

WHA INDUSTRIAL DEVELOPMENT PLC

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CORPORATES

Company Rating: A-
Outlook: Stable

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RATIONALE

TRIS Rating assigns a company rating of “A-” to WHA Industrial Development PLC (WHAID), with a “stable” rating outlook.

The rating reflects our view on the company’s status as a “core subsidiary” of WHA Corporation PLC (WHA, rated “A-/Stable”). The group status reflects the importance of WHAID to the WHA Group, in developing and managing industrial estates in Thailand and neighboring countries. WHAID also earns significant recurring income from an equity stake in WHA Utilities and Power PLC (WHAUP), providing utilities and power solutions for WHA Group.

KEY RATING CONSIDERATIONS

Core subsidiary of WHA Group

We assess WHAID as a core subsidiary of WHA, based on its predominant revenue contribution to the WHA Group. WHAID and its subsidiaries cover two key businesses, industrial estates and utility services. WHA owns 98.5% stakes in WHAID. WHA controls WHAID’s business direction and financial policies. We view WHAID’s credit profile as directly linked to WHA’s credit profile.

In 2023, WHAID contributed 78% of WHA’s total operating revenues and 91% of WHA’s EBITDA.

Leader in industrial estate industry in Thailand

WHAID’s strong business profile reflects its dominant position in the industrial estate industry. With over three decades of experience, WHAID has a proven operating record with the largest market share in Thailand. Based on the total amount of industrial land sold, WHAID’s market share has sustained at about 45% over the past 10 years. Competitors such as Amata Corporation PLC (AMATA; 28% share) and Rojana Industrial Park PLC (ROJNA; 25% share) are the second- and the third-largest developers in the industry.

Presently, WHAID operates 12 industrial estates in Thailand, mostly located in the eastern part of Thailand. Across all the estates, about 32% of the total number of customers are in the automotive industry, followed by consumer segment (18%), as well as electronics and electrical appliances (9%).

As of June 2024, WHAID had 1,810 rai of land available for sale in Thailand. Additionally, the company has a sizable landbank of about 9,200 rai to be developed over the next few years. About 70% of WHAID’s landbank is situated in the Eastern Economic Corridor (EEC) area of Rayong and Chonburi Provinces.

Satisfactory land sales with prominent customers

WHAID’s competitive edge is also supported by strategic locations, quality of infrastructure and services offerings, together with existing supply chains located in its properties.

Also, following the wave of manufacturing relocations, driven by the ongoing trade tensions between the United States (US) and China, WHAID has posted robust land sales over the past few years. The volume of WHAID’s land sales in Thailand stood at 1,800-2,000 rai in 2022-2023, compared with an average of 800 rai per year during 2017-2021.

The company's major customers include leading manufacturers in the electric vehicle (EV), electronics, and electrical appliances industries. Additionally, given its strategic focus on green energy and reliable water supplies, the company is well-positioned to attract major global players in the data center sector that value sustainability and operational reliability.

In our base-case forecast, excluding land sales under the joint venture, we project total industrial land sales in Thailand to reach 1,500 rai in 2024, 1,100 rai in 2025 and around 800 rai in 2026. Based on the expected land title transfers, revenue from industrial land sales in Thailand is forecast to range THB4.1-THB6.5 billion during 2024-2026. Furthermore, we project share profit from the joint venture, WHA Industrial Estate Rayong Co.,Ltd. (WHA IER) of approximately THB0.4-THB0.6 billion per year in 2024-2026.

Growing opportunities in Vietnam

The company has expanded its business regionally to include industrial estates in Vietnam since 2017. WHAID has been granted an investment certificate to develop its first industrial estate in Nghe-An Province in northern Vietnam, with a total gross area of 2,100 hectares (or 13,130 rai). The first and second phases include 2,325 rai of land available for sale.

During the past five years, the total volume of land sold was approximately 1,300 rai, mostly to well-known Chinese electronic suppliers. Additionally, the company has expanded its industrial land portfolio to Thanh Hoa Province in northern Vietnam and Quang Nam Province in central Vietnam. Project construction is expected to commence in 2025 and 2027, respectively.

Given the escalating geopolitical risks, we have a favorable view of Vietnam's business prospects, driven by its low labor costs, strategic location proximity to China, and advantages from its free trade agreements with major economies. However, uncertainties related to political risks and the licensing process remain significant challenges. Excluding the new industrial estates pending licenses, we estimate WHAID's land sales in Vietnam to reach 150-350 rai annually between 2024 and 2026, with projected revenue from land sales ranging THB 0.8-THB1 billion per year during the same period.

