

AMATA B. GRIMM POWER (RAYONG) 1 LTD.

No. 5/2021
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CORPORATES

Company Rating: A-
Outlook: Stable

Last Review Date: 08/01/20

Company Rating History:

Date	Rating	Outlook/Alert
28/02/17	A-	Stable

Contacts:

Narongchai Ponsirichusopol
narongchai@trisrating.com

Sermwit Sriyotha
sermwit@trisrating.com

Parat Mahuttano
parat@trisrating.com

Wiyada Pratoomsuwan, CFA
wiyada@trisrating.com



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RATIONALE

TRIS Rating affirms the company rating on Amata B. Grimm Power (Rayong) 1 Ltd. (ABPR1) at “A-” with a “stable” rating outlook. The rating reflects the predictable cash flows ABPR1 receives through a long-term power purchase agreement (PPA) with the Electricity Generating Authority of Thailand (EGAT) under the Small Power Producer (SPP) scheme. The rating also reflects the fact that ABPR1 uses proven technology in its cogeneration power plant. In addition, its major shareholder, B. Grimm Power PLC (BGRIM), has a strong track record in the operation of gas-fired power plants.

KEY RATING CONSIDERATIONS

Predictable cash flow from long-term PPA with EGAT

ABPR1 has a 25-year PPA with EGAT, covering 90 megawatts (MW), under the SPP scheme. Under the terms of a standard PPA for an SPP cogeneration plant, EGAT agrees to dispatch at least 80% of the contracted capacity, based on plant operating hours. The PPA is on a take-or-pay basis, which stabilizes the cash flow ABPR1 receives. In addition, the risks of fuel price and exchange rate fluctuations are largely mitigated through the tariff formula specified in the PPA.

In addition to the PPA with EGAT, ABPR1 has long-term off-take agreements with industrial customers in Amata City (Rayong) Industrial Estate (ACRIE). The agreements cover 17 MW of electricity and 14 tonnes per hour of steam. The contracts with the customers in the industrial estate specify the minimum amounts of electricity and/or steam each customer is obligated to purchase. In 2020, ABPR1 signed a 15-year PPA of 16 MW capacity with a new industrial user in ACRIE. The company expects to dispatch electricity in May 2021.

The electricity tariffs charged to the industrial customers are based on the electricity tariffs the Provincial Electricity Authority (PEA) charges to large general service customers. The tariffs generally carry a fuel adjustment charge, or Ft, to reflect changes in the price of fuel. However, the Ft adjustment carries a time lag and is subject to the authorities’ discretion on the timing and size of the adjustments.

Proven technology mitigates operational risks

ABPR1’s combined cycle cogeneration power plant employs proven technology from Siemens, one of the world’s leading suppliers in the power industry. The Siemens SGT 800 gas turbine has a proven track record, with more than 100 units sold worldwide since 1997. ABPR1’s power plant comprises two gas turbine units with bypass stacks, two heat recovery steam generators, and one steam turbine. The gas turbines and the steam turbine are all made by Siemens. The Siemens gas turbines have bypass stacks, which give the power plant additional flexibility. For example, ABPR1 can operate the gas turbines even when the steam turbine is undergoing maintenance or for load management purposes.

In 2020, ABPR1 extended the period of the long-term service agreement (LTSA) with Siemens to 2035, which covers the next two major overhaul (MO) cycles of the power plant. The extended LTSA was signed under the collaboration between Siemens and BGRIM, which will benefit the power plant through a higher availability factor and improved efficiency.

Under the LTSA, Siemens provides maintenance services, including spare parts and performance upgrades, for the gas turbine units. The LTSA helps ensure the reliability of the turbines and keeps maintenance costs under control.

Proven track record in power plant operations

For day-to-day operations, ABPR1 has its own operation and maintenance teams. The teams leverage BGRIM’s expertise in the operation and maintenance of cogeneration power plants. ABPR1’s operations have met the targets specified in the PPA since the plant started up in 2013.

For the first nine months of 2020, the plant’s actual availability factor was 92.4% and the heat rate was 7,584 British thermal units/kilowatt-hour (BTU/kWh), better than the figure of 8,000 BTU/kWh specified in the PPA. In terms of energy efficiency, the ABPR1 plant achieved the primary energy saving (PES) threshold and received an additional tariff of THB0.36/kWh from EGAT as a fuel-saving (FS) payment.

