

WHA UTILITIES AND POWER PLC

No. 205/2024
5 November 2024

CORPORATES

Company Rating:	A-
Issue Ratings:	
Senior unsecured	A-
Outlook:	Stable

Last Review Date: 30/05/24

Company Rating History:

Date	Rating	Outlook/Alert
27/10/21	A-	Stable
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 ratings on its outstanding senior unsecured debentures at “A-” with a “stable” rating outlook.

The ratings reflect our view on the company’s status as a “core subsidiary” of WHA Corporation PLC (WHA, rated “A-/Stable”). The group status incorporates WHAUP’s position as the sole utility service provider for all WHA’s industrial estates in Thailand and neighboring countries, as well as recurring income from its investments in the power business.

KEY RATING CONSIDERATIONS

Core subsidiary of WHA

We assess WHAUP as a core subsidiary of WHA due to its high integration in terms of business and financial strategy.

WHA Group held a 72% equity stake in WHAUP as of 30 June 2024. WHAUP has an exclusive rights agreement with WHA Industrial Development PLC (WHAID), a subsidiary of WHA, to provide utilities for customers in WHAID’s industrial estates in Thailand and neighboring countries. This exclusive right agreement protects WHAUP against competitive threats in its service areas. Currently, WHAUP provides utility services for 12 operating industrial estates in Thailand and one in Vietnam.

WHAUP contributes significantly to WHA’s overall performance. In 2023, the company contributed 18% of WHA’s revenue and 28% of its EBITDA.

Enlarging revenue base

WHAUP’s revenues from its utility service business increased to THB2.4 billion in 2023 from THB1.7 billion in 2018, a five-year compound annual growth rate (CAGR) of 6.7%. During the first half of 2024, revenues from this business increased by 2.6% year-on-year (y-o-y) to THB1.2 billion. The strong growth was mainly attributed to escalating demand from new power plants located in WHA’s industrial estates, as well as a greater contribution from value-added water supplies.

Additionally, revenue from the solar rooftop business has grown continuously with additional installed capacity of 10-40 megawatts (MW) per annum over the past few years. Revenue from solar power business rose to THB 424 million in 2023 (15% of total revenue) from THB55 million in 2020 (3% of total revenue).

Looking forward, revenues from the utility service and solar power businesses are expected to grow steadily, supported by continued growth in the number of customers in the industrial estates, growing demand for value added water supplies, and capacity expansion in the solar power business.

Recovery in income from power business

WHAUP owns equity stakes in several power plants which generate power under the independent power producer (IPP), small power producer (SPP), and very small power producer (VSPP) schemes. As of 30 June 2024, based on the proportions of its equity interests in the joint-venture power assets, the company had a total installed capacity of 682 MW and 250 MW to be developed. State-owned off-takers contribute 74% of the total electricity sales.

WHAUP's share of profit and dividends from the power business rebounded strongly after record low in 2022. This was mainly due to an improved spread, following softened gas costs and upward adjustment in tariff for SPP plants. As a result, cash dividends from the power business increased to THB0.7 billion in 2023 and THB0.4 billion in the first half of 2024, up from THB0.3 million in 2022.

Recovery of utility operations in Vietnam

WHAUP has been expanding its utility service business in Vietnam since 2019, with a total investment of around THB2.5 billion in Duong River Surface Water Plant JSC (SDWTP) and Cua Lo Water Supply Joint Stock Company (Cua Lo), covering service areas in Hanoi Province and Nghe-An Province in the northern Vietnam.

Owing to the uncertainty surrounding the change of government and impacts of the pandemic, sales volume and tariffs did not ramp up as planned, resulting in cumulative losses over several years. However, operations have recovered strongly since 2023, following higher sales volume and tariff adjustments. WHAUP reported a shared loss of THB17 million in 2023 and a profit of THB37 million in the first half of 2024, compared with a shared loss of about THB200 million in 2020-2022. Looking forward, we expect the operations of SDWTP and Cua Lo to improve steadily, along with the strengthened demand and tariff adjustments anticipated in coming years.

Leverage declined after 2022 record high

WHAUP's leverage ratio declined gradually after peaking in 2022. This was mainly owed to improved EBITDA on the back of the better performance from the utility business and rising dividend income from power plants. The adjusted debt to EBITDA ratio was 6.6 times in the first half of 2024, down from 7-10 times in 2022-2023.