Income from WHAID's rental properties

Apart from land sale, WHAID has developed ready-built factories and warehouses for rent and for sale in its industrial estates. As of June 2024, the leased areas owned and managed by WHAID totaled 0.65 million square meters (sq.m.), with a real estate investment trust (REIT) owning 80% and the company 20%.

The demand of ready-built factories and warehouses, most of which are in the EEC area, should grow steadily in tandem with the EEC development and foreign direct investment flows. In our base-case forecast, we project WHAID's rental income at around THB0.6 billion per year during 2024-2026. We also expect WHAID to sell leasable areas to WHA Industrial Leasehold Real Estate Investment Trust (WHAIR) worth around THB1 billion (or about 40,000 sq.m.) in 2024 and 2026.

Reliable cash flows from utility services and power segment

The company's income from utility services has grown steadily, as there are more customers and new power plants in WHAID's industrial estates. Moreover, WHAID has been working to offer more value-added water supplies to yield higher prices and margins. As a result, utility services income increased to THB2.9 billion in 2023, from THB2.1 billion in 2018, a compound annual growth rate (CAGR) of 6.4%.

WHAID also receives a reliable stream of dividends from its investment in power plants. Proportionate to its equity stakes in the power plants, WHAID has a combined power generating capacity of 682 megawatts (MW), as of June 2024. We project the company's dividend income from the power business to be THB0.7-THB0.9 billion, worth around 12%-15% of WHAID's EBITDA in 2024-2026.

Low but rising leverage expected

As of June 2024, WHAID's adjusted debt totaled THB17.1 billion. As its EBITDA improved strongly on the back of satisfactory land sales, the adjusted debt to EBITDA ratio lowered to 1.8-2.2 times in 2022 through the first half of 2024, compared with 3-4 times during 2016-2021.

However, we anticipate an escalation in WHAID's leverage following the development of several projects in the pipeline. WHAID's capital expenditures and investments are about THB11 billion in 2024 and THB5-THB7 billion per year during 2025-2026. The planned investments include site development in Thailand and Vietnam, as well as investments in utility plants and power plants. We forecast the debt to capitalization ratio to rise but stay below 50% over the next three years.

We project WHAID's EBITDA to be THB6-THB7 billion per year and funds from operations (FFO) of THB4-THB5 billion during 2024-2026. Based on the projected cash flow, debt repayments, and capital expenditures, the FFO to total debt ratio is projected to be 18%-25% during the next three years. Adjusted net debt to EBITDA is expected to hover at 3-4 times during the same period.

Manageable liquidity

The company's debts coming due over the next 12 months totaled THB6 billion, comprising mainly THB5.2 billion debentures, THB0.2 billion scheduled long-term loan, and THB0.6 billion promissory notes (P/N). Most of WHAID's debt was at its subsidiary level, WHAUP. We expect a large portion of the WHAUP's debt maturing in the next 12 months to be refinanced.

WHAID's sources of funding included THB4.3 billion cash on hand and undrawn credit facilities from financial institutions of about THB7 billion. We forecast WHAID's FFO over the next 12 months to be THB5 billion. WHAID plans to sell rental properties to WHAIR of about THB1 billion in the last quarter of 2024.

Debt structure

At the end of June 2024, WHAID's total outstanding debt, excluding financial leases, was THB21.3 billion, of which about THB15.2 billion was debt at subsidiary level. This translates to a priority debt to total debt ratio of 71%, exceeding our 50% threshold. Nonetheless, WHAID has its own operating assets that generate significant and large cash flows, we consider the unsecured debt holders of WHAID are not significantly disadvantaged to the unsecured debt holders at subsidiary level.

BASE CASE ASSUMPTIONS

TRIS Rating's base-case assumptions for WHAID's operations in 2024-2026 are as follows:

- Total operating revenue of around THB11-THB12 billion per annum.
- EBITDA in the range of THB6-THB7 billion per annum, with an EBITDA margin of 55%-60%.
- Total capital spending of THB11 billion in 2024 and THB5-THB7 billion per year in 2025-2026.

RATING OUTLOOK

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

RATING SENSITIVITIES

As a core subsidiary of WHA, the rating on WHAID is tied to the ratings on WHA. Any change in the ratings on WHA, or WHAUP's group status, will affect the rating on WHAID accordingly.

COMPANY OVERVIEW

Established in 1988 and listed on the Stock Exchange of Thailand (SET) in 1992, WHAID originally developed and operated an industrial estate in Chonburi province. After being acquired by WHA, WHAID was delisted from the SET in March 2016. As of October 2024, WHA was the major shareholder, holding 98.5% of WHAID's shares.

