

RATCHABURI ELECTRICITY GENERATING HOLDING PLC

No. 27/2013

25 April 2013

Company Rating: AA+

Outlook: Stable

New Issue Rating: -

Rating History:

Date	Company	Issue (Secured/ Unsecured)
09/02/11	AA/Sta	-
15/06/05	AA-/Sta	-
12/07/04	A+/Sta	-
26/06/03	A+	-

Contacts:

Sermwit Sriyotha
sermwit@trisrating.com

Rungrat Suntornpagasit
rungrat@trisrating.com

Thiranart Napapruekchart
thiranart@trisrating.com

Nopalak Rakthum
nopalak@trisrating.com

Wiyada Pratoomsuwan, CFA
wiyada@trisrating.com
WWW.TRISRATING.COM
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 strengthened business profile through its diversification efforts and the successful start-up of the power projects. The rating continues to reflect RATCH's leading position as the largest private power group in Thailand, the sizable and reliable stream of dividends it receives from its power projects, and its strong relationship with the Electricity Generating Authority of Thailand (EGAT). The rating also takes into consideration the company's diversified portfolio of power plants and its plan to develop and invest in power and power-related projects in Thailand and other countries.

RATCH is a power holding company, established in 2000 to purchase the Ratchaburi power plant from EGAT. The company was listed on the Stock Exchange of Thailand (SET) in 2000. As of 7 March 2013, EGAT continued to be RATCH's major shareholder with a 45% stake. RATCH's power portfolio consists of 18 power projects with an aggregate power generating capacity of 11,013 megawatts (MW). Of this total power generating capacity, 6,337 MW is attributed to RATCH. RATCH's capacity increased by 14.6% during the past two years, rising from 5,531 MW at the end of 2010 to 6,337 MW at the end of 2012. The 6,337 MW comes from 12 projects currently in operation (5,313 MW) and six projects (1,024 MW) under construction or development. RATCH has 4,570 MW of its power generating capacity connected to the Thai power grid, which represents 14% of the nation's total installed power generating capacity, making the company the largest privately-owned power generator in Thailand.

All RATCH's projects that connected with the national power grid are covered by long-term power purchase agreements (PPAs) with EGAT and the Provincial Electricity Authority (PEA). Of the operating power projects, 83% of RATCH's generating capacity is located in Thailand, 12% is in Australia and 5% is in Lao PDR. In terms of plant type, about 90% of RATCH's generating capacity is from gas-fired power plants, 5% is from hydropower plants, and the rest (5%) uses renewable resources or coal as fuel.

Since 2011, RATCH has diversified into the Australian power market by acquiring RATCH-Australia Corporation Limited (RAC; formerly known as Transfield Services Infrastructure Fund). Currently, RATCH holds 80% of stake in RAC. The total investment was AU\$289 million. In 2012, RATCH divested its 14.03% stake in Loy Yang A power plant and also accepted the termination of PPA for the Collinsville, one of RATCH's Australian power plants. RATCH has received AU\$219 million from these transactions. Currently, RATCH's power generating capacity in Australia is 654 MW. RATCH has planned to develop wind turbine power plant in Australia.

After the acquisition of RAC in 2011, RATCH's earnings before interest, tax, depreciation, and amortization (EBITDA) increased from an average of Bt10,000 million per year to approximately Bt12,000 million per year during 2011 and 2012. For 2012, 71% of RATCH's EBITDA was from Ratchaburi Electricity Generating Co., Ltd. (RATCHGEN), 17% from RAC, and 12% from other projects. In 2012, RATCH received dividend of Bt5,486 million from its investment in RATCHGEN, Tri Energy Co., Ltd. (TECO), Ratchaburi Power Co., Ltd. (RPCL), and Chubu Ratchaburi Electric Power Services Co., Ltd. (CRESCO).

The company's financial profile is sound. Its capital structure is improving after RATCH repaid RAC's bank loan and other shareholder loans. RATCH's debt lowered from Bt39,325 million at the end of 2011 to Bt31,803 million at the end of 2012. The debt to capitalization ratio improved from 44.8% at the end of 2011 to 37.2% at the end of 2012. The company's capital expenditures during 2013-2016 will be approximately Bt37,000 million, of which Bt10,000 million is expected to be spent in 2013. As of December 2012, RATCH had Bt13,933 million in cash on hand and short-term investments. With the solid stream of EBITDA of Bt12,000 million per year and its cash on hand, the company has sufficient ability to fund most of its capital expenditures with its operating cash flow. However, the company may need external financing for any big acquisitions or investments beyond its existing portfolio.

Rating Outlook

The "stable" outlook reflects the expectation that RATCH will receive a reliable income from power projects with long-term PPAs. The company is expected to maintain its strong capital structure, even when pursuing its growth strategy and making future investments.

Ratchaburi Electricity Generating Holding PLC (RATCH)

Company Rating:	AA+
Rating Outlook:	Stable

Financial Statistics and Key Financial Ratios*

Unit: Bt million

	----- Year Ended 31 December -----				
	2012	2011	2010	2009	2008
Sales	55,365	43,457	42,181	35,351	42,210
Gross interest expense	2,488	1,720	677	861	1,293
Net income from operations	5,075	4,885	5,177	6,740	6,493
Funds from operations (FFO)	9,229	7,845	7,635	8,212	8,714
Earnings before interest, tax, depreciation, and amortization (EBITDA)	12,555	11,720	9,830	11,286	10,876
Capital expenditures	938	193	383	140	263
Total assets	96,811	97,342	69,582	69,342	69,672
Total debts	31,803	39,325	16,860	19,640	22,831
Shareholders' equity	53,732	48,485	46,676	44,524	40,975
Operating income before depreciation and amortization as % of sales	19.1	21.7	18.6	25.4	22.0
Pretax return on permanent capital (%)	10.0	11.0	11.1	13.2	12.5
EBITDA interest coverage (times)	5.0	6.8	14.5	13.1	8.4
FFO/total debt (%)	29.0	19.9	45.3	41.8	38.2
Total debt/capitalization (%)	37.2	44.8	26.5	30.6	35.8

* Consolidated financial statements

TRIS Rating Co., Ltd.

Tel: 0-2231-3011 ext 500 / Silom Complex Building, 24th Floor, 191 Silom Road, Bangkok 10500, Thailand www.trisrating.com

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