Shareholdings under the PTT Group consist of 47.3% held by PTT, 10% held by PTT Global Chemical PLC (GC), 10% held by TOP, and 8% held by Siam Management Holding Co., Ltd. (SMH).

On 14 March 2019, GPSC acquired a 69.11% stake in GLOW Energy PLC (GLOW) from ENGIE Global Developments B.V. (ENGIE). After the acquisition, GLOW's power portfolio of 2,771 MW was added to GPSC's pre-acquisition power portfolio of 2,256 MW, bringing the combined capacity to 5,026 MW. Currently, GPSC holds a 99.8% stake in GLOW.

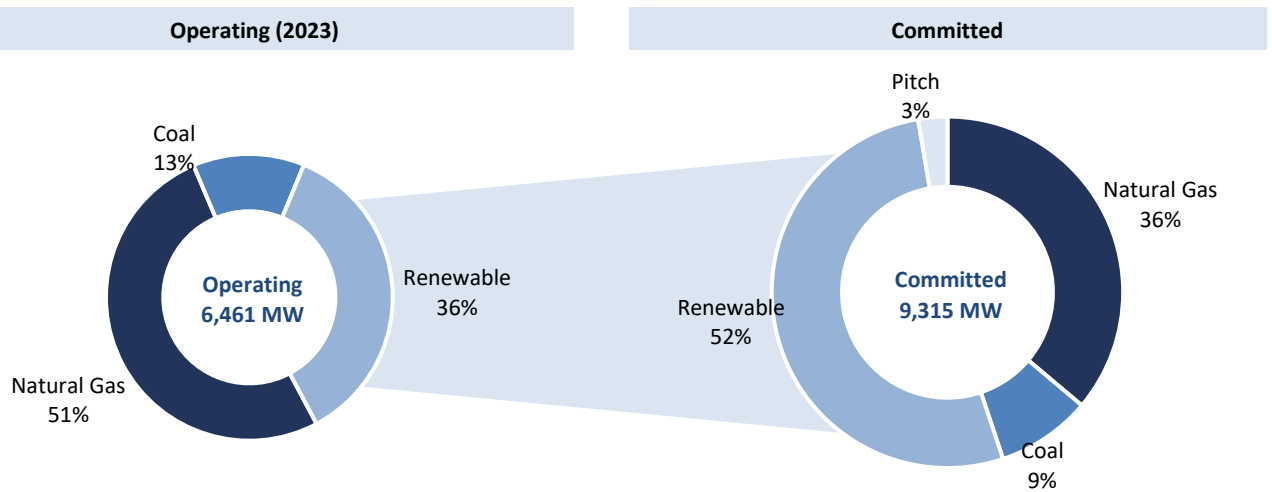
In the third quarter of 2021, GPSC acquired a 41.6% stake in Avaada. In January 2022, GPSC increased its equity interest in Avaada to 42.9%. In December 2023, GPSC announced its intention to acquire additional 50% shares in Global Renewable Power Co., Ltd. (GRP).

As of 2023, GPSC had net operating capacity of 6,461 MW, when measured in proportion to its ownership in the power plants. Gas-fired power plants accounted for the largest proportion of 3,322 MW, or 51% of total operating capacity, followed by renewable power plants (2,325 MW, 36%) and coal-fired power plants (814 MW, 13%).

GPSC has more than 40 operating power projects in Thailand and abroad. The company has six power plants under the IPP Scheme with a combined capacity of 2,439 MW. The company also has 22 cogeneration power plants under the SPP Scheme with a combined capacity of 2,160 MW. Most of which are located in industrial estates in Rayong Province. The remaining equity capacity is spread among power plants under the Very Small Power Producer (VSPP) Scheme and overseas renewable power plants.

**KEY OPERATING PERFORMANCE**

**Chart 1: GPSC's Net Operating Capacity (Capacity in Proportion to GPSC's Ownership)**



Source: GPSC

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

Unit: Mil. THB

	Jan-Mar 2024	Year Ended 31 December			
		2023	2022	2021	2020
Total operating revenues	24,069	90,602	124,180	75,958	70,587
Earnings before interest and taxes (EBIT)	2,596	9,761	3,617	10,958	13,506
Earnings before interest, taxes, depreciation, and amortization (EBITDA)	5,411	20,039	13,129	20,235	23,009
Funds from operations (FFO)	3,717	13,390	8,048	14,760	17,608
Adjusted interest expense	1,435	5,373	4,368	3,927	4,087
Capital expenditures	822	7,701	5,500	4,442	5,482
Total assets	309,891	281,703	288,810	270,796	256,656
Adjusted debt	113,587	115,684	117,612	95,845	85,425
Adjusted equity	120,493	117,525	115,100	117,748	111,867
<b>Adjusted Ratios</b>					
EBITDA margin (%)	22.1	21.8	10.5	26.3	32.1
Pretax return on permanent capital (%)	3.7 **	3.9	1.5	4.9	6.2
EBITDA interest coverage (times)	3.8	3.7	3.0	5.2	5.6
Debt to EBITDA (times)	5.6 **	5.8	9.0	4.7	3.7
FFO to debt (%)	12.0 **	11.6	6.8	15.4	20.6
Debt to capitalization (%)	48.5	49.6	50.5	44.9	43.3

\* Consolidated financial statements

\*\* Annualized with trailing 12 months

**RELATED CRITERIA**

- Group Rating Methodology, 7 September 2022
- Corporate Rating Methodology, 15 July 2022
- Key Financial Ratios and Adjustments for Corporate Issuers, 11 January 2022
- Issue Rating Criteria, 15 June 2021

## Global Power Synergy PLC (GPSC)

<b>Company Rating:</b>	AA+
<b>Issue Ratings:</b>	
GPSC24NA: THB5,000 million senior unsecured debentures due 2024	AA+
GPSC256A: THB1,000 million senior unsecured debentures due 2025	AA+
GPSC258A: THB1,500 million senior unsecured debentures due 2025	AA+
GPSC26NA: THB6,000 million senior unsecured debentures due 2026	AA+
GPSC273A: THB1,000 million senior unsecured debentures due 2027	AA+
GPSC276A: THB3,000 million senior unsecured debentures due 2027	AA+
GPSC283A: THB6,000 million senior unsecured debentures due 2028	AA+
GPSC29NA: THB8,000 million senior unsecured debentures due 2029	AA+
GPSC306A: THB1,000 million senior unsecured debentures due 2030	AA+
GPSC308A: THB1,000 million senior unsecured debentures due 2030	AA+
GPSC313A: THB4,500 million senior unsecured debentures due 2031	AA+
GPSC31NA: THB7,500 million senior unsecured debentures due 2031	AA+
GPSC326A: THB3,000 million senior unsecured debentures due 2032	AA+
GPSC333A: THB2,300 million senior unsecured debentures due 2033	AA+
GPSC34NA: THB6,500 million senior unsecured debentures due 2034	AA+
GPSC354A: THB3,000 million senior unsecured debentures due 2035	AA+
GPSC358A: THB2,500 million senior unsecured debentures due 2035	AA+
GPSC363A: THB1,200 million senior unsecured debentures due 2036	AA+
GPSC376A: THB4,000 million senior unsecured debentures due 2037	AA+
<b>Rating Outlook:</b>	Stable

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