

RATCHABURI ELECTRICITY GENERATING HOLDING PLC

No. 56/2016

16 June 2016

Company Rating: AAA

Outlook: Stable

Company Rating History:

Date	Rating	Outlook/Alert
10/04/15	AAA	Stable
25/04/13	AA+	Stable
09/02/11	AA	Stable
15/06/05	AA-	Stable
12/07/04	A+	Stable
26/06/03	A+	-

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Rating Rationale

TRIS Rating affirms the company rating of Ratchaburi Electricity Generating Holding PLC (RATCH) at "AAA". The rating reflects RATCH's position as the largest private power producer in Thailand, its predictable cash flows from power projects with creditworthy off-takers and the strong relationship RATCH has with the Electricity Generating Authority of Thailand (EGAT). The rating also takes into consideration its conservative investment plans and strong balance sheet.

RATCH is a power holding company focusing on investments in power and related businesses. The company was established in 2000 to purchase the Ratchaburi power plant from EGAT. RATCH was listed on the Stock Exchange of Thailand (SET) in 2000. EGAT is RATCH's major shareholder, holding a 45% stake. As of June 2016, RATCH's aggregate equity capacity (capacity based on RATCH's ownership proportion of each plant) was 6,813 megawatts equity (MWe). About 6,419 MWe is in operation while the rest (394 MWe) is in the development and construction phases. RATCH is the largest power generator in Thailand with a capacity of 5,656 MWe connected to the Thai power grid, representing 14% of the nation's total installed capacity.

RATCH's business profile is very strong. Each power plant in which it has invested has a solid project framework. The power plants have secured long-term power purchase agreements (PPAs) with creditworthy off-takers, which help mitigate market risk. As of June 2016, about 5,600 MWe, or 88% of RATCH's aggregate equity capacity that is in operation, was contracted with EGAT. A much smaller portion or 28 MWe is covered by PPAs with the Provincial Electricity Authority (PEA), while the rest or 791 MWe was mostly covered by PPAs with industrial customers and utilities companies in Thailand and abroad. RATCH's project management and operating experience keep its projects on schedule and ensure each project is operating smoothly. This leads to reliable streams of cash. Gas-fired power plants comprise about 82% of RATCH's generating capacity, while 12% is from coal-fired plants, 4% from hydropower plants, and 2% from renewable resources. RATCH also has a strong relationship with EGAT. EGAT is not only the major shareholder of RATCH, but it is also the main off-taker. EGAT operates RATCH's main power plants such as the Ratchaburi power plant, the Hongsa power plant, and the Nam Ngum 2 power plant.

RATCH's financial profile is strong. The company's earnings before interest, tax, depreciation and amortization (EBITDA), adjusted with financial lease principal payments, ranged from Bt12,000-Bt13,000 million per year during 2011-2015. Ratchaburi Electricity Generating Co., Ltd. (RATCHGEN), rated "AAA" by TRIS Rating, contributed the lion's share. The Hongsa power project started up during the second half of 2015 through the first three months of 2016. The new plant adds 751 MWe, or about 12% of RATCH's total equity capacity. The Hongsa power plant is in the initial stage of operation. The contribution from the Hongsa power plant was lower than expected in its first year of operation due to the foreign exchange loss and some technical issues. The Hongsa power plant is expected to contribute Bt1,800-Bt2,300 million per year to RATCH's EBITDA from 2017 onwards. The contribution from the Hongsa power plant will help offset a declining contribution from RATCHGEN.

RATCH's capital structure was strong. The total debt to capitalization ratio was 26.7%, and the company's total debt was Bt22,644 million at the end of March

2016. RATCH's liquidity is very healthy. The company had cash on hand and short-term investments of Bt7,950 million at the end of March 2016. This amount of cash plus the expected EBITDA of about Bt11,500-Bt12,500 million per year during 2016-2018 is sufficient to cover debt repayment obligations and required equity injections in committed projects. RATCH has only Bt1,200 million in debt repayment due in 2016. The company has committed capital expenditures and equity injection will total about Bt16,000 million over 2016-2018. Most of the capital investment will go to the Hongsa power project, the Xe-Pian Xe-Namnoy power project in the Lao People's Democratic Republic (Lao PDR), and a nuclear power plant in China. RATCH continues to seek new growth opportunities in Thailand and abroad. It may need to raise more debt to fund new investments or any acquisitions. However, the debt to capitalization ratio is not expected to rise above 40% during 2016-2018.

Rating Outlook

The "stable" outlook reflects the expectation that RATCH will continue to receive reliable cash flows from the power projects secured with long-term PPAs. The debt to capitalization ratio is expected to stay in the range of 20%-40%, taking into account RATCH's growth strategy and investment plans.

The credit rating downside may occur if RATCH's financial leverage increases dramatically due to any large scale, debt-funded acquisitions.

Ratchaburi Electricity Generating Holding PLC (RATCH)

Company Rating:

AAA

Rating Outlook:

Stable

Financial Statistics and Key Financial Ratios*

Unit: Bt million

	Jan-Mar ** 2016	2015 **	2014 **	2013 **	2012	2011
Sales	13,245	57,177	54,970	49,020	55,365	43,457
Gross interest expense	327	1,340	1,468	1,634	2,488	1,720
Net income from operations	1,253	4,522	5,134	5,164	5,075	4,885
Funds from operations (FFO)	2,365	8,376	10,101	8,881	8,308	7,824
Earnings before interest, tax, depreciation, and amortization (EBITDA)	2,955	11,819	12,823	11,252	12,555	11,720
Capital expenditures and investments	6,926	6,297	1,977	684	4,577	8,617
Total assets	92,115	92,605	96,235	93,874	96,811	97,342
Total debts	22,644	21,456	22,298	22,465	31,803	39,325
Shareholders' equity	62,032	60,420	61,199	59,126	53,732	48,485
Operating income before depreciation and amortization as % of sales	17.1	15.9	16.8	18.3	19.1	21.7
Pretax return on permanent capital (%)	8.0 ***	8.6	9.4	9.7	10.0	11.0
EBITDA interest coverage (times)	9.0	8.8	8.7	6.9	5.0	6.8
FFO/total debt (%)	36.9 ***	39.0	45.3	39.5	26.1	19.9
Total debt/capitalization (%)	26.7	26.2	26.7	27.5	37.2	44.8

* Consolidated financial statements

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

*** Annualized with trailing 12 months

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