

# RATCHABURI ELECTRICITY GENERATING CO., LTD.

No. 57/2016

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
15/06/05	AA	Stable
12/07/04	AA-	Stable
26/06/03	AA-	-

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## Rating Rationale

TRIS Rating affirms the company rating of Ratchaburi Electricity Generating Co., Ltd. (RATCHGEN) at “AAA”. The rating continues to reflect 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 March 2016, RATCHGEN owned and operated two power plants located in Ratchaburi province, with a total capacity of 4,345 megawatts (MW). The two plants account for 10% 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). The Tri Energy power plant holds a 20-year PPA with EGAT and a 20-year GSA with PTT.

The state-of-the-art nature of RATCHGEN’s power plants, its proven ability to manage and operate power plants meant its plants outperform their targets as specified in PPAs. In 2015, the equivalent availability factor (EAF) of the thermal units at the Ratchaburi power plant was 87.3%, better than the PPA target of 85.0%. The heat rate of the thermal units was 9,947 BTU/kWh (British thermal units per kilowatt hour), in line with the PPA target. The CCGT units also outperformed the targets set in the PPA, reaching an average plant availability level of 84.3% and a heat rate of 7,137 BTU/kWh. For the first three months of 2016, the Ratchaburi power plants continued to beat the PPA targets. The EAF of the thermal units was 98.7%, higher than the PPA target of 95.5%, while the heat rate was 9,934 BTU/kWh. The EAF of the CCGT units was 91.9%, better than the target of 88.5%. The heat rate for the CCGT units was 7,140 BTU/kWh. The high EAF indicates Ratchaburi power plant realized the full amount of the Availability Payment (AP). However, some technical issues at the Tri Energy power plant caused it to fall below the operating targets. The EAF of the Tri Energy power plant was 64.2% in 2015 and 58.5% for the first three months of 2016. The plant heat rate was 7,204 BTU/kWh in 2015 and 7,233 BTU/kWh for the first three months of 2016. However, the lower-than-expected performance of the Tri Energy power plant did not hurt RATCHGEN’s overall performance much. The Tri Energy plant makes a fairly small contribution to RATCHGEN’s overall performance.

In 2015, RATCHGEN’s revenue was Bt54,618 million, rising by 12%, mainly because it generated more power and had full-year contribution from the Tri Energy power plant. For the first three months of 2016, RATCHGEN’s revenue was Bt12,579 million. RATCHGEN’s capital structure is strong. At the end of March 2016, the company’s total debt was Bt7,640 million, with a total debt to capitalization ratio of 22.2%. The total debt consists of short-term loan from RATCH worth about Bt5,660 million, plus debentures of Bt2,000 million, issued in 2015. RATCHGEN’s cash flow protection is very strong. For the first three months of 2016, the earnings before interest, tax, depreciation and amortization (EBITDA)

interest coverage ratio was 26.8 times, while the ratio of funds from operations (FFO) to total debt was 87.4%.

### 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 streams of revenue throughout the life of the PPAs, which will end in 2025-2027.

The 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)

<b>Company Rating:</b>	AAA
<b>Rating Outlook:</b>	Stable

Performance Statistics of Ratchaburi Power Plant

	Unit	Jan-Mar 2016 (Target)	Jan-Mar 2016 (Actual)	2015	2014	2013
<b>Thermal Units</b>						
Net electrical output	GWh	740	1,128	3,778	2,852	2,952
Dispatch factor	%	25.0	36.3	34.3	22.8	28.5
EAF* avg. 12 months	%	95.5	98.7	87.3	99.4	81.9
Plant heat rate	BTU/kWh	9,957	9,934	9,947	10,352	10,359
Dependable capacity	MW	1,440	1,440	1,440	1,440	1,440
Planned outage	Hours	-	-	1,920	-	2,737
Forced outage	Hours	-	-	80	-	10
Maintenance outage	Hours	196	-	109	105	428
<b>CCGT Units</b>						
Net electrical output	GWh	2,724	3,105	11,893	10,747	10,985
Dispatch factor	%	71.0	77.7	80.1	67.6	70.7
EAF avg. 12 months	%	88.5	91.9	84.3	90.3	88.3
Plant heat rate	BTU/kWh	7,205	7,140	7,137	7,178	7,246
Dependable capacity	MW	1,990	1,990	2,010	2,010	2,010
Planned outage	Hours	360	244	2,297	1,854	2,235
Forced outage	Hours	-	163	943	263	152
Maintenance outage	Hours	384	10	466	421	656

\* Equivalent Availability Factor (EAF)

# Financial Statistics and Key Financial Ratios

Unit: Bt million

	Jan-Mar *	Year Ended 31 December				
	2016	2015 *	2014 *	2013 *	2012	2011
Revenue	12,579	54,618	48,822	46,353	51,794	41,205
Gross interest expense	88	428	512	485	554	603
Net income from operations	1,189	3,884	4,139	5,323	4,867	4,092
Funds from operations (FFO)	1,848	7,284	7,933	7,031	7,335	6,708
Earnings before interest, tax, depreciation, and amortization (EBITDA)	2,360	9,001	9,396	8,790	9,364	9,123
Capital expenditures and investments	11	548	774	189	19	18
Total assets	38,976	41,846	50,648	47,885	42,956	41,802
Total debt	7,640	8,360	14,225	12,090	14,700	13,240
Shareholders' equity	26,788	25,599	25,578	26,850	20,795	20,670
Operating income before depreciation and amortization as % of sales	15.9	15.2	17.6	18.1	17.8	21.7
Pretax return on permanent capital (%)	13.3 **	14.9	14.7	17.9	19.8	18.3
EBITDA interest coverage (times)	26.8	21.0	18.3	18.1	16.9	15.1
FFO/total debt (%)	87.4 **	87.1	55.8	58.2	49.9	50.7
Total debt/capitalization (%)	22.2	24.6	35.7	31.0	41.4	39.0

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

\*\* Annualized with trailing 12 months

## TRIS Rating Co., Ltd.

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