Sales are largely contributed by EGAT

ABPR1’s sales to EGAT constituted about 71%-78% of total sales per annum. During 2017-2019, ABPR1 annually sold about 622-645 gigawatt-hours (GWh) of electricity to EGAT, 117-212 GWh to industrial customers, and 0.5-45 GWh to related companies (other power plants in ACRIE owned by BGRIM) for load management purposes. ABPR1’s revenue and earnings have been stable for the past several years. During 2017-2019, revenues ranged from THB2.5-THB2.6 billion per year. Earnings before interest, taxes, depreciation, and amortization (EBITDA) ranged between THB662-THB731 million per year over the same period. Revenues for the period from 2017 to 2019 were derived from electricity sold to EGAT (75%), electricity sold to industrial customers (19%), and steam sold to industrial customers (3%).

Low impact from COVID-19

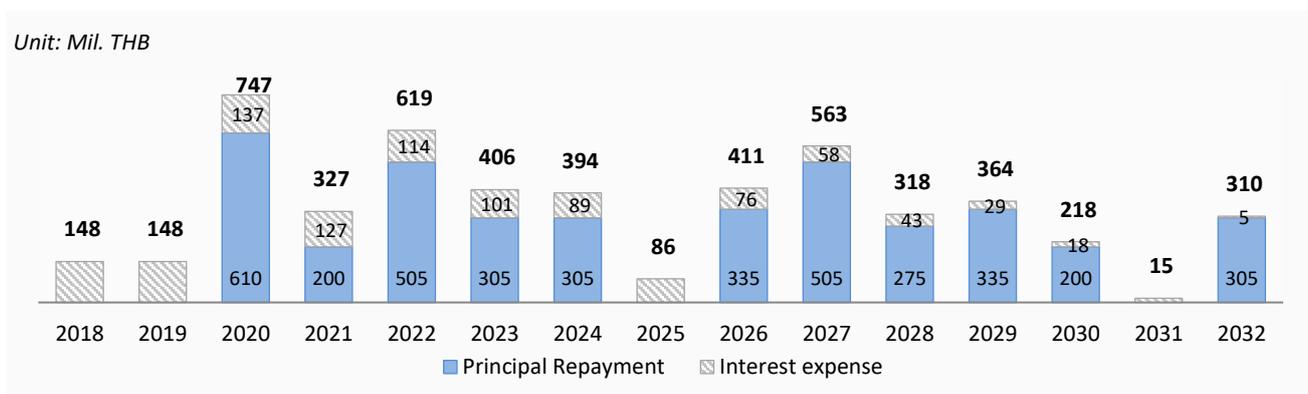
For the first nine months of 2020, ABPR1 sold about 460 GWh of electricity to EGAT, 79 GWh to industrial customers, and 24 GWh to related companies. Total electricity sale volume dropped 3.4% from the same period of the previous year. The decreased electricity sale volume was mainly attributed to the 34% dropped in power demand of industrial customers in the second quarter of 2020, induced by the fallout from the Coronavirus Disease 2019 (COVID-19). ABPR1’s revenues recovered in the third quarter of 2020. Nevertheless, total revenue for the first nine months of 2020 decreased by 6.4% on a year-on-year basis to THB1.8 billion. EBITDA decreased by 12% to THB438 million due to the higher maintenance cost for the scheduled maintenance.

Satisfactory debt service capability

In April 2017, ABPR1 borrowed THB3.88 billion from Amata B. Grimm Power SPV1 Ltd. (ABPSPV) as an inter-company loan. The proceeds were used to refinance an outstanding bank project loan. The repayment schedule of the inter-company loan matches the maturity of the bonds issued by ABPSPV. ABPR1’s debt service obligations vary significantly from year to year. Debt services range from THB15 million to THB747 million per year during 2018-2032 with no principal repayments called for in 2018, 2019, 2025, and 2031. The first principal repayment was made in April 2020. We expect ABPR1 to manage its liquidity needs and reserve cash for the years in which large principal repayments are scheduled to be made.

As of September 2020, ABPR1 had cash on hand and cash equivalents of THB0.8 billion. EBITDA is forecast to be THB486-THB736 million per year during 2020-2024. The cash on hand and cash equivalents plus the forecast EBITDA exceed the debt service obligations of THB327-THB619 million due in 2021-2024.

