Ratchaburi says plant closings will trim profit

Ratchaburi Electricity Generating Holding (RATCH) says it expects 2007 earnings will not be better than last year’s, in line with forecasts, due to a plant shutdown and no new revenue sources.

The country’s largest private producer would have major shutdowns for maintenance, due every six years, for 52 days over several periods in the third and fourth quarters, said managing director Narong Sitasuwan.

“All figures this year should not be better than last year in terms of profit and revenues. We have a big shutdown this year,” he said.

Mr Narong declined to give specific forecasts. Fourteen analysts polled by Reuters Estimates forecast a 2007 net profit of 6.12 billion baht, compared with 6.1 billion baht in 2006.

Ratchaburi reported a lower-than-expected net profit last year as it recorded a 750-million-baht provision for fire damage at a power plant in the fourth quarter of 2005.

The company was pursuing an insurance claim that could take months to conclude, Mr Narong said.

It plans to invest 25 billion baht over the next five years, two billion baht of it this year, including preparations to join bidding for independent power producer (IPP) projects, expected to be called in April.

The company would use its own cash to finance the five-year investment plan because it had strong cash flows of about two billion baht a year, Mr Narong said.

“We won’t seek loans until the sixth year,” he said.

As it needed to keep cash for investment, he said Ratchaburi may pay a lower dividend on its 2006 earnings than a year earlier when it paid out nearly 50% of profit.

“It may be difficult to pay a high dividend at a time when we have to invest. We still stick to our policy of paying not less than 40% of profit,” he said.

Ratchaburi has a generating capacity of 3,995 megawatts, including 350-MW from 50%-owned Trl Energy.

It plans to boost capacity to 4,610 MW by 2013 to maintain its top position with a 15% market share. The state-run Electricity Authority of Thailand, the sole power buyer, owns 45% of the company.

This year’s investment would focus on existing plants, including one being built by affiliate Ratchaburi Power and the Nam Ngum 2 hydropower plant in Laos.

“The construction of the Ratchaburi Power plant is more than 70% complete and Nam Ngum 2 is 15% complete,” Mr Narong said.

Ratchaburi Power was expected to realise revenues in 2008 as planned, he added.

With a drive to invest more at home and abroad to expand capacity and boost earning growth, Ratchaburi expected to conclude at least two major contracts each for capacity of at least 500-MW this year. One is the 1,800-MW Hong Sulignite power plant in Laos.

Domestic electricity demand was expected to rise only 5% this year due to slowing economic growth and government campaigns to save energy, he added.

RATCH shares closed yesterday on the Stock Exchange of Thailand at 43.75 baht, down 25 satang. In trade worth 11.28 million baht. REUTERS.