

RATCHABURI ELECTRICITY GENERATING CO., LTD.

No. 27/2015

10 April 2015

Company Rating: AAA

Outlook: Stable

Company Rating History:

Date	Rating	Outlook/Alert
25/04/13	AA+	Stable
15/06/05	AA	Stable
12/07/04	AA-	Stable
26/06/03	AA-	-

Rating Rationale

TRIS Rating upgrades the company rating of Ratchaburi Electricity Generating Co., Ltd. (RATCHGEN) to "AAA" from "AA+". The upgrade reflects RATCHGEN's proven track record of demonstrating better-than-expected operating performance during the past several years. The "AAA" rating reflects the predictable cash flows RATCHGEN receives from its long-term power purchase agreements (PPAs) with the Electricity Generating Authority of Thailand (EGAT), the state-of-the-art Ratchaburi and Tri Energy power plants, as well as the company's proven record of managing power plants.

RATCHGEN is a wholly-owned subsidiary of Ratchaburi Electricity Generating Holding PLC (RATCH) which is rated "AAA" by TRIS Rating. RATCHGEN is the largest Independent Power Producer (IPP) in Thailand. At the end of 2014, RATCHGEN owned and operated two power plants located in Ratchaburi province, with the total capacity of 4,345 megawatts (MW) or accounted for 13% of Thailand's total installed capacity. The Ratchaburi power plant consists of two thermal units and three combined cycle gas turbine (CCGT) units, with a total installed capacity of 3,645 MW. The 700-MW Tri Energy power plant was transferred to RATCHGEN on 1 August 2014. The Ratchaburi power plant sells electricity to EGAT under 25-year PPAs and buys natural gas from PTT PLC (PTT) under a 25-year gas sale agreement (GSA), while the Tri Energy power plant holds 20-year PPA with EGAT and 20-year GSA with PTT.

In 2014, the operating statistics showed that RATCHGEN's power plants outperformed the targets. The equivalent availability factor (EAF) of the thermal units at Ratchaburi power plant was 99.4%, better than the PPA target of 95.4%. The high EAF indicated that the thermal units realized the full amount of the Availability Payment (AP). The heat rate of the thermal units was 10,352 BTU/kWh (British thermal unit per kilowatt hour), lower than the PPA target of 10,361 BTU/kWh. The CCGT units also outperformed the targets set in the PPA, reaching an average plant availability level of 90.3% and a heat rate of 7,178 BTU/kWh. The dispatch levels for both the thermal and the CCGT units in 2014 were 22.8% and 67.6%, respectively. The performance of the Tri Energy power plant was in line with the PPA targets, with an EAF of 88.9% and a heat rate of 7,055 BTU/kWh.

RATCHGEN's revenue in 2014 rose by 5.3% to Bt48,822 million, from Bt46,353 million in 2013. The increase was mainly due to higher AP revenue, as structured in PPA, and the contribution from the Tri Energy power plant.

RATCHGEN's capital structure was satisfactory. At the end of 2014, the company's total debt was Bt14,225 million, with a total debt to capitalization ratio of 35.7%. The total debt consists of short-term loan from RATCH worth about Bt8,700 million, loans from banks of about Bt4,800 million, and debentures of Bt721 million. RATCHGEN's cash flow protection is strong. For 2014, the company's earnings before interest, tax, depreciation and amortization (EBITDA) was Bt9,449 million, rising by 7.5% from Bt8,790 million in 2013. The EBITDA interest coverage ratio was 18.4 times in 2014. The ratio of funds from operations (FFO) to total debt was 55.8% in 2014.

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Rating Outlook

The “stable” outlook reflects TRIS Rating’s expectation that RATCHGEN will maintain the availability of its plants and keep its operating performance in line with the PPA targets. TRIS Rating also expects RATCHGEN to generate reliable stream of revenue throughout the life of the PPAs, ending in 2025-2027.

Credit rating downside may occur if RATCHGEN’s financial leverage increases dramatically due to any large-scale, debt-funded investment.

Ratchaburi Electricity Generating Co., Ltd. (RATCHGEN)

Company Rating:

AAA

Rating Outlook:

Stable

Performance Statistics of Ratchaburi Power Plant

	Unit	2014 (Target)	2014 (Actual)	2013	2012	2011
Thermal Units						
Net electrical output	GWh	3,153	2,852	2,952	3,882	3,113
Dispatch factor	%	25.0	22.8	28.5	31.7	28.1
EAF* avg. 12 months	%	95.4	99.4	81.9	97.0	87.8
Plant heat rate	BTU/kWh	10,361	10,352	10,359	10,196	10,060
Dependable capacity	MW	1,440	1,440	1,440	1,440	1,440
Planned outage	Hours	-	-	2,737	-	1,920
Forced outage	Hours	-	-	10	8	71
Maintenance outage	Hours	795	105	428	441	150
CCGT Units						
Net electrical output	GWh	12,350	10,747	10,985	11,415	10,467
Dispatch factor	%	70.0	67.6	70.7	71.9	65.9
EAF avg. 12 months	%	87.2	90.3	88.3	90.0	90.1
Plant heat rate	BTU/kWh	7,244	7,178	7,246	7,241	7,222
Dependable capacity	MW	2,010	2,010	2,010	2,010	2,010
Planned outage	Hours	1,968	1,854	2,235	1,734	1,622
Forced outage	Hours	-	263	152	172	224
Maintenance outage	Hours	1,346	421	656	1,726	699

* Equivalent Availability Factor (EAF)

Financial Statistics and Key Financial Ratios

Unit: Bt million

	Year Ended 31 December				
	2014 *	2013 *	2012	2011	2010
Revenue	48,822	46,353	51,794	41,205	42,104
Gross interest expense	512	485	554	603	677
Net income from operations	4,139	5,323	4,867	4,092	3,816
Funds from operations (FFO)	7,933	7,031	7,335	6,708	6,782
Earnings before interest, tax, depreciation, and amortization (EBITDA)	9,449	8,790	9,364	9,123	8,434
Capital expenditures	25	10	19	18	11
Total assets	50,648	47,885	42,956	41,802	45,141
Total debt	14,225	12,090	14,700	13,240	16,860
Shareholders' equity	25,578	26,850	20,795	20,670	21,089
Operating income before depreciation and amortization as % of sales	17.7	18.1	17.8	21.7	19.8
Pretax return on permanent capital (%)	14.7	17.9	19.8	18.3	14.7
EBITDA interest coverage (times)	18.4	18.1	16.9	15.1	12.5
FFO/total debt (%)	55.8	58.2	49.9	50.7	40.2
Total debt/capitalization (%)	35.7	31.0	41.4	39.0	44.4
Cash available for debt service	8,534	7,508	7,935	7,262	7,200
Total debt service	5,474	4,425	4,217	4,252	3,501
Total debt service coverage ratio (DSCR) (times)	1.6	1.7	1.9	1.7	2.1

* FFO, EBITDA, and all financial ratios are adjusted with Lease receivable from related party

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