RATCHABURI ELECTRICITY GENERATING HOLDING PLC

No. 73/2017 29 June 2017

Company Rating: AAA

Outlook: Stable

Company Rating History:

Date	Rating	Outlook/Alert
10/04/15	AAA	Stable
25/04/13	AA+	Stable
09/02/11	AA	Stable
15/06/05	AA-	Stable
12/07/04	A+	Stable
26/06/03	A+	-

Contacts:

Sermwit Sriyotha
sermwit@trisrating.com

Pravit Chaichamnapai, CFA
pravit@trisrating.com

Wiyada Pratoomsuwan, CFA
wiyada@trisrating.com

WWW.TRISRATING.COM

Rating Rationale

TRIS Rating affirms the company rating of Ratchaburi Electricity Generating Holding PLC (RATCH) at "AAA". The rating reflects RATCH's position as the largest private power producer in Thailand, its predictable cash flows from power projects with creditworthy off-takers, and its strong relationship with the Electricity Generating Authority of Thailand (EGAT). The rating also takes into consideration RATCH's conservative investment plans and strong balance sheet.

RATCH is a power holding company focusing on investments in power and related businesses. The company was established in 2000 to purchase the Ratchaburi power plant from EGAT. RATCH was listed on the Stock Exchange of Thailand (SET) in 2000. EGAT is RATCH's major shareholder, holding a 45% stake.

As of March 2017, RATCH's aggregate equity capacity (capacity is based on RATCH's ownership proportion of each plant) was 7,013 megawatts (MW). About 6,496 MW are in operation while the rest (517 MW) are in development and construction phases. RATCH is the largest power generator in Thailand, with a capacity of 5,704 MW connected to the Thai power grid, representing 14% of the nation's total installed capacity.

RATCH's business profile is very strong. Each power plant in which it has invested has a solid project framework. The power plants have secured long-term power purchase agreements (PPAs) with creditworthy off-takers which help mitigate market risk. As of March 2017, about 5,643 MW, or 87% of RATCH's aggregate equity capacity in operation, were contracted with EGAT. A much smaller portion, or 33 MW, are covered by PPAs with the Provincial Electricity Authority (PEA), while the rest, or 820 MW, were mostly covered by PPAs with utility companies. RATCH's intensive experience keeps its projects on schedule and ensures each project is operating smoothly. This leads to reliable streams of cash. The business profile also reflects a strong relationship between RATCH and EGAT. EGAT is not only RATCH's major shareholder, but also the main off-taker. EGAT operates RATCH's main power plants, such as the Ratchaburi power plant, the Hongsa power plant, and the Nam Ngum 2 power plant.

RATCH's financial profile is strong. The company's earnings before interest, tax, depreciation and amortization (EBITDA), adjusted with financial lease principal payments, ranged from Bt11,000-Bt13,000 million per year during 2012-2016. RATCH's subsidiary, Ratchaburi Electricity Generating Co., Ltd. (RATCHGEN), rated "AAA" by TRIS Rating, contributed the largest share. The Hongsa power project commenced operation during 2015-2016. The new plant adds 751 MW, or about 12% of RATCH's total equity capacity. Due to a technical issue, the contribution from the Hongsa power plant was lower than expected in its first year of operation. The reliability of the Hongsa power plant gradually improved after the technical issue was identified. The Hongsa power plant is expected to contribute net profit of about Bt1,200-Bt1,600 million per year to RATCH during 2017-2019. The contribution from the Hongsa power plant will help offset a declining contribution from RATCHGEN.

RATCH's capital structure is strong. The total debt to capitalization ratio was 27.8% and total debt was Bt24,530 million at the end of March 2017. RATCH's liquidity is very healthy. The company had cash on hand and short-term investments of Bt16,092 million at the end of March 2017. This amount of cash plus an expected EBITDA of about Bt11,000-Bt12,000 million per year during 2017-

2019 are sufficient to cover debt repayment obligations and required equity injections in committed projects. RATCH has about Bt2,600 million in debt repayment in 2018 and about Bt10,800 million in US dollar bonds due in 2019. During April to June 2017, the company announced investment in a combine cycle gas turbine (CCGT) power plant in Indonesia, a financial closing on the Collinsville solar power project in Australia, and investment in the MRT Pink Line and MRT Yellow Line projects in Thailand. These three projects will increase the company's capacity by 360 MW. Therefore, the company's aggregated capacity increased to 7,373 MW, as of June 2017. The company's committed capital expenditures and equity injection will total about Bt21,000 million over 2017-2019. Most of the capital investment will go to the Mount Emerald wind power project in Australia, the Xe-Pian Xe-Namnoy hydro power project in the Lao People's Democratic Republic (Lao PDR), the Riau cogeneration power project in Indonesia, a nuclear power plant in China, and the investments in the MRT Pink Line and MRT Yellow Line projects in Thailand. RATCH continues to seek new investment opportunities in Thailand and abroad. It may need to raise more debt to fund new investments or acquisitions. However, the debt to capitalization ratio is expected to be below 40% during 2017-2019.

Rating Outlook

The “stable” outlook reflects the expectation that RATCH will continue to receive reliable cash flows from the power projects secured with the long-term PPAs. The debt to capitalization ratio is expected to stay in the range of 20%-40%, taking into account RATCH’s growth strategy and investment plans.

A credit rating downside may occur if RATCH’s financial leverage deteriorates dramatically due to any large scale, debt-funded acquisition. A severe underperformances of the company's major power plants could also impact the company's credit profile.

Ratchaburi Electricity Generating Holding PLC (RATCH)

Company Rating:	AAA
Rating Outlook:	Stable

Financial Statistics and Key Financial Ratios*

Unit: Bt million

		---------------------------- Year Ended 31 December ------------------------				
	Jan-Mar ** 2017	2016 **	2015 **	2014 **	2013 **	2012
Sales	9,854	47,578	57,177	54,970	49,020	55,365
Gross interest expense	400	1,360	1,340	1,468	1,634	2,488
Net income from operations	1,125	6,008	4,522	5,134	5,164	5,075
Funds from operations (FFO)	2,618	10,729	8,356	10,101	8,881	8,308
Earnings before interest, tax, depreciation, and amortization (EBITDA)	3,035	12,636	11,819	12,823	11,252	12,555
Capital expenditures and investments	1,241	9,250	6,297	1,977	684	4,577
Total assets	96,749	96,391	92,605	96,235	93,874	96,811
Total debts	24,530	24,728	21,456	22,298	22,465	31,803
Shareholders' equity	63,583	62,453	60,420	61,199	59,126	53,732
Operating income before depreciation and amortization as % of sales	21.2	17.6	16.0	16.8	18.3	19.1
Pretax return on permanent capital (%)	9.3***	9.6	8.6	9.4	9.7	10.0
EBITDA interest coverage (times)	7.6	9.3	8.8	8.7	6.9	5.0
FFO/total debt (%)	44.8 ***	43.4	38.9	45.3	39.5	26.1
Total debt/capitalization (%)	27.8	28.4	26.2	26.7	27.5	37.2

* *Consolidated financial statements*
** *FFO, EBITDA, and all financial ratios are adjusted with lease receivable from related party.*
*** *Annualized with trailing 12 months*

TRIS Rating Co., Ltd.
Tel: 0-2231-3011 ext 500 / Silom Complex Building, 24th Floor, 191 Silom Road, Bangkok 10500, Thailand www.trisrating.com