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## Ratchaburi Electricity Generating Holding Public Company Limited

**Company Rating:**
**AA**
**Rating Outlook:**
**Stable**
**Rating History:**
**Company Rating**
**Issue Rating**
**Secured**
**Unsecured**

15 Jun 2005

AA-/Stable

-

-

12 Jul 2004

A+/Stable

-

-

26 Jun 2003

A+

-

-

### Rating Rationale

TRIS Rating upgrades the company rating of Ratchaburi Electricity Generating Holding PLC (RATCH) to "AA" from "AA-". The upgrade reflects the company's strengthening financial profile and increasingly diversified portfolio from various power plants. The rating continues to reflect the company's leading position as the largest group of private power producer in Thailand, sizable and reliable stream of dividends received from its investments in power projects, and strong relationship with the Electricity Generating Authority of Thailand (EGAT). The rating also takes into consideration the company's strong balance sheet and its investment plan to develop power and power-related projects in Thailand and other countries. Nevertheless, these strengths are constrained by the company's increasing risk from its overseas investments.

RATCH is a power holding company, established in 2000 to purchase Ratchaburi power plant from EGAT. The company was listed on the Stock Exchange of Thailand (SET) in 2000. As of December 2010, EGAT continued to be RATCH's major shareholder with a 45% stake. As of December 2010, RATCH's operating power capacity of 4,347 megawatts (MW) accounted for 14% of the installed power generating capacity in Thailand, making it the largest private power generator in Thailand.

As of December 2010, the company's power portfolio consisted of 11 power projects with the aggregated power generating capacity, RATCH's portion, of 5,531 MW. Four projects (4,347 MW) are in operation while seven projects (1,184 MW) are in the construction or development phases. All of the power projects on hand have long-term power purchase agreements (PPA) with EGAT.

During the last five years, RATCH's earnings before interest, tax, depreciation and amortization (EBITDA) averaged Bt10,000 million per year while the company received dividend income of Bt6,000 million on average per year. For the first nine months of 2010, RATCH received dividend income of Bt3,755 million from its power investments. Ratchaburi Electricity Generating Co., Ltd. (RATCHGEN) remained the major dividend contributor, constituting 77% of RATCH's dividend income. RATCH is now less dependent on the dividend income from RATCHGEN, which used to constitute up to 90% of RATCH's dividend income, after Ratchaburi Power Co., Ltd. (RPCL) began to pay dividends to RATCH in the first nine months of 2010.

RATCH's business policy has been conservative. The seven projects (1,184 MW) under construction and development comprise hydro power plants (401 MW) and a lignite-fired power plant (751 MW) in Lao PDR. The remaining 32 MW will be from renewable power projects in Thailand. All the power plants in its portfolio have long-term PPAs with EGAT. Under this investment plan, RATCH's generating capacity will reach 5,486 MW by 2016, up 26.2% from the existing level of 4,347 MW.

The company's financial profile has been strong. Its capital structure was healthy with a debt-to-capitalization ratio of 30.2% as of September 2010. The company's capital expenditures during 2011-

2014 will total approximately Bt20,000 million. With a dividend income of Bt4,000-Bt5,000 million per year along with cash on hand and short-term investments totaling Bt10,465 million as of September 2010, the company has a high capacity to fund most of its capital expenditure with internal cash flow. However, the company may need external financing for any big acquisitions or investments beyond the existing portfolio.

#### Rating Outlook

The “stable” outlook reflects the expectation that RATCH will receive a reliable dividend income stream from its good-quality assets and projects in its portfolio. The company is expected to maintain a conservative approach when pursuing its growth strategy and making investment decisions.

For subscription information, contact

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## Ratchaburi Electricity Generating Company Limited

**Company Rating:**
**AA**
**Rating Outlook:**
**Stable**
**Rating History:**
**Company Rating**
**Issue Rating**
**Secured      Unsecured**

30 Jun 2005

AA/Stable

AA

-

15 Jun 2005

AA/Stable

-

-

12 Jul 2004

AA-/Stable

-

-

26 Jun 2003

AA-

-

-

### Rating Rationale

TRIS Rating affirms the company rating of Ratchaburi Electricity Generating Co., Ltd. (RATCHGEN) at "AA". The rating reflects RATCHGEN's stable cash flow from its long-term power purchase agreements with the Electricity Generating Authority of Thailand (EGAT), the well-structured and state-of-the-art Ratchaburi power plants, as well as long experience in the power sector and proven record of power plants management. The rating is also taken into account the lower dispatch level of RATCHGEN's thermal units caused by the new power plants. However, this factor has had a minimal impact on the company's cash flow.

RATCHGEN is a wholly-owned subsidiary of Ratchaburi Electricity Generating Holding PLC (RATCH), which is 45% owned by EGAT. RATCHGEN is the largest Independent Power Producer (IPP) in Thailand. Its power plant consists of two thermal units and three combined cycle gas turbine (CCGT) units with total installed capacity of 3,645 megawatts (MW), representing 12% of Thailand's total installed capacity as of December 2010. EGAT has 25-year power purchase agreements (PPA) with RATCHGEN, while PTT PLC has a 25-year gas sale agreement (GSA) with the company.

In the first nine months of 2010, the CCGT units continued to outperform the targets, reaching an average plant availability level of 88.8% and a heat rate of 7,206 BTU/kWh. The thermal units could maintain an average availability level as high as 94.8% with a heat rate of 10,089 BTU/kWh. As electricity consumption has recovered since the third quarter of 2009, the net electricity output for all units in the first nine months of 2010 increased by 41.8% year-on-year (y-o-y) to 12,646 GWh. However, the dispatch level of RATCHGEN's thermal units was still low at 39.2% in the first nine months of 2010, as a result of new power plants coming online in 2009 and 2010. The lower dispatch levels have not impacted the company's net profit, which is derived mainly from Availability Payment (AP) revenue.

RATCHGEN revenues during the first nine months of 2010 increased by 20.5% (y-o-y) to Bt32,338 million. Its net profit declined by 33.2% (y-o-y) to Bt2,953 million. The decline in net profit resulted from a lower AP revenue as dictated in the PPA and higher tax expenses from the expiration of tax exemption granted as promotional privileges by the Board of Investment. For the first nine months of 2010, RATCHGEN's earnings before interest, tax, depreciation and amortization (EBITDA) was healthy at Bt6,457 million. The EBITDA interest coverage ratio was 12.7 times, up from 11.1 times in 2009, partly as a result of a successful interest rate reduction in 2009. The debt service coverage ratio (DSCR), excluding changes in reserve accounts and working capital, was healthy at 2.1 times as of September 2010.

### Rating Outlook

The “stable” outlook reflects TRIS Rating’s expectation that RATCHGEN will continue to receive stable cash flows from the Ratchaburi power plants. The power units are expected to maintain availability and operating performance to be in line with the PPA targets.

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