In Thailand, WHAID owns 12 industrial estates, plus several industrial estates under development. WHAID had around 1,000 customers in its industrial estates. Across all the estates, 32% of the customers are in the automotive industry, followed by the consumer segment (18%), as well as electronics and electrical appliances (9%).

Apart from Thailand, the company has expanded its footprint in Vietnam, with its first overseas project located in Nghe-An Province. The first and second phases include 2,325 rai of land available for sale, about half of which were sold during the past five years. In addition, WHA has expanded its industrial land portfolio to Thanh Hoa Province in Northern Vietnam and Quang Nam Province in Central Vietnam. The company expects project construction to commence in 2025 and 2027, respectively.

Additionally, WHA owns equity stakes in several power plants operated under independent power producer (IPP), small power producer (SPP), and very small power producer (VSPP) schemes. Based on the equity holding in each project, WHA had 682 MW of power generating capacity as of June 2024.

Apart from selling land, WHAID, through its subsidiaries, provides infrastructure, facilities, and maintenance services to customers in its industrial estates. These services include the supply of raw, potable and clarified water, wastewater treatment, and maintenance. WHAID also provides ready-built factories and warehouses for rent and for sale. As of June 2024, the leased areas managed by WHAID totaled 0.65 million sq.m., comprising 80% owned by a property fund and a REIT, and 20% owned by WHAID.

WHAID receives an ample flow of dividends from the power projects, property funds, and an investment in WHAIR. WHAID owns stakes in several power producers under the IPP, SPP, and VSPP schemes.

KEY OPERATING PERFORMANCE

Table 1: WHAID's Revenue Breakdown

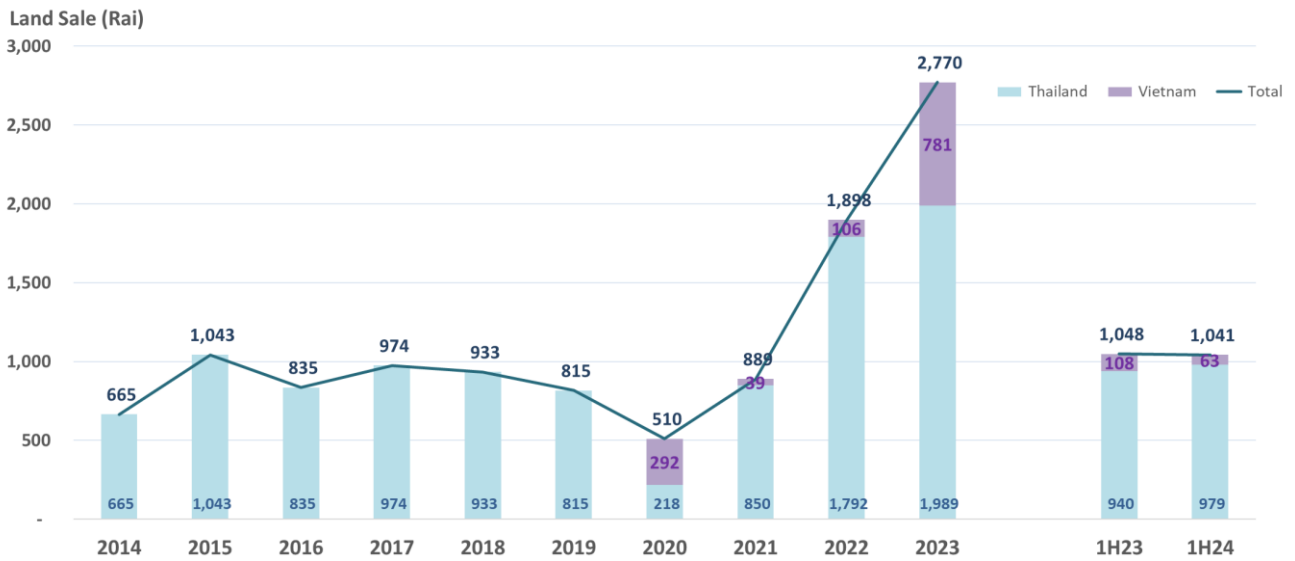
Unit: %

Revenue Breakdown	2019	2020	2021	2022	2023	Jan-Jun 2024
Property sales						
- Industrial land	55	26	32	56	65	60
- Sales of investment properties	-	18	-	10	-	-
Total sales	55	44	32	66	65	60
Recurring income						
- Rental and services	7	11	11	6	5	6
- Utility services	35	38	46	23	24	28
- Others	3	4	11	5	5	6
Total recurring income	45	56	68	34	35	40
Total revenues (%)	100	100	100	100	100	100
Total revenues (mil. THB)	6,406	5,372	5,110	11,040	11,707	5,381

