

# B.GRIMM POWER PLC

No. 71/2024  
30 April 2024

## CORPORATES

<b>Company Rating:</b>	A
<b>Issue Ratings:</b>	
Senior unsecured	A-
Hybrid	BBB+
<b>Outlook:</b>	Stable

**Last Review Date:** 28/04/23

### Company Rating History:

Date	Rating	Outlook/Alert
09/04/18	A	Stable

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## RATIONALE

TRIS Rating affirms the company rating on B.Grimm Power PLC (BGRIM) at “A”. At the same time, TRIS Rating affirms the ratings on BGRIM’s senior unsecured debentures at “A-” and subordinated capital debentures at “BBB+”. The rating outlook remains “stable”.

The ratings reflect BGRIM’s predictable cash flow from long-term power purchase agreements (PPAs) with the Electricity Generating Authority of Thailand (EGAT, rated “AAA/Stable”) under the small power producer (SPP) scheme and a streak of solid performances of BGRIM’s cogeneration power plants. The ratings also factor in the company’s large and well-diversified power portfolio. Contrarily, the ratings are tempered by BGRIM’s hefty debt load and considerable interest burden as a result of its ongoing investments. The ratings also consider execution risks of overseas projects.

## KEY RATING CONSIDERATIONS

### Sizable and well-diversified power portfolio

BGRIM’s strong business profile is predicated on its large and well-diversified power portfolio across different sites. As of 2023, the company had more than 60 operating projects in Thailand and abroad, with a total installed capacity (gross capacity) of 4,005 megawatts (MW). The net installed capacity is 2,596 MW when measured in proportion to BGRIM’s ownership of the plants.

Gas-fired cogeneration power plants remain dominant in BGRIM’s power portfolio, making up 69% of net operating capacity, or 1,798 MW. BGRIM owns 23 operating cogeneration power plants, most of which are located in industrial estates in Eastern Thailand.

BGRIM also has a pool of operating renewable projects, with a combined capacity of 794 MW in solar, wind, hydropower, and waste-to-energy (WTE). These projects are present in Thailand, Vietnam, Cambodia, the Philippines, Malaysia, South Korea, and the Lao People’s Democratic Republic (Lao PDR).

### Predictable cash flows underpinned by long-term PPAs

BGRIM’s predictable cash flows are primarily underpinned by its cogeneration power plants, which hold long-term PPAs with EGAT and credible industrial users. In 2023, EGAT remained BGRIM’s largest power buyer, accounting for around 63% of total revenues. Electricity and steam sold to industrial users in Thailand made up around 28% of total revenues. The remainder was stemmed from its renewable power and overseas projects.

Most of BGRIM’s cogeneration power plants have long-term PPAs with EGAT under the SPP scheme. The PPAs with EGAT help mitigate market risk since EGAT is committed to ordering electricity dispatch of at least 80% of the contracted capacity based on power plant operating hours. The PPAs also contain a gas price pass-through mechanism in the tariff formula to mitigate fuel price risk.

The cogeneration power plants also hold PPAs and steam purchase agreements (SPAs) with industrial customers covering 5-15 years. Each industrial customer is obliged to purchase a minimum amount of electricity and/or steam. Nevertheless, the sale volume is highly reliant on the demand from industrial activities. BGRIM sells electricity to industrial customers at discounts on the tariff rates charged by the Provincial Electricity Authority (PEA) to large electricity users. 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 adjustments.

### **Proven record in operating cogeneration power plants**

BGRIM has extensive experience in developing and operating gas-fired combined-cycle cogeneration power plants. The cogeneration plants have high availability factors and infrequent unplanned outages. The average plant heat rates meet the criteria specified in the PPAs with EGAT. In 2023, the actual availability factors of the cogeneration power plants ranged between 89% and 100%, exceeding the PPA targets. Most of cogeneration power plants have better heat rates than specified in the PPAs.