Chart 1: Debt Service Schedule of ABPR1’s Inter-company Loans



Sources: ABPR1 and TRIS Rating’s estimates

BASE-CASE ASSUMPTIONS

- During 2020-2024, the plant availability factor to be in the range of 87.1%-98.2%.
- PPA with EGAT to be 90 MW, PPAs with industrial customers to be 17 MW, and steam purchase agreements with industrial customers to be 14 tonnes/hour.
- PPA with new industrial customers of 16 MW, starting to dispatch in 2022.
- During 2020-2024, revenue to be in a range of THB1.9-THB2.7 billion per year. EBITDA to be in a range of THB486-THB736 million per year. Cash on hand to stay around THB301-THB474 million per year.
- Capital expenditure to be THB10-THB27 million per year.
- The inter-company loan repayment is made according to repayment schedule.

RATING OUTLOOK

The “stable” rating outlook reflects TRIS Rating’s expectation that ABPR1 will maintain smooth operations and generate a reliable EBITDA of THB486-THB736 million per year.

RATING SENSITIVITIES

The upside for the rating on ABPR1 is limited over the next 12-18 months. The rating downside case may arise if ABPR1's operating performances or financial results deteriorate significantly, hurting its capability to generate cash.

COMPANY OVERVIEW

ABPR1 was established in 2011 to own and operate a cogeneration power plant under the SPP scheme. The plant is located in ACRIE, Rayong province. The power plant has an installed capacity of 123.3 MW plus 30 tonnes per hour of steam. Of the 123.3 MW, 90 MW is sold to EGAT under a 25-year PPA while the rest is sold to industrial customers in ACRIE. ABPR1 also has a 25-year gas supply contract with PTT PLC and a long-term water supply agreement with AMATA Water Co., Ltd. The company entered into an LTSA with Siemens, the technology provider, under which Siemens will maintain the gas turbines, ensuring reliable operation. ABPR1 has a contract with the PEA to purchase backup power in the event of an emergency. ABPR1's plant commenced commercial operations on 1 November 2013. As of September 2020, ABPR1's shareholders were BGRIM (61.7%), Sunrise Energy Co., Ltd. of the Sumitomo Group (SSEC -- 18.6%), Amata Corporation PLC (AMATA --16.6%), and B. Grimm Joint Venture Holding Ltd. (BGJV -- 3%).

KEY OPERATING PERFORMANCE

Table 1: Plant Performance Statistics of ABPR1

Plant Performance	Unit	Jan-Sep 2020	2019	2018	2017	2016	2015
Net output energy *	GWhe	565.7	789.0	813.6	792.2	824.7	813.5
Plant heat rate	BTU/kWh	7,584	7,525	7,543	7,515	7,559	7,541
Primary energy saving factor	%	13.7	14.4	14.3	14.2	14.1	16.2
Availability	%	92.4	96.1	98.0	97.9	96.0	97.1
Unplanned outage	%	0.3	3.1	0.1	0.1	1.1	2.4
Planned outage	%	7.3	0.8	1.9	1.9	2.9	0.4

* Net output of electricity and steam

Source: ABPR1

FINANCIAL STATISTICS AND KEY FINANCIAL RATIOS

Unit: Mil. THB

	-----Year Ended 31 December -----			
	2019	2018	2017	2016
Total operating revenues	2,571	2,606	2,552	2,626
Earnings before interest and taxes (EBIT)	442	511	514	527
Earnings before interest, taxes, depreciation, and amortization (EBITDA)	662	728	731	741
Funds from operations (FFO)	492	559	520	526
Adjusted interest expense	162	163	211	215
Capital expenditures	2	22	19	59
Total assets	5,873	5,815	5,852	5,407
Adjusted debt	2,886	3,038	2,790	2,991
Adjusted equity	1,467	1,495	1,463	1,341
Adjusted Ratios				
EBITDA margin (%)	25.74	27.93	28.64	28.23
Pretax return on permanent capital (%)	8.15	9.44	9.77	10.17
EBITDA interest coverage (times)	4.09	4.46	3.47	3.45
Debt to EBITDA (times)	4.36	4.17	3.82	4.03
FFO to debt (%)	17.06	18.41	18.65	17.60
Debt to capitalization (%)	66.30	67.02	65.61	69.04

RELATED CRITERIA

- Rating Methodology – Corporate, 26 July 2019
- Key Financial Ratios and Adjustments, 5 September 2018
- Group Rating Methodology, 10 July 2015

Amata B.Grimm Power (Rayong) 1 Ltd. (ABPR1)

Company Rating:	A-
Rating Outlook:	Stable

TRIS Rating Co., Ltd.

Silom Complex Building, 24th Floor, 191 Silom Road, Bangkok 10500, Thailand Tel: 0-2098-3000

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