

# AMATA B. GRIMM POWER (RAYONG) 2 LTD.

No. 6/2022  
31 January 2022

## CORPORATES

Company Rating: A-  
Outlook: Stable

Last Review Date: 21/01/21

### Company Rating History:

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

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## RATIONALE

TRIS Rating affirms the company rating on Amata B. Grimm Power (Rayong) 2 Ltd. (ABPR2) at “A-” with a “stable” rating outlook, The company rating incorporates ABPR2’s stand-alone credit profile (SACP) of “a-” and its status as a “strategic” subsidiary of B. Grimm Power PLC (BGRIM, rated “A/Stable” by TRIS Rating).

The SACP reflects the high reliability of ABPR2’s earnings stemming from a long-term power purchase agreement (PPA) with the Electricity Generating Authority of Thailand (EGAT), the commercially proven technology of its cogeneration power plant, and a streak of strong operational performance. However, the company rating is constrained by the risk of reliance on single operating asset.

## KEY RATING CONSIDERATIONS

### Majority of earnings backed by long-term PPAs with EGAT

ABPR2 owns and operates a combined cycle cogeneration power plant, which commenced commercial run in June 2013. The company holds a 25-year PPA with EGAT, covering 90 megawatts (MW), under the Small Power Producer (SPP) scheme. The PPA, which is on take-or-pay basis, largely mitigates market risk. EGAT is obliged to dispatch at least 80% of the contracted capacity, based on plant operating hours. ABPR2’s sales to EGAT constitutes about 75%-80% of total sales per annum while the payment risk of the power buyer is very minimal.

The reliable earnings are also supported by the capacity payments. In addition, the adverse impact from wild swing of fuel price and exchange rate is mitigated through the index-based tariff adjustment.

### Offtake agreements with industrial customer

In addition, ABPR2 also sells electricity and steam to an industrial customer in Amata City (Rayong) Industrial Estate (ACRIE). The company holds multi-year off-take agreements, covering 24 MW of electricity and 14 tons per hour of steam. The industrial customer is obliged to purchase minimum amount of electricity and steam as agreed in its respective agreement.

ABPR2 sells electricity to the industrial customers at discounts on tariff rates charged by the Provincial Electricity Authority (PEA) to large general service customers. The tariffs generally carry a fuel adjustment charge, or Ft, to reflect changes in the fuel price. However, the Ft adjustment carries a time lag and is subject to the authorities’ discretion on the timing and magnitude of the adjustments. As such, a spike in fuel prices could have significant impact on the company’s earnings. In addition, the sale volume hinges on demand, which is driven by industrial activity levels.

### Concentration risk of a single industrial customer

Electricity and steam sales of ABPR2 depends on only one industrial customer. This may cause ABPR2’s revenue more volatile than those of other cogeneration power plant operators. For the first nine months of 2021, electricity sale to the industrial customer totaled 97 gigawatt-hours (GWh), a 6% increase from 91 GWh year-on-year (y-o-y). However, we view the recent emergence of the new Coronavirus Disease 2019 (COVID-19) variant could add

uncertainties and the prolonged pandemic may have negative impact on the electricity and steam demands from industrial customers.

#### **Commercially proven technology of cogeneration power**

ABPR2's combined cycle cogeneration power plant utilizes proven combined-cycle natural gas-fired generation based on two gas turbine engines supplied by Siemens, a leading manufacturer and supplier for power generation in global market. The Siemens SGT 800 gas turbines have bypass stacks, which give the power plant additional flexibility. For example, ABPR2 can operate the gas turbines even when the steam turbine is undergoing maintenance or for load management purposes.

The plant operation is supported by long-term service agreement (LTSA) with Siemens, which has been extended until 2035. The extended LTSA covers the next two major overhaul cycles of the power plant, helping ABPR2 achieve high availability factor and efficiency.

#### **Strong track record of operations**

ABPR2 has its own operation and maintenance teams for day-to-day operations. The teams leverage BGRIM's expertise in the operation and maintenance of cogeneration power plants. Since its commencement, ABPR2 has performed in accordance with operational expectations under the PPA. For the first nine months of 2021, the plant's actual availability factor was 100% and the heat rate was 7,474 British thermal units/kilowatt-hour (BTU/kWh), well below the borderline of 8,000 BTU/kWh as required by the PPA. In terms of energy efficiency, the ABPR2 plant achieved the primary energy saving (PES) expectation and received an additional tariff of THB0.36/kWh from EGAT as a fuel-saving (FS) payment. We consider the risk of performance penalties and PPA termination is very limited.

#### **High reliability of cash generation**

ABPR2 has consistently delivered high reliability of cash generation. ABPR2's revenue and earnings have been stable in the past several years. During 2018-2020, its revenues ranged from THB2.3-THB2.7 billion per year. Earnings before interest, taxes, depreciation, and amortization (EBITDA) ranged between THB626-THB737 million per year over the same period. In our base-case forecast for 2021-2024, we expect ABPR2 will arrive at about THB2.6-THB2.8 billion in revenues a year while EBITDA will range THB600-THB670 million per year. The debt to EBITDA ratio is projected to stay about 3.4 times during 2021-2023, before reducing to below 3 times in 2024. The ratio of debt to capitalization will stay about 52%-60% over the forecast period.