However, there are some cogeneration power plants that had higher heat rate than specified in the PPAs, resulting from underutilization due to the remaining idle capacity. We expect BGRIM to gradually acquire new industrial customers over the forecast period and the heat rate to stay in line with PPAs from 2025 onward.

### **Restoration of financial performance**

In 2023, BGRIM's healthy rebound in earnings was stemmed from wider spark spread (the difference between electricity tariff for industrial customers and fuel cost), increase in operating capacity from new projects, and the successful in heat rate reduction.

The wider spark spread was the result of soften gas prices and Ft upward adjustment. Average gas prices declined to around THB370-THB380 per metric million British thermal unit (MMBTU) in 2023, from around THB470-THB480 per MMBTU in 2022. Meanwhile, average Ft was raised to THB0.89 per kilowatt-hour (kWh), up from THB0.4 per kWh in 2022.

As a result, BGRIM's earnings before interest, taxes, depreciation, and amortization (EBITDA) soared to THB14 billion in 2023, marking a 41% increase from THB9.9 billion in 2022. The debt to EBITDA ratio reduced to 6.6 times, down from 9.2 times in 2022. The debt to capitalization ratio stood at 67.4% as of 2023. In our base case projection, we assume Ft adjustment to keep pace with changes in gas prices. We expect the company to maintain its profit margin from electricity sales to industrial customers.

### **Concentrated growth in renewable power**

BGRIM aims to ramp up its gross installed capacity to 10,000 MW by 2030, up from 4,005 MW in 2023. Of the total target, half of which will come from renewable power. BGRIM has secured new power projects under the state 5.2-gigawatt renewable power scheme, with a combined contracted capacity of 339 MW. All projects are scheduled to be up and running during 2026-2030.

We expect BGRIM to be growing its presence in overseas markets in the years ahead, with a sharp increase in investment in South Korea. In March 2024, B.Grimm Power Korea Ltd., a wholly-owned subsidiary of BGRIM, invested in two offshore wind projects with total capacity of 740 MW, or net capacity of 363 MW. Despite the low country risk, we view the project execution is more complicated as offshore wind power generally requires high investment and entails relatively higher construction risks. Significant construction delays or cost overruns could pose threats to the project viability.

On top of that, BGRIM is also developing a number of renewable projects including hybrid power plant in U-Tapao area; solar projects in Thailand, Malaysia, Japan, South Korea, the Philippines, and in Europe; and wind projects in Vietnam and South Korea. In our base case projection, we assume BGRIM to carry out a considerable amount of investment for up to THB49 billion in 2024-2026. Of the total, we expect about THB31.3 billion will go into wind power projects in South Korea.

### **Financial leverage to remain high**

We expect BGRIM's financial leverage level to remain high over the next few years due to new debt loaded to support its planned investments. In our base case projection, we expect BGRIM's capital expenditures and planned investments to add up to THB53.5 billion during 2024-2026. We project BGRIM's adjusted net debt to stay around THB90 billion in 2024-2025 and rise to THB116 billion in 2026.

In our base case projection, we forecast BGRIM's EBITDA to stay around THB14 billion in 2024. We expect EBITDA to rise to THB16 billion by 2026, given our assumption that BGRIM could achieve to obtain new PPAs with industrial customers and its new renewable projects start to pay off. We forecast the company's debt to EBITDA ratio to hover around 6-6.5 times in 2024-2025, and to increase to 7.2 times in 2026. We project its debt to capitalization ratio to stay around 63%-67% over the forecast period.

Given the elevating debt, the increase in interest expenses is forecast to have a significant impact on the company's earnings. We expect BGRIM to issue new series of subordinated capital debentures to fully replace its outstanding subordinated capital debentures that have the first call date in November 2024. As such, we forecast the funds from operations (FFO) to range THB8-THB9 billion per year and the FFO to debt ratio to range 7%-10% during 2024-2026.

