

# WHA UTILITIES AND POWER PLC

No. 41/2020  
31 March 2020

## CORPORATES

<b>Company Rating:</b>	A-
<b>Issue Ratings:</b>	
Senior unsecured	A-
<b>Outlook:</b>	Negative

Last Review Date: 24/01/20

### Company Rating History:

Date	Rating	Outlook/Alert
27/09/19	A-	Negative
03/04/18	A-	Stable

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## RATIONALE

TRIS Rating affirms the company rating on WHA Utilities and Power PLC (WHAUP) and the rating on its outstanding senior unsecured debentures at “A-”, with a “negative” outlook. The ratings reflect WHAUP’s status as a core subsidiary of WHA Corporation PLC (WHA) according to TRIS Rating’s “Group Rating Methodology”. WHA is rated “A-” with a “negative” outlook by TRIS Rating. The “negative” outlook reflects WHA’s high leverage and weakening cash flow protection.

The ratings still take into consideration WHAUP’s position as the sole utility service provider in all of WHA’s industrial estates in Thailand and neighboring countries, recurring income from its investments in power business, and good operating performance.

## KEY RATING CONSIDERATIONS

### A core subsidiary of WHA

As of 1 March 2020, WHA Group holds a 74% interest in WHAUP. WHA has direct influence on WHAUP’s strategies and financial decisions. WHAUP is the exclusive utility provider in all of WHA’s existing and future industrial estates (IEs). Currently, WHAUP provides utility services to 10 operating IEs plus four developing IEs (including Vietnam). The exclusive right creates barrier to entry which leads to lower operational risk in its service areas. The company also invests in several power projects with reputable partners.

WHAUP contributes its earnings significantly to WHA’s overall performance. In 2019, WHAUP contributed 16% of WHA’s total revenue, and 34% of WHA’s earnings before interest, tax, depreciation, and amortization (EBITDA).

### Continuing growth in Thailand and potential growth in Vietnam

WHAUP’s revenue and EBITDA in utility business was Bt1.8 billion and Bt900 million, respectively in 2019, up from Bt1.5-Bt1.7 billion and Bt700-Bt800 million per year during 2016-2018.

Revenue and EBITDA contribution from utility services are expected to grow from WHA Industrial Development PLC’s (WHAID) industrial estate expansion in Thailand and Vietnam apart from the revenue growth from its major customers in petrochemical and power businesses. In addition, WHAUP’s innovative products such as demineralized water, reclaimed water, and seawater desalination become a new strategy to boost its profit.

WHAUP also plans to expand its utility business outside WHA’s industrial estates. In 2019, WHAUP invested in two utility companies in Vietnam; Cua Lo Water Supply Joint Stock Company and Duong River Surface Water Plant JSC, with total investments of approximately Bt3 billion.

### Predictable cash flows from power business

The cash flow stream from power projects with several strategic partners has been stable. WHAUP owns equity stakes in several power producers which generate power under the Independent Power Producer (IPP), Small Power Producer (SPP), and Very Small Power Producer (VSPP) schemes. As of 1 March 2020, WHAUP had 559 installed equity megawatts (MW), based on the ownerships in the joint projects. WHAUP expects to own 590 MW by the end of 2020.

In 2019, total cash dividend received from power projects was Bt804 million. We forecast WHAUP to receive cash dividend of Bt1-Bt1.2 billion per year in 2020-2022. Besides, WHAUP also focuses on investing in its own solar rooftop projects. The company's targeted 100 MW from the solar rooftops is expected by 2022; as of December 2019, 30.8 MW was already secured.

### Rising leverage

The debt to capitalization ratio increased to 45% in 2019, from about 37% in 2017-2018. The increase in debt was mainly from Vietnam's utility project. WHAUP has a clear direction to grow both its utility business and power business. For the utility business, WHAUP will continue to expand in WHA's industrial estates, and launch new innovative products such as reclamation and demineralized water. For the power business, WHAUP has a strategy to enlarge its current portfolio by expanding in solar rooftops, and collaborating with strategic partners to provide waste to energy solution, and natural gas distribution. Total capital expenditures and investments are estimated to be Bt1.4-Bt2.9 billion per year in forecast period, which are expected to be partly funded by debt. We project WHAUP's total debt to capitalization ratio to be 45%-47% in 2020-2022.

