

Press Release

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TRIS Rating Assigns Company Rating of "ABPR2" at "A-" with "Stable" Outlook

TRIS Rating has assigned the company rating of Amata B.Grimm Power (Rayong) 2 Ltd. (ABPR2) at "A-" with "stable" outlook. The rating reflects the reliable cash flows received through the long-term power purchase agreements (PPA) with the Electricity Generating Authority of Thailand (EGAT) under the Small Power Producer (SPP) scheme, proven technology of combined-cycle gas turbine used for its cogeneration power plant and B.Grimm Group's experience in power business. The rating is constrained by the single asset risk and ABPR2's highly-leveraged balance sheet.

The "stable" outlook reflects the expectation that ABPR2 will maintain smooth operations, which will generate a reliable stream of earnings (EBITDA) of Bt600-Bt700 million per year.

The upside for ABPR2's rating is limited over the next 12-18 months. The rating downside case may occur if ABPR2's performance deteriorates significantly and hurting its cash flow generation.

ABPR2 was established in 2011 to own and operate a power plant under the SPP scheme. The plant is located in Amata City Industrial Estate (ACIE), Rayong province. The power plant has an installed capacity of 124.4 megawatts (MW) plus 30 tonnes per hour of steam. Of 124.4 MW, 90 MW is sold to EGAT under the 25-year PPA, while the rest is sold to industrial customers in ACIE. ABPR2's plant commenced commercial operation on 21 June 2013. Currently, ABPR2's shareholders are B.Grimm Power PLC (61.7%), Sunrise Energy (Sumitomo Group -- 18.6%), Amata City (AMATA -- 16.6%) and B.Grimm Joint Venture Holding Ltd. (BGJV -- 3%).

ABPR2 has a 25-year PPA with EGAT for 90 MW under the SPP scheme. ABPR2 also has long-term off-take agreements with industrial customers to sell 24 MW of electricity and 14 tonnes per hour of steam. The PPA with EGAT has helped mitigate the market risk as EGAT agreed to dispatch not less than 80% of the contracted capacity based on operating hours. The PPA also contains a gas price pass-through mechanism. For the industrial customers, the contracts also specify the minimum off-take amounts. The electricity tariffs charged to the industrial customers are based on the electricity tariff that the Provincial Electricity Authority (PEA) charges to large general service customers. The tariff generally carries a fuel adjustment charges or Ft to adjust for changes in fuel prices. ABPR2 holds a gas supply contract (GSA) with PTT PLC (PTT) for 25 years covering the term of the PPA with EGAT.

ABPR2's power plant employs proven technology used in its combine cycle cogeneration plant. The Siemens SGT 800 gas turbine has a proven track record with a fleet of more than 100 units worldwide sold since 1997. ABPR2's plant is comprised of two gas turbine units with bypass stacks, two heat recovery steam generators (HRSGs) and one steam turbine. The gas turbines and steam turbine are both made by Siemens. By selecting gas turbines with bypass stacks, ABPR2 has the flexibility to operate gas turbine independently during the maintenance of the steam turbine or for load management purposes. ABPR2 entered into an eight-year long-term service agreement (LTSA) with Siemens. The agreement helps mitigate operational risk and control maintenance cost. For the day-to-day operation, ABPR2 has its own operations and maintenance team, leveraging B.Grimm Power's expertise in the operation and maintenance of cogeneration power plants.

ABPR2 operations have met the PPA targets since its inception in 2013. ABPR2 sold about 645 gigawatt-hour (GWh) of electricity per year to EGAT. The actual availability factor was higher than 90.4% required by the PPA. The PPA allows 840 hours per year for planned maintenance in a normal year and 1,080 hours per year in a year when a major overhaul is planned. The plant heat rate was about 7,550-7,750 British Thermal Unit/kilowatt-hour (BTU/kWh) during the past two years, better than the PPA allowance of 8,000 BTU/kWh. In terms of energy efficiency, ABPR2's plant have managed to achieve the primary energy saving (PES) threshold and received an additional tariff of 0.36 Bt/kWh of fuel saving (FS) payment from EGAT. For the first nine months of 2016, ABPR2 sold 498 GWh of electricity to EGAT. The availability factor was 99.2%, as there was no planned maintenance, and the heat rate was 7,521 BTU/kWh.

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In 2015, ABPR2 had Bt2,815 million in revenue and Bt725 million in earnings before interest, tax, depreciation, and amortization (EBITDA). The company's operating margin (operating income before depreciation and amortization as a percentage of sales) was 24.6%. The funds from operations (FFO) to total debt ratio was 10.6%. The company has high leverage, like other power plants. At the end of 2015, ABPR2's debts totaled Bt3,947 million with a debt to capitalization ratio of 73.4%.

Looking forward, TRIS Rating expects ABPR2's EBITDA will be Bt600-Bt700 million per year, sufficient to cover debt repayments of about Bt200 million per year during 2017-2020. However, due to the long repayment profile, the company's debt to capitalization ratio is expected to improve slowly during the next three years.

Amata B.Grimm Power (Rayong) 2 Ltd. (ABPR2)

Company Rating:

A-

Rating Outlook:

Stable

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