## Debt structure

As of December 2023, BGRIM had consolidated debt (excluding lease liabilities) of THB110.2 billion and subordinated capital debentures of around THB15.9 billion. BGRIM's priority debt totaled THB75 billion, comprising secured debt owed by BGRIM and all borrowings incurred by its operating subsidiaries. The priority debt to total debt ratio was 60%, suggesting that BGRIM's unsecured creditors are significantly disadvantaged to the priority debt holders with respect to claims against the company's assets.

## Adequate liquidity profile

We assess BGRIM as having adequate liquidity over the next 12 months. On consolidated basis, the company had cash of about THB29.6 billion as of December 2023. The company had unused credit facilities of about THB17.5 billion. Cash on hand, unused credit facilities, and expected FFOs should be sufficient to cover long-term loans and debentures coming due in the next 12 months of THB7.8 billion, plus short-term debt obligations of THB1.0 billion.

## BASE-CASE ASSUMPTIONS

These are the key assumptions in TRIS Rating's base-case forecast for BGRIM's operations during 2024-2026:

- Electricity sale of gas-fired cogeneration power plants to be in a range of 13,100-13,400 gigawatt-hours (GWh) per year and steam sale to range 0.86-0.88 million tonnes per year.
- Capacity factor of renewable power plants to be:
  - Solar power : 13%-18%
  - Solar power with energy storage : 20%
  - Wind power : 25%-31%
  - Hydro power : 53%-61%.
- Total capital expenditures and investments to be THB53.5 billion.

## RATING OUTLOOK

The "stable" outlook reflects our expectations that BGRIM's power plants will continue to perform well and deliver strong cash flows. The new power projects will be developed as planned, without significant delay or cost overrun. We also expect the company to adopt prudent financial policy while pursuing its growth strategy, such that its cash generation against debt obligations will align with our forecast.

## RATING SENSITIVITIES

We could revise the ratings upward if we see BGRIM's level of cash flow against debt obligations is significantly enhanced. Contrarily, we could take a negative action on the ratings if BGRIM's operating performance falls markedly short of our expectation. In addition, we could also lower the ratings if BGRIM's capital structure materially deteriorates due to heavy debt-financed investments.

## COMPANY OVERVIEW

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. BGRIM was listed on the Stock Exchange of Thailand (SET) on 19 July 2017. As of December 2023, BGRIM's major shareholders were Mr. Harald Link and the B.Grimm Group, with a combined 68.3% stake. The rest of the company's shares are publicly owned.

BGRIM has extensive experience in developing and operating gas-fired combined-cycle cogeneration power plants. BGRIM was awarded its first SPP contract through a subsidiary, Amata B.Grimm Power 1 Ltd. (ABP1), in 1996. ABP1 commenced operation in 1998.

As of December 2023, BGRIM had gross operating capacity of 4,005 MW or net capacity of 2,596 MW when measured in proportion to BGRIM's ownership of the plants. The operating power portfolio consists of 23 gas-fired cogeneration power plants in Thailand, 22 solar farms in Thailand, two solar farms in Vietnam, one solar farm in Cambodia, five solar farms in Malaysia, two solar farms in South Korea, three hydropower plants in the Lao PDR, one waste-to-energy power plant in Thailand, two wind farms in Thailand, one backup diesel power plant in Vietnam, and a small group of solar rooftops in Thailand and the Philippines.

BGRIM sells electricity mainly to EGAT and a number of industrial users. BGRIM also holds PPAs with PEA, the Metropolitan Electricity Authority (MEA), Electricite du Laos (EDL), Vietnam Electricity (EVN), Electricite du Cambodge (EDC), Korea Electric Power Corporation (KEPCO), and industrial users in Vietnam and the Philippines.

Most of BGRIM's cogeneration power plants employ proven technologies from reputable suppliers, such as Siemens and GE Power (GE). The cogeneration power plants have long-term service agreements (LTSAs) to ensure the reliability of the turbines and keep maintenance costs under control. BGRIM's cogeneration power plants hold gas supply contracts (GSAs) with PTT PLC (PTT) for 21-25 years. The terms of the GSAs usually match the terms of the PPAs with EGAT.