Source: WHAID

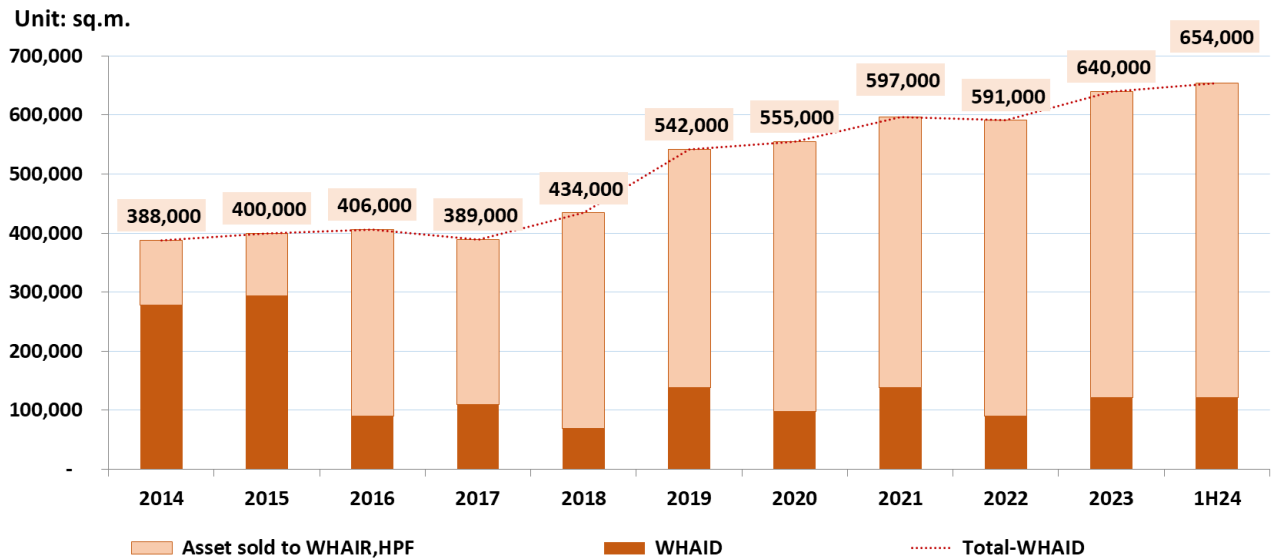
Note: Figures in this table do not include the share of profit from investments in power companies.

Chart 1: WHAID's Industrial Land Sales



Source: WHAID

Chart 2: Leased Area Owned and Managed by WHAID



Source: WHAID

Table 2: Summary of WHAID's Investment in Power Companies

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	VSP	Solar	Gulf	WHA LP 1, WHA CIE 1, WHA ESIE 1, ESIE	0.6	25.01%	0.2	Jun-14 – Jan-15
WHA Gunkul	VSP	Solar	Gunkul	Bangna and Ayudhaya	3.3	74.99%	2.5	Apr – Jul-14
BGWHA-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
GNLL2	SPP	Gas Co-gen	Gulf MP	WHA RIL	127	25.01%	32	Jan-19
CCE	VSP	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)	VSP	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: WHAID

FINANCIAL STATISTICS AND KEY FINANCIAL RATIOS*

Unit: THB million

	Jan-Jun 2024	-----Year Ended 31 December -----			
		2023	2022	2021	2020
Total operating revenues	6,025	11,926	11,568	5,347	6,333
Earnings before interest and taxes (EBIT)	3,802	6,661	5,105	2,548	3,526
Earnings before interest, taxes, depreciation, and amortization (EBITDA)	3,794	6,553	5,769	3,615	4,798
Funds from operations (FFO)	3,294	5,547	4,955	2,778	3,956
Adjusted interest expense	250	492	476	518	577
Capital expenditures	861	1,369	1,955	674	1,311
Total assets	52,033	50,088	50,232	47,069	46,901
Adjusted debt	17,135	11,846	12,251	13,967	14,523
Adjusted equity	24,132	26,388	27,532	25,018	24,410
Adjusted Ratios					
EBITDA margin (%)	63.0	54.9	49.9	67.6	75.8
Pretax return on permanent capital (%)	17.5 **	15.1	11.9	6.1	8.3
EBITDA interest coverage (times)	15.2	13.3	12.1	7.0	8.3
Debt to EBITDA (times)	2.2 **	1.8	2.1	3.9	3.0
FFO to debt (%)	38.5 **	46.8	40.4	19.9	27.2
Debt to capitalization (%)	41.5	31.0	30.8	35.8	37.3

* 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

WHA Industrial Development PLC (WHAID)

Company Rating:	A-
Rating Outlook:	Stable

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