Tight but manageable liquidity expected

We consider WHAUP's liquidity tight but manageable over the next 12 months. We expect WHAUP to be able to refinance most of its maturing debentures to maintain sufficient liquidity and to fund its business operations. As of June 2024, the company had debt of THB5.8 billion, which will be due over the next 12 months, comprising THB0.6 billion in short-term promissory notes and THB5.2 billion in debentures. WHAUP's sources of funds comprised 1.2 billion in cash on hand, plus undrawn credit facilities from financial institutions of about THB4 billion. We forecast the company's funds from operations (FFO) in 2024 to be THB2 billion.

According to the key financial covenant on its debentures, WHAUP is required to maintain its net interest-bearing debt to equity ratio below 2.5 times. The company had a ratio of 1.0 times as of June 2024, well below the covenant threshold. We expect the company to be in compliance with the financial covenant over the next 12 to 18 months.

Debt structure

As of June 2024, WHAUP's total outstanding debt, excluding financial leases, was THB15.2 billion. Since all the company's debts were unsecured debts at company level, there was no priority debt.

BASE-CASE ASSUMPTIONS

WHAUP will remain a core subsidiary of WHA.

RATING OUTLOOK

The "stable" outlook mirrors the outlook on WHA. We expect the business model and the level of integration between WHA and WHAUP to remain unchanged.

RATING SENSITIVITIES

As a core subsidiary of WHA, the ratings on WHAUP are tied to the ratings on WHA. Any change in the ratings on WHA, or WHAUP's group status, will affect ratings on WHAUP 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 Hemaraj Land and Development PLC (HEMRAJ)), 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, industrial water, value-added water including demineralized water and reclaimed water, as well as wastewater treatment within WHAID's industrial estates. In 2023, WHAUP supplied 31.9 million cubic meters (cu.m.) of raw water, 46.2 million cu.m. of industrial water, 6.5 million cu.m. of value-added water, and treatment services for 37.0 million cu.m. of wastewater.

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

KEY OPERATING PERFORMANCE

Table 1: Revenue contribution by business

Revenue Contribution (%)	2019	2020	2021	2022	2023	6M23	6M24
Utilities	99%	97%	88%	86%	85%	84%	84%
Raw water	14%	15%	17%	17%	19%	18%	20%
Industrial water	71%	67%	56%	50%	44%	42%	44%
Value-added water	-	5%	7%	7%	8%	7%	11%
Wastewater treatment	9%	8%	8%	7%	6%	6%	7%
Others	6%	1%	1%	5%	7%	11%	3%
Power - Solar	1%	3%	12%	14%	15%	16%	16%
Total	100%	100%	100%	100%	100%	100%	100%
Total (THB mil)	1,857	1,698	2,181	2,443	2,782	1,413	1,443

