

# EGAT INTERNATIONAL CO., LTD.

No. 128/2018  
31 August 2018

## CORPORATES

**Company Rating:** AAA  
**Outlook:** Stable

### Company Rating History:

Date	Rating	Outlook/Alert
16/09/15	AAA	Stable

## RATIONALE

TRIS Rating affirms the company rating on EGAT International Co., Ltd. (EGATi) at “AAA”. The rating reflects the company’s status as a wholly-owned subsidiary of Electricity Generating Authority of Thailand (EGAT, rated “AAA” by TRIS Rating), and its important role as an investment arm of EGAT for investments in power and energy-related business abroad. The rating also takes into consideration the high integration between EGAT and EGATi and strong support from EGAT.

## KEY RATING CONSIDERATIONS

### EGATi’s role as investment arm of EGAT

EGATi’s credit profile is closely linked with EGAT’s credit profile. EGATi was established under the Cabinet resolution in October 2007 to be an investment arm of EGAT for investments in power and energy-related businesses abroad. EGAT holds 100% shareholding in EGATi. Both EGAT and EGATi are state-owned enterprises under the Thai law.

Since its inception, EGATi’s business direction has been set to support EGAT’s business strategy. EGATi has been EGAT’s representative in government-to-government (G-to-G) power projects in neighboring countries. In addition, to secure a sufficient supply of electricity for the nation, EGATi has a policy to invest in energy projects abroad.

### Three power projects in the pipeline

Currently, EGATi’s investment portfolio consists of three power projects abroad and investment in Adaro Indonesia, a coal mine in Indonesia. The three power projects have aggregate capacity of 4,259 megawatts (MW), consisting of the Nam Ngiep 1 hydro-power project (Nam Ngiep 1) in the Lao People’s Democratic Republic (Lao PDR), the Quang Tri 1 coal-fired power project in Vietnam, and the Mong Ton hydro-power project in Myanmar. Of the three power projects, Nam Ngiep 1 has made the most progress.

### The Nam Ngiep 1 project to operate in February 2019

The Nam Ngiep 1 power project is targeted to commence operation in February 2019. The Nam Ngiep 1 is the hydro-electric power project located in Lao PDR with an installed capacity of 289 MW. EGATi has 30% interest in the project. The other shareholders are Kansai Electric Power Company (45% holding) and Lao Holding State Enterprise (25%). The total project cost is estimated at US\$906 million with EGATi’s investment cost of US\$79 million (equivalent to Bt2,625 million). The Nam Ngiep 1 project has a 27-year power purchase agreement (PPA) with EGAT for a capacity of 269 MW. At the end of June 2018, the construction was 97.75% completed. This project is expected to commence commercial operation in February 2019. EGATi expects to receive the dividend of approximately Bt200-Bt300 million per year after the first full operation year.

### Coal mining continues to be the main source of cash generation

Investment return from Adaro Indonesia will continue to be the main source of revenues for EGATi over the next three years. EGATi has 11.53% interest in Adaro with an investment cost of US\$325 million. Adaro Indonesia is one of the largest coal mining enterprises in Indonesia with a coal production of about 50 million tonnes per year and proven coal reserve of 837 million tonnes at the

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end of December 2017.

Since the initial investment in Adaro Indonesia in late 2016, the company has received dividend income of Bt4,493 million from Adaro Indonesia. TRIS Rating forecasts that EGATi will receive dividends of about Bt600 million per year from this Indonesian coal mine during 2019 and 2020, based on current coal prices. This dividend income is sufficient to cover the company's operating expenses of about Bt200 million per year.

### **High integration with EGAT**

The high level of integration with EGAT is also a main factor in considering EGATi's credit profile. Since EGATi's establishment, EGAT has seconded some of its senior management members to EGATi. In addition, EGAT is actively involved in EGATi's investment process. Investments approved by EGATi's board of directors are subject to EGAT's review before being forwarded to the Ministry of Energy for final approval.

TRIS Rating believes EGAT will continue to provide strong support to EGATi. EGATi is an integral part of EGAT's long-term business strategy. EGAT has budgeted an equity contribution of Bt17,000 million to support EGATi's investment plan. As of March 2018, EGAT made an equity contribution of Bt12,197 million to EGATi, of which Bt11,307 million is earmarked for investments in the Nam Ngiep 1, Mong Ton, Quang Tri 1, and the Adaro Indonesia projects.

In addition to financial support, EGAT also provides manpower, systems, and knowledge transfers and shares experience with EGATi. EGATi's management and members of the board of directors are appointed by EGAT.

### **RATING OUTLOOK**

The "stable" outlook reflects our expectation that EGATi will remain a wholly-owned subsidiary of EGAT and continue to play an important role in sourcing electricity energy abroad for use in Thailand.

