

AMATA B.GRIMM POWER (RAYONG) 1 LTD.

No. 5/2018

9 January 2018

Company Rating: A-
Outlook: Stable

Company Rating History:

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

Rating Rationale

TRIS Rating affirms the company rating of Amata B.Grimm Power (Rayong) 1 Ltd. (ABPR1) 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 experience in the power business. The rating is constrained by the single asset risk and ABPR1's highly-leveraged balance sheet.

ABPR1 was established in 2011 to own and operate a power plant under the SPP scheme. The plant is located in Amata City Industrial Estate (ACIE), Rayong province. The power plant has an installed capacity of 123.3 megawatts (MW) plus 30 tonnes per hour of steam. Of the 123.3 MW, 90 MW is sold to EGAT under the 25-year PPA, while the rest is sold to industrial customers in ACIE. ABPR1's plant commenced commercial operation on 1 November 2013. Currently, ABPR1's shareholders are B.Grimm Power PLC (BGRIM -- 61.7%), Summit 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%).

ABPR1 has a 25-year PPA with EGAT for 90 MW under the SPP scheme. ABPR1 also has long-term off-take agreements with industrial customers to sell 17 MW of electricity and 14 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 minimum off-take amounts. The electricity tariffs charged to the industrial customers are based on the electricity tariff 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. ABPR1 holds a gas supply contract (GSA) with PTT PLC (PTT) for 25 years covering the terms of the PPA with EGAT.

ABPR1'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. ABPR1's 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, ABPR1 has the flexibility to independently operate the gas turbines during maintenance of the steam turbine or for load management purposes. ABPR1 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, ABPR1 has its own operations and maintenance team, leveraging BGRIM's expertise in the operation and maintenance of cogeneration power plants.

ABPR1's operations have met the PPA targets since its inception in 2013. For the first nine months of 2017, ABPR1 sold about 465 gigawatt-hour (GWh) of electricity to EGAT, 75% of total electricity sales, and sold about 160 GWh of electricity to industrial customers. The actual availability factor was 95.8% and the heat rate was 7,522 British Thermal Unit/kilowatt-hour (BTU/kWh), better than the PPA allowance of 8,000 BTU/kWh. In terms of energy efficiency, ABPR1's plant has

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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.

Although the equivalent of electricity sales increased by 1.4% to 824.7 gigawatts-hours equivalent (GWhe) for 2016, the company's revenue declined by 10.8% to Bt2,599 million. The drop in revenue was mainly due to a decrease in gas price in 2016, which impacted the company's revenue from energy payments from EGAT and 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 declined by 2% to Bt734 million in 2016. The company's operating margin (operating income before depreciation and amortization as a percentage of sales) was 27.2% in 2016. The ratio of funds from operations (FFO) to total debt was 14%. At the end of 2016, ABPR1's debts totaled Bt3,705 million, with a debt to capitalization ratio of 73.4%.

In April 2017, the company refinanced its project loans with inter-company loans borrowed from Amata B.Grimm Power SPV1 Co., Ltd. (ABPSPV) totalling Bt3,880 million. According to the loan agreement, the repayment profile is in line with the repayment profile of ABPSPV. The first repayment of Bt610 million will come due in 2020. Looking forward, TRIS Rating's base case scenario expects ABPR1's EBITDA will be Bt600-Bt700 million per year, while maintaining cash on hand of over Bt1,000 million. According to its repayment profile, the company's debt to capitalization ratio is expected to remain high during 2018-2019.

Rating Outlook

The "stable" outlook reflects the expectation that ABPR1 will maintain smooth operations, and generate a reliable EBITDA of Bt600-Bt700 million per year. In addition, ABPR1 is expected to manage its liquidity needs to accommodate rises in bullet payments in 2020.

An upside for ABPR1's rating is limited over the next 12-18 months. A rating downside case may occur if ABPR1's performance deteriorates significantly, hurting its cash flow generation.

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A-

Rating Outlook:

Stable

Plant Performance Statistics of ABPR1

Plant Performance	Unit	Jan-Sep 2017	2016	2015	2014	2013
Net output energy*	GWhe	590.3	824.7	813.5	732.0	105.4
Plant heat rate	BTU/kWh	7,522	7,559	7,541	7,610	7,676
Primary energy saving factor	%	14.1	14.1	16.2	16.4	12.8
Availability	%	95.8	96.0	97.1	98.5	96.3
Unplanned outage	%	0.3	1.1	2.4	1.0	3.7
Planned outage	%	3.9	2.9	0.4	0.5	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	2,599	2,914	2,710	375
Gross interest expense	221	226	229	117
Net income from operations	302	312	198	18
Funds from operations (FFO)	520	410	425	39
Earnings before interest, tax, depreciation, and amortization (EBITDA)	734	749	600	59
Capital expenditures	59	115	454	1,482
Total assets	5,407	5,573	5,652	5,746
Total debts	3,705	3,833	3,825	3,749
Shareholders' equity	1,341	1,333	1,376	1,150
Operating income before depreciation and amortization as % of sales	27.2	24.9	21.4	15.2
Pretax return on permanent capital (%)	10.2	10.4	8.5	0.8
Earnings before interest, tax, depreciation, and amortization (EBITDA) interest coverage (times)	3.3	3.3	2.6	0.5
FFO/total debt (%)	14.0	10.7	11.1	1.0
Total debt/capitalization (%)	73.4	74.2	73.5	76.5

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