Source: WHAUP

Table 2: WHAUP's Investment in Power Segment

POWER BUSINESS – PORTFOLIO BREAKDOWN AS OF 30 JUNE 2024								
Project Name	Type	JV Partner	Location	Installed Capacities (MW)	WHAUP Portion	Equity MW	COD	
Operating Phase								
Gheco-I	IPP	Coal	Glow	Map Ta Phut IE	660	35.00%	231	Q3'12
Glow IPP	IPP	Gas Combined Cycle	Glow	WHA CIE 1	713	5.00%	36	Jan-03
Houay Ho Power	IPP	Hydro	Glow	Lao PDR	152	12.75%	19	Sep-99
GJP NLL	SPP	Gas Co-gen	Gulf JP	WHA RIL	123	25.01%	31	May-13
Gulf Solar	VSPP	Solar	Gulf	WHA LP 1, WHA CIE 1, WHA ESIE 1, ESIE	0.6	25.01%	0.2	Jun-14 – Jan-15
WHA Gunkul	VSPP	Solar	Gunkul	Bangna and Ayudhaya	3.3	74.99%	2.5	Apr – Jul-14
BGWA-1	SPP	Gas Co-gen	B Grimm	WHA CIE 1	130	25.01%	33	Nov-16
GVTP	SPP	Gas Co-gen	Gulf MP	ESIE	137	25.01%	34	May-17
GTS1	SPP	Gas Co-gen	Gulf MP	ESIE	134	25.01%	34	Jul-17
GTS2	SPP	Gas Co-gen	Gulf MP	ESIE	134	25.01%	34	Sep-17
GTS3	SPP	Gas Co-gen	Gulf MP	WHA ESIE 1	130	25.01%	32	Nov-17
GTS4	SPP	Gas Co-gen	Gulf MP	WHA ESIE 1	130	25.01%	32	Jan-18
GULL2	SPP	Gas Co-gen	Gulf MP	WHA RIL	127	25.01%	32	Jan-19
CCE	VSPP	Waste-to-energy	Glow & Suez	WHA CIE 1	9	33.33%	3	Q4'19
Solar Rooftop Projects	Private PPA	Solar Rooftop	100% Owned	IEs/ Logistic Center/Outside IEs	129	100.0%	129	May-18-Q2'24
Total					2,711		682	
Development Phase (Signed PPA already)								
Solar Rooftop Projects	Private PPA	Solar	100% Owned	IEs/ Logistic Center/Outside IEs	125	100.0%	125	Q3'24-Q2'25
Solar FIT (Lumina 3.5)	VSPP	Solar Farm	100% Owned	Ubonratchathani/Buriram	20	100%	20	2030
Solar FIT (Stella 1.2)	SPP	Solar Farm	GURIN	Ratchaburi/ Kanchanaburi	129	51.00%	66	2029-2030
Total					274		210	
Signing Phase (To be signed soon)								
Solar FIT (Lumina 2)	SPP+BESS	Solar Farm	100% Owned	Ubon Ratchathani	40	100.0%	40	2030
Total					40		40	

Source: WHAUP

FINANCIAL STATISTICS AND KEY FINANCIAL RATIOS*

Unit: Mil. THB

	Jan-Jun 2024	-----Year Ended 31 December -----			
		2023	2022	2021	2020
Total operating revenues	1,728	2,803	2,465	2,202	1,722
Earnings before interest and taxes (EBIT)	1,076	2,205	890	1,160	1,257
Earnings before interest, taxes, depreciation, and amortization (EBITDA)	1,367	1,998	1,449	2,111	2,374
Funds from operations (FFO)	1,093	1,456	962	1,665	1,904
Adjusted interest expense	256	487	427	414	436
Capital expenditures	741	1,281	1,439	585	1,033
Total assets	30,362	29,817	27,645	25,839	26,172
Adjusted debt	15,022	14,340	13,724	12,010	11,735
Adjusted equity	13,563	13,567	12,621	12,384	12,157
Adjusted Ratios					
EBITDA margin (%)	79.1	71.3	58.8	95.9	137.9
Pretax return on permanent capital (%)	7.7**	7.8	3.4	4.5	4.9
EBITDA interest coverage (times)	5.3	4.1	3.4	5.1	5.4
Debt to EBITDA (times)	6.6**	7.2	9.5	5.7	4.9
FFO to debt (%)	11.3**	10.2	7.0	13.9	16.2
Debt to capitalization (%)	52.6	51.4	52.1	49.2	49.1

* 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

WHA Utilities and Power PLC (WHAUP)

Company Rating:	A-
Issue Ratings:	
WHAUP24DA: THB750 million senior unsecured debentures due 2024	A-
WHAUP256A: THB1,320 million senior unsecured debentures due 2025	A-
WHAUP256B: THB1,800 million senior unsecured debentures due 2025	A-
WHAUP266A: THB3,000 million senior unsecured debentures due 2026	A-
WHAUP267A: THB700 million senior unsecured debentures due 2026	A-
WHAUP275A: THB1,300 million senior unsecured debentures due 2027	A-
WHAUP276A: THB1,000 million senior unsecured debentures due 2027	A-
WHAUP277A: THB400 million senior unsecured debentures due 2027	A-
WHAUP27DA: THB750 million senior unsecured debentures due 2027	A-
WHAUP286A: THB500 million senior unsecured debentures due 2028	A-
WHAUP297A: THB800 million senior unsecured debentures due 2029	A-
WHAUP302A: THB1,500 million senior unsecured debentures due 2030	A-
Rating Outlook:	Stable

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