#### **Single operating asset**

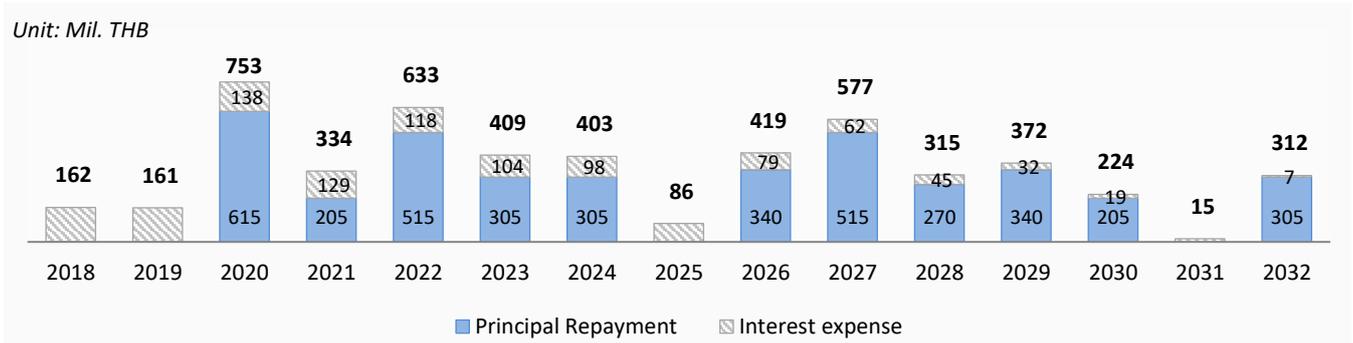
The rating is constrained by ABPR2's single operating asset. ABPR2's business risk is relatively higher than those of large-scale power companies with multiple power-generating assets. Due to the lack of operational diversification, its earnings could be at risk of major disruptions from unforeseen events, such as prolonged outage, or damage to key parts of machinery. That said, we view the likelihood of such scenario is remote, given the proven track record of operation and the supportive LTSA.

#### **Satisfactory debt service capability**

In April 2017, ABPR2 borrowed an inter-company loan of THB3.92 billion from Amata B. Grimm Power SPV1 Ltd. (ABPSPV). 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. ABPR2's debt service obligations vary significantly from year to year. Debt services will range from THB15 million to THB753 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 ABPR2 to manage its liquidity needs and reserve cash for the years in which large principal repayments are scheduled to be made.

As of September 2021, ABPR2 had cash on hand and cash equivalents of THB931 million. The available cash and cash equivalents combined with the forecast EBITDA should be sufficient to cover the scheduled debt services of THB403-THB633 million in 2022-2024.

**Chart 1: Debt Service Schedule of ABPR2's Inter-company Loans**



Sources: ABPR2 and TRIS Rating's estimates

### Guarantee obligation to ABPSPV's debentures

ABPR2 is one of the guarantors of the guaranteed debentures issued by ABPSPV. The other two guarantors of the debt issue are Amata B. Grimm Power 3 Ltd. (ABP3) and Amata B. Grimm Power (Rayong) 1 Ltd. (ABPR1). Under the terms of the guarantee, the guarantors jointly and severally provide unconditional and irrevocable guarantees on all amounts due under the debentures, including the principal amount of up to THB11.5 billion, interest accrued thereon, and related expenses.

### Strategic subsidiary under BGRIM Group

ABPR2 is one among 22 cogeneration power plants under BGRIM Group. As of December 2021, ABPR2's installed capacity accounted for 4% of total capacity of BGRIM's gas-fired cogeneration power plants. In terms of cash flow contribution, ABPR2's EBITDA represents approximately 5% of the group's total EBITDA. Notwithstanding its small revenue contribution, we view ABPR2 as a strategic subsidiary of BGRIM. In our view, the cogeneration power plants are the centerpiece of BGRIM's power portfolio, representing 73% of BGRIM's total power generation capacity.

BGRIM has five cogeneration power plants in ACIRE, including ABPR2. We view ABPR2 is important to BGRIM in managing overall operating efficiency of the group's power plants in ACRIE. Based on this, we expect ABPR2 will obtain parental support in a distressed scenario.

### BASE-CASE ASSUMPTIONS (2021-2024)

- The plant availability factor to be in the range of 92%-98%.
- PPA with EGAT to be 90 MW, PPAs with industrial customers to be 24 MW, and steam purchase agreements with industrial customers to be 14 tons/hour.
- Annual electricity sales to be 737-790 GWh and annual steam sales of 62-67 kilotons.
- Capital expenditure to be THB6-THB35 million per year.
- The inter-company loan repayment to be made according to repayment schedule of the guaranteed debentures issued by ABPSPV.

### RATING OUTLOOK

The "stable" rating outlook embeds our expectation that ABPR2 will sustain its strong operational efficiency, and the company's earnings and leverage level will be in line with our forecast.