### Manageable liquidity

We assess WHAUP to have adequate liquidity for debt services over the next 12 months. The coming due obligations in 2020 are around Bt5.9 billion, comprising Bt4 billion of maturing bonds (due in August 2020) and the remainder in bank loans. WHAUP issued Bt3 billion bonds in February 2020 for the purpose of refinancing. Its additional source of funds comprised mainly cash on hand of Bt755 million and undrawn committed credit facilities of Bt2.3 billion (as of the end of 2019).

### BASE-CASE ASSUMPTIONS

- Total revenues to have compound annual growth rate at 5% during the forecast period.
- Gross profit margin to stay at around 35%-37% and EBITDA margin will stay around 90%-110%.
- Total capital spending to be Bt1.4-Bt2.9 billion per year during 2020-2022.

### RATING OUTLOOK

The "negative" outlook reflects the outlook revision on WHA, according to TRIS Rating's "Group Rating Methodology". TRIS Rating expects the business model and the level of integration between WHA and WHAUP will remain unchanged.

### RATING SENSITIVITIES

As a core subsidiary of WHA, the ratings on WHAUP are tied to WHA's credit profile. Any change in WHA's credit rating, or relationship with WHA, will affect WHAUP's ratings accordingly.

### COMPANY OVERVIEW

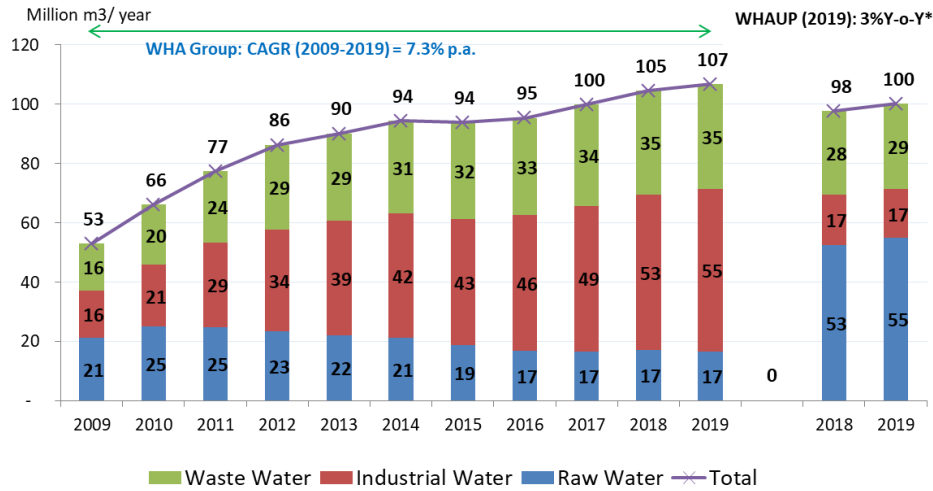
WHAUP, formerly named Hemaraj Clean Water Co., Ltd., was incorporated in 2008 to produce and distribute industrial water for use in industrial estates owned by WHAID (formerly named Hemaraj Land and Development PLC), a 98.5% owned subsidiary of WHA. In 2016, the utility and power segments of WHAID and WHA were transferred to WHAUP.

WHAUP provides utility services such as supplying raw water and industrial water, as well as wastewater treatment within WHAID's industrial estates. In 2019, WHAUP provided 16.5 million cubic meters (cu.m.) of raw water, 54.8 million cu.m. of industrial water, and 28.8 million cu.m. of wastewater treatment services.

In the power segment, WHAUP invested in several power projects with well-known power producers such as Glow Energy PLC (GLOW), B. Grimm Power PLC (B. Grimm), Gulf Energy Development PLC (Gulf), and Suez S.A. (Suez). WHAUP holds stakes ranging between 5%-35% in IPP and SPP projects but holds stakes greater than 25% in VSPP projects. The company invested 100% in solar rooftops.

KEY OPERATING PERFORMANCE

Chart 1: Total Volume of Water and Waste Water



Note: WHAID transferred the utility business to WHAUP in late March 2016.

\* WHAUP excluded waste water treatment service at ESIE, volume of which WHAUP received in form of management fees.

