

# AMATA B.GRIMM POWER 3 LTD.

No. 4/2018

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**Company Rating:** A-  
**Outlook:** Stable

**Company Rating History:**

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

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**Rating Rationale**

TRIS Rating affirms the company rating of Amata B.Grimm Power 3 Ltd. (ABP3) at "A-". The rating reflects the reliable cash flows received through a long-term power purchase agreement (PPA) with the Electricity Generating Authority of Thailand (EGAT) under the Small Power Producer (SPP) scheme, proven technology of combined-cycle gas turbine used for its cogeneration power plant, and B.Grimm Group's experiences in the power business. The rating is constrained by the single asset risk and ABP3's highly-leveraged balance sheet.

ABP3 was established in 2010 to own and operate a cogeneration power plant under the SPP scheme. The plant is located in Amata Nakorn Industrial Estate (ANE), Chonburi province. The power plant has an installed capacity of 132.5 megawatts (MW) plus 30 tonnes per hour of steam. Of the 132.5 MW, 90 MW is sold to EGAT under the 25-year PPA while the rest is sold to industrial customers in ANE. ABP3's plant commenced commercial operation on 1 October 2012. Currently, ABP3's shareholders are B.Grimm Power PLC (BGRIM -- 60.7%), Summit Sunrise Energy Co., Ltd. of the Sumitomo Group (SSEC -- 18%), Amata Corporation PLC (AMATA -- 18.3%), and B.Grimm Joint Venture Holding Ltd. (BGJV -- 3%).

ABP3 has a 25-year PPA with EGAT for 90 MW under the SPP scheme. ABP3 has long-term off-take agreements with industrial customers to sell 46 MW of electricity and 13 tonnes per hour of steam. The PPA with EGAT has helped mitigate market risk as EGAT agreed to dispatch not less than 80% of the contracted capacity based on operating hours. The PPA also contains a gas price pass-through mechanism. For the industrial customers, the contracts also specify the minimum off-take amounts. 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 tariff generally carries a fuel adjustment charge or Ft to adjust for changes in fuel prices. ABP3 holds a gas supply contract (GSA) with PTT PLC (PTT) for 25 years covering the terms of the PPA with EGAT.

ABP3's power plant employs proven technology used in its combine cycle cogeneration plant. The Siemens SGT 800 gas turbine has a proven track record, with a fleet of more than 100 units sold worldwide since 1997. ABP3's power plant comprises two gas turbine units with bypass stacks, two heat recovery steam generators (HRSGs), and one steam turbine. The gas turbines and the steam turbine are both made by Siemens. By selecting gas turbines with bypass stacks, ABP3 has the flexibility to independently operate the gas turbines during the maintenance of the steam turbine or for load management purposes. ABP3 entered into an eight-year long-term service agreement (LTSA) with Siemens. The agreement helps mitigate operational risk and control maintenance cost. For the day-to-day operation, ABP3 has its own operation and maintenance team, leveraging BGRIM's expertise in the operation and maintenance of cogeneration power plants.

ABP3's operations have met the PPA targets since its inception in 2012. For the first nine months of 2017, ABP3 sold about 475 gigawatt-hour (GWh) of electricity to EGAT, 67% of total electricity sales, while sold about 165 GWh of electricity to industrial customers, and sold about 68 GWh to related companies (other BGRIM's power plants in ANE) for load management purposes. The actual availability factor was 97.2% and the heat rate was 7,520 British Thermal

Unit/kilowatt-hour (BTU/kWh), better than the PPA allowance of 8,000 BTU/kWh. In terms of energy efficiency, ABP3's plant has managed to achieve the primary energy saving (PES) threshold and received an additional tariff of 0.36 Bt/kWh of fuel saving (FS) payment from EGAT.

In 2016, ABP3's revenue declined by 12.9% to Bt2,729 million, mainly due to the lower amount of electricity sold to related companies and a lower gas price. The lower gas price impacted the company's energy payment revenue from EGAT, as well as the Ft adjustment to industrial customers. However, as the PPA with EGAT contains a pass-through mechanism, the company's earnings before interest, tax, depreciation, and amortization (EBITDA) slightly dropped by 0.5% to Bt715 million in 2016. The company's operating margin (operating income before depreciation and amortization as percentage of sale) was 25.8% in 2016. The ratio of funds from operations (FFO) to total debt was 15.1%. At the end of 2016, ABP3's debts totaled Bt3,502 million, with a debt to capitalization ratio of 70.3%.

In April 2017, the company refinanced its project loans with inter-company loans borrowed from Amata B.Grimm Power SPV1 Ltd. (ABPSPV) totalling Bt3,700 million. According to the loan agreement, the repayment profile is in line with the repayment profile of ABPSPV. The first repayment of Bt575 million will come due in 2020. Looking forward, TRIS Rating's base case scenario expects ABP3's EBITDA will be Bt600-Bt700 million per year, while maintaining cash on hand of over Bt1,000 million. With this assumption, the company could cover its debt repayments in 2020 and the years after. However, due to the long repayment profile, the company's debt to capitalization ratio is expected to improve slowly during 2018-2019.

### Rating Outlook

The "stable" outlook reflects the expectation that ABP3 will maintain smooth operations, and generate a reliable EBITDA of Bt600-Bt700 million per year. In addition, ABP3 is expected to manage its liquidity needs to accommodate rises in bullet payments in 2020.

An upside for ABP3's rating is limited over the next 12-18 months. A rating downside case may occur if ABP3's performance deteriorates significantly, hurting its cash flow generation.

### Amata B.Grimm Power 3 Ltd. (ABP3)

**Company Rating:**

A-

**Rating Outlook:**

Stable

**Plant Performance Statistics of ABP3**

Plant Performance	Unit	Jan-Sep 2017	2016	2015	2014	2013
Net output energy*	GWhe	723.0	875.0	906.8	943.6	982.7
Plant heat rate	BTU/kWh	7,520	7,617	7,618	7,562	7,507
Primary energy saving factor	%	15.2	14.1	13.5	14.9	11.6
Availability	%	97.2	97.9	92.2	94.4	97.9
Unplanned outage	%	2.2	1.3	1.3	4.7	2.1
Planned outage	%	0.6	0.8	6.4	0.9	0.0

\* Net output of electricity and steam

**Financial Statistics and Key Financial Ratios\***

Unit: Bt million

	----- Year Ended 31 December -----			
	2016	2015	2014	2013
Revenue	2,729	3,135	3,338	3,370
Gross interest expense	187	238	248	239
Net income from operations	294	241	282	284
Funds from operations (FFO)	529	482	496	489
Earnings before interest, tax, depreciation, and amortization (EBITDA)	715	719	731	717
Capital expenditures	13	12	62	453
Total assets	5,241	5,429	6,032	6,050
Total debts	3,502	3,720	3,764	3,919
Shareholders' equity	1,482	1,438	1,717	1,644
Operating income before depreciation and amortization as % of sales	25.8	22.1	21.7	21.2
Pretax return on permanent capital (%)	9.5	9.0	9.6	10.0
Earnings before interest, tax, depreciation, and amortization (EBITDA) interest coverage (times)	3.8	3.0	2.9	3.0
FFO/total debt (%)	15.1	13.0	13.2	12.5
Total debt/capitalization (%)	70.3	72.1	68.7	70.4

**TRIS Rating Co., Ltd.**

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