### KEY OPERATING PERFORMANCE

**Table 1: Power Plants' Key Operating Performance**

Plant Performance	Unit	2023	2022	2021	2020	2019
<b>Gas-fired SPP power plants</b>						
Net output energy <sup>1</sup>	GWhe <sup>1</sup>	12,766	12,368	13,272	12,719	12,422
Plant heat rate <sup>2</sup>	BTU/kWh	7,565	7,746	7,865	7,895	7,854
Availability factor <sup>2</sup>	%	97.5	96.9	96.7	97.7	97.3
<b>Solar power plants</b>						
Net output energy <sup>3</sup>	GWh	878	866	962	1,164	720
<b>Hydro power plants</b>						
Net output energy <sup>3</sup>	GWh	179	197	181	166	133
<b>Wind power plants</b>						
Net output energy <sup>3</sup>	GWh	44	40	16	-	-

Sources: BGRIM

Notes: 1) Net output of electricity and steam equivalent (GWh equivalent – GWhe)

2) Values are average across all operating plants.

3) Excluding output energy from associate and joint venture companies

### FINANCIAL STATISTICS AND KEY FINANCIAL RATIOS

Unit: Mil. THB

	----- Year Ended 31 December -----				
	2023	2022	2021	2020	2019
Total operating revenues	57,200	62,485	46,701	44,111	44,193
Earnings before interest and taxes (EBIT)	8,722	4,680	8,017	7,147	6,840
Earnings before interest, taxes, depreciation, and amortization (EBITDA)	14,039	9,928	13,183	12,830	11,547
Funds from operations (FFO)	7,784	4,829	8,813	8,996	7,916
Adjusted interest expense	5,818	4,943	3,987	3,523	3,388
Capital expenditures	7,922	11,852	11,436	16,721	4,041
Total assets	177,036	170,651	149,198	130,696	121,693
Adjusted debt	92,623	91,291	74,877	64,759	44,640
Adjusted equity	44,750	38,192	36,840	35,328	34,701
<b>Adjusted Ratios</b>					
EBITDA margin (%)	24.5	15.9	28.2	29.1	26.1
Pretax return on permanent capital (%)	5.3	3.1	6.2	6.4	7.0
EBITDA interest coverage (times)	2.4	2.0	3.3	3.6	3.4
Debt to EBITDA (times)	6.6	9.2	5.7	5.0	3.9
FFO to debt (%)	8.4	5.3	11.8	13.9	17.7
Debt to capitalization (%)	67.4	70.5	67.0	64.7	56.3

### RELATED CRITERIA

- Group Rating Methodology, 7 September 2022
- Corporate Rating Methodology, 15 July 2022
- Key Financial Ratios and Adjustments for Corporate Issuers, 11 January 2022
- Hybrid Securities Rating Criteria, 28 June 2021
- Issue Rating Criteria, 15 June 2021

**B.Grimm Power PLC**

<b>Company Rating:</b>	A
<b>Issue Ratings:</b>	
BGRIM247A: THB2,000 million senior unsecured debentures due 2024	A-
BGRIM255A: THB4,200 million senior unsecured debentures due 2025	A-
BGRIM255B: THB300 million senior unsecured debentures due 2025	A-
BGRIM267A: THB3,000 million senior unsecured debentures due 2026	A-
BGRIM275A: THB3,000 million senior unsecured debentures due 2027	A-
BGRIM280A: THB5,000 million senior unsecured debentures due 2028	A-
BGRIM295A: THB2,150 million senior unsecured debentures due 2029	A-
BGRIM317A: THB7,000 million senior unsecured debentures due 2031	A-
BGRIM325A: THB2,550 million senior unsecured debentures due 2032	A-
BGRIM19PA: THB8,000 million subordinated capital debentures	BBB+
BGRIM23PA: THB8,000 million subordinated capital debentures	BBB+
<b>Rating Outlook:</b>	Stable

**TRIS Rating Co., Ltd.**

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