Sources: WHAID and WHAUP

Table 1: WHAUP's Investment in Power Segment

Project Name	Type	JV Partner	Location	Installed Capacities (MW)	WHAUP Portion	Equity MW	COD
<b>Operating Phase</b>							
Gheco-I	IPP	Coal	Glow	Map Ta Phut IE	660	35.00%	231
Glow IPP	IPP	Gas Combined Cycle	Glow	WHA CIE 1	713	5.00%	36
Houay Ho Power	IPP	Hydro	Glow	Lao PDR	152	12.75%	19
GJP NLL	SPP	Gas Co-gen	Gulf JP	WHA RIL	123	25.01%	31
Gulf Solar	VSPP	Solar	Gulf	WHA LP 1, WHA CIE 1, WHA ESIE 1, ESIE	0.6	25.01%	0.2
WHA Gunkul	VSPP	Solar	Gunkul	Bangna and Ayudthaya	3.3	74.99%	2.5
BGWAH-1	SPP	Gas Co-gen	B Grimm	WHA CIE 1	130	25.01%	33
GVTP	SPP	Gas Co-gen	Gulf MP	ESIE	137	25.01%	34
GTS1	SPP	Gas Co-gen	Gulf MP	ESIE	134	25.01%	34
GTS2	SPP	Gas Co-gen	Gulf MP	ESIE	134	25.01%	34
GTS3	SPP	Gas Co-gen	Gulf MP	WHA ESIE 1	130	25.01%	32
GTS4	SPP	Gas Co-gen	Gulf MP	WHA ESIE 1	130	25.01%	32
GNLL2	SPP	Gas Co-gen	Gulf MP	WHA RIL	127	25.01%	32
CCE	VSPP	Waste-to-energy	Glow& Suez	WHA CIE 1	8.6	33.33%	2.9
Solar Rooftop Projects	Private PPA	Solar	100% Owned	IEs/ Logistic Center	6.4	100.0%	6.4
<b>Total</b>					<b>2,588</b>		<b>559</b>
<b>Construction Phase</b>							
Solar Rooftop Projects	Private PPA	Solar	100% Owned	IEs/ Logistic Center	24.4	100.0%	24.4
<b>Total</b>					<b>24.4</b>		<b>24.4</b>

Source: WHAUP

**FINANCIAL STATISTICS AND KEY FINANCIAL RATIOS**
*Unit: Bt million*

	-----Year Ended 31 December -----				
	2019	2018	2017	2016	2015
Total operating revenues	1,879	1,738	1,768	1,559	853
Earnings before interest and taxes (EBIT)	2,530	2,676	2,467	1,507	1,209
Earnings before interest, taxes, depreciation, and amortization (EBITDA)	1,589	1,278	1,402	1,339	323
Funds from operations (FFO)	1,194	854	915	886	256
Adjusted interest expense	351	376	468	408	47
Capital expenditures	819	322	352	160	211
Total assets	26,419	23,773	21,378	18,652	11,593
Adjusted debt	11,210	8,333	7,624	10,537	1,179
Adjusted equity	13,559	14,049	12,577	7,419	10,100
<b>Adjusted Ratios</b>					
EBITDA margin (%)	84.54	73.56	79.28	85.84	37.87
Pretax return on permanent capital (%)	10.38	12.16	12.69	10.22	10.62
EBITDA interest coverage (times)	4.52	3.40	2.99	3.28	6.90
Debt to EBITDA (times)	7.06	6.52	5.44	7.87	3.65
FFO to debt (%)	10.66	10.24	12.01	8.41	21.70
Debt to capitalization (%)	45.26	37.23	37.74	58.68	10.45

**RELATED CRITERIA**

- Rating Methodology – Corporate, 26 July 2019
- Key Financial Ratios and Adjustments, 5 September 2018
- Group Rating Methodology, 10 July 2015

**WHA Utilities and Power PLC (WHAUP)**

<b>Company Rating:</b>	A-
<b>Issue Ratings:</b>	
WHAUP208A: Bt3,200 million senior unsecured debentures due 2020	A-
WHAUP208B: Bt800 million senior unsecured debentures due 2020	A-
WHAUP216A: Bt2,390 million senior unsecured debentures due 2021	A-
WHAUP22DA: Bt1,500 million senior unsecured debentures due 2022	A-
WHAUP236A: Bt1,290 million senior unsecured debentures due 2023	A-
WHAUP256A: Bt1,320 million senior unsecured debentures due 2025	A-
WHAUP302A: Bt1,500 million senior unsecured debentures due 2030	A-
<b>Rating Outlook:</b>	Negative

**TRIS Rating Co., Ltd.**

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