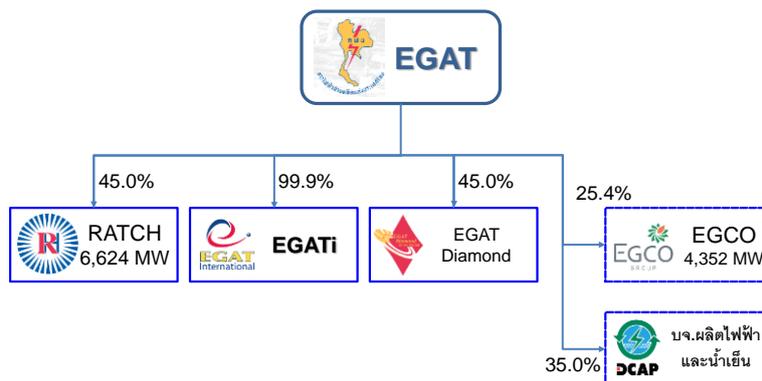
### **RATING SENSITIVITIES**

The downside factors for EGATi's rating include deterioration in EGAT's credit profile, a significant change in EGATi's relationship with EGAT, or a material reduction in support from EGAT.

### **COMPANY OVERVIEW**

EGATi was founded by a Cabinet resolution dated 30 October 2007, with an initial objective to serve as EGAT's representative in G-to-G power projects in neighboring countries. The company was formally established in December 2007, with registered capital of Bt50 million. EGATi is wholly owned by EGAT. EGAT received approval from the Ministry of Energy to inject Bt17,000 million in equity into EGATi to make investments abroad. In addition to this budget, EGAT pays EGATi's operating expenses through additional equity injections. As of March 2018, EGATi's paid-up capital was Bt12,197 million, of which Bt11,307 million was earmarked for the investment in the Nam Ngiep 1 hydropower project, the development of the Mong Ton hydropower project, and the investment in the Adaro Indonesia and Quang Tri 1 projects.

EGATi's investment portfolio comprises three power projects and a coal mine in Indonesia. The aggregate capacity of the three power projects is 4,259 MW. The three projects are located in the Lao PDR, Vietnam, and Myanmar. EGATi has a policy of holding 30%-40% interest in a project. Of the three projects, the Nam Ngiep 1 project exhibits the most progress. EGATi expects the Nam Ngiep 1 project will commence in 2019. Other projects are in the feasibility study phase.

**KEY OPERATING PERFORMANCE**
**EGAT's Group Structure as of 30 Jun 2018**


Illustrated by TRIS Rating

**EGATI's Portfolio as of 30 Jun 2018**

Project Name	Location	Plant Type	Project Capacity (MW)	EGATI's Holding (%)	EGATI's Capacity (MW)	PPA Terms (Years)	Expected COD
<b>Power Project</b>							
1. Nam Ngiep 1	Lao PDR	Hydro power	289	30	87	27	Feb 2019
2. Quang Tri 1	Vietnam	Coal-fired	1,320	40	528	25	2023-2024
3. Mong Ton	Myanmar	Hydro power	2,650	30	795	40	2028-2030
<b>Total</b>			<b>4,259</b>		<b>1,410</b>		
Company	Location	Business Type	EGATI's Holding (%)	EGATI's Investment (Bt Mil.)			
<b>Other investments</b>							
1. Adaro Indonesia	Indonesia	Coal mining	11.53	11,160			
<b>Total</b>				<b>11,160</b>			

Source: EGATI

**FINANCIAL STATISTICS AND KEY FINANCIAL RATIOS\***

Unit: Bt million

	Jan-Mar 2018	Year Ended 31 December			
		2017	2016	2015	2014
Revenue	213	1,348	40	11	12
Gross interest expense	0	0	0	0	0
Net income from operations	(53)	662	(132)	(14)	(242)
Funds from operations (FFO)	381	2,225	(77)	(65)	(101)
Capital expenditures & Investment	128	643	6,483	501	972
Total assets	17,351	17,675	17,570	5,977	4,296
Total debts	3	0	0	0	0
Shareholders' equity	12,121	12,282	11,640	5,911	3,883
Pretax return on permanent capital (%)	1.6 **	10.8	(1.3)	(0.3)	(7.2)
Earnings before interest, tax, depreciation, and amortization (EBITDA) interest coverage (times)	n.m.	n.m.	n.m.	n.m.	n.m.
FFO/total debt (%)	n.m.	n.m.	n.m.	n.m.	n.m.
Total debt/capitalization (%)	0.0	0.0	0.0	0.0	0.0

Note: Revenue has included share of profit/(loss) from investment in associates since 2016.

\* Equity-method  
 \*\* Non-annualized  
 n.m. Not meaningful

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**EGAT International Co., Ltd. (EGATi)**

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<b>Company Rating:</b>	AAA
<b>Rating Outlook:</b>	Stable

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**TRIS Rating Co., Ltd.**

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