### RATING SENSITIVITIES

The credit upside for ABPR2 is limited over the next 12-18 months. Contrarily, downward pressure on the rating would develop if ABPR2's operating performances significantly fall short of our forecast. Downward revision to the rating may also develop in the event of significant deterioration of debt service capability.

According to TRIS Rating's "Group Rating Methodology", any material change in credit profile of BGRIM or any material change in the linkage between ABPR2 and BGRIM could also impact the company rating on ABPR2.

### COMPANY OVERVIEW

ABPR2 was established in 2011 to own and operate a cogeneration power plant under the SPP scheme. Located in ACRIE, Rayong province, the power plant has an installed capacity of 124.4 MW plus 30 tons per hour of steam. ABPR2 has a 25-year PPA with EGAT, covering 90 MW while it has multi-year off-take agreements with industrial customers in ACRIE to sell

24 MW of electricity and 14 tons 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. ABPR2's plant commenced commercial operations on 21 June 2013.

ABPR2's combined cycle cogeneration power plant employs proven technology from Siemens. The Siemens SGT 800 gas turbine has a proven track record, with more than 100 units sold worldwide since 1997. ABPR2'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.

ABPR2 has entered into the LTSA with Siemens. Siemens will provide maintenance services, including spare parts and performance upgrades, for the gas turbine units. The collaboration between Siemens and BGRIM will help ensure the reliability of the turbines and keeps maintenance costs under control. ABPR2 has a 25-year gas supply contract with PTT PLC and a long-term water supply agreement with AMATA Water Co., Ltd. Moreover, the company has a contract with the PEA to purchase backup power in the event of an emergency.

During 2018-2020, ABPR2 annually sold about 599-645 GWh of electricity to EGAT, 122-136 GWh to industrial customers, and 33-60 GWh to related companies (other power plants in ACRIE owned by BGRIM) for load management purposes. ABPR2's revenue and earnings have been stable in the past several years. During 2018-2020, revenues ranged from THB2.3-THB2.7 billion per year. EBITDA ranged between THB626-THB737 million per year over the same period. Revenues for the period from 2018 to 2020 were derived from electricity sold to EGAT (75%), electricity sold to industrial customers (16%), and steam sold to industrial customers (4%).

As of September 2021, ABPR2'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%). The major shareholder, BGRIM, was established in 1993 as a holding company for the power business under the conglomerate of the B. Grimm Group. BGRIM generates and sells electricity and steam through its subsidiaries and affiliates. As of September 2021, BGRIM had installed capacity of 4,015 MW, 2,894 MW of which was in operation.

## KEY OPERATING PERFORMANCE

**Table 1: Plant Performance Statistics of ABPR2**

Plant Performance	Unit	Jan-Sep 2021	2020	2019	2018	2017	2016
Net output energy <sup>1</sup>	GWhe <sup>2</sup>	622.6	759.2	838.0	824.5	874.8	793.2
Plant heat rate	BTU/kWh	7,474	7,546	7,508	7,542	7,474	7,571
Primary energy saving factor	%	14.5	14.4	14.4	14.6	15.9	14.4
Availability	%	100.0	92.4	96.5	98.0	99.7	93.2
Unplanned outage	%	0.0	1.4	0.8	0.1	0.3	1.4
Planned outage	%	0.0	6.2	2.8	1.9	0.0	5.4

Remarks: <sup>1</sup> Net output of electricity and steam

<sup>2</sup> Gigawatt-hour equivalent

Source: ABPR2

## FINANCIAL STATISTICS AND KEY FINANCIAL RATIOS

Unit: Mil. THB

	Year Ended 31 December				
	2020	2019	2018	2017	2016
Total operating revenues	2,348	2,731	2,605	2,598	2,406
Earnings before interest and taxes (EBIT)	397	506	501	559	429
Earnings before interest, taxes, depreciation, and amortization (EBITDA)	626	737	730	788	659
Funds from operations (FFO)	485	575	568	573	458
Adjusted interest expense	138	161	162	216	201
Capital expenditures	22	8	7	4	2
Total assets	5,053	5,989	5,920	5,898	5,511
Adjusted debt	2,557	2,606	2,996	2,920	3,043
Adjusted equity	1,551	1,549	1,538	1,512	1,378
<b>Adjusted Ratios</b>					
EBITDA margin (%)	26.65	26.97	28.04	30.34	27.38
Pretax return on permanent capital (%)	7.60	9.18	9.10	10.45	8.06
EBITDA interest coverage (times)	4.54	4.58	4.50	3.66	3.28
Debt to EBITDA (times)	4.09	3.54	4.10	3.70	4.62
FFO to debt (%)	18.96	22.06	18.96	19.61	15.06
Debt to capitalization (%)	62.25	62.73	66.08	65.89	68.83

## RELATED CRITERIA

- Key Financial Ratio and Adjustments for Corporate Issuers, 11 January 2022
- Group Rating Methodology, 13 January 2021
- Rating Methodology – Corporate, 26 July 2019

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**Amata B. Grimm Power (Rayong) 2 Ltd. (ABPR2)**

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**Company Rating:**

A-

**Rating Outlook:**

Stable

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