

RATCHABURI ELECTRICITY GENERATING CO., LTD.

No. 150/2023
9 August 2023

CORPORATES

Company Rating: AA+
Outlook: Stable

Last Review Date: 03/08/22

Company Rating History:

Date	Rating	Outlook/Alert
05/08/21	AA+	Stable
10/04/15	AAA	Stable
25/04/13	AA+	Stable
15/06/05	AA	Stable
12/07/04	AA-	Stable
26/06/03	AA-	-

Contacts:

Tern Thitinuang, CFA

tern@trisrating.com

Rapeepol Mahapant

rapeepol@trisrating.com

Parat Mahuttano

parat@trisrating.com

Sermwit Sriyotha

sermwit@trisrating.com



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RATIONALE

TRIS Rating affirms the company rating on Ratchaburi Electricity Generating Co., Ltd. (RATCHGEN) at “AA+”, with a “stable” rating outlook. The rating reflects RATCHGEN’s status as a “core” subsidiary of RATCH Group PLC (RATCH). The company’s ratings continue to reflect the predictability of its cash flows generated under the long-term power purchase agreements (PPAs) with the Electricity Generating Authority of Thailand (EGAT, rated “AAA/stable”) as well as the company’s proven record of managing power plants and its strong, debt-free balance sheet.

KEY RATING CONSIDERATIONS

Highly predictable cash flows from long-term PPAs

RATCHGEN’s predictable cash generation is supported by its long-term PPAs with EGAT. The PPAs largely mitigate the market risk of power production. RATCHGEN’s revenue depends mostly on power plant availability. EGAT is obliged to make Availability Payments (AP) to RATCHGEN as long as the company attains its availability targets, regardless of dispatching. Fuel price risk is mitigated as the PPAs enable RATCHGEN to pass through fuel costs to EGAT based on the agreed plant heat rate.

Declining stage of cash flows under PPA

RATCHGEN’s operating cash flows depend mostly on the EGAT PPAs. The company’s PPAs will expire in 2025 for 1,470 megawatts (MW) and in 2027 for 2,175 MW. As the tailing period of PPA, the company’s revenue from AP portion under PPA is structured to be declining which reflect in RATCHGEN’s stand-alone credit profile (SACP) of “aa+”. The return on investment is mostly recovered via the AP portion during the first 20 years of PPA. We expect RATCHGEN’s annual earnings before interest, taxes, depreciation, amortization (EBITDA) to gradually decline in near future, from THB4.5-THB6.4 billion in 2020-2022.

Proven operational record

The “Ratchaburi” power plant has continued a track record of smooth operations stretching back over 20 years. The plant has consistently been able to meet the availability targets specified in the PPAs. During the last 10 years, the plant availability and plant efficiency figures have exceeded the targets set in the PPAs almost every year.

In the first quarter of 2023, the overall availability factor of RATCHGEN’s power plants was 99.8%, better than the target of 88.8%. The plant efficiency metric is also aligned with the target. The overall plant heat rate was recorded at 7,234 British thermal units per kilowatt-hours (Btu/kWh), slightly better than the target of 7,272 Btu/kWh.

Debt-free balance sheet

We do not expect RATCHGEN to make any sizable investments in near future. As a result, the company should be able to maintain a debt-free balance sheet over the next three years. We expect RATCHGEN’s debt to capitalization ratio to remain at zero over the forecast period. As the company do not have any debt obligation nor any large investments, the company could cover its routine maintenance expenditures by its ample operating cashflows.

Core subsidiary of RATCH

We consider RATCHGEN a core subsidiary of RATCH, in view of its investment structure and significant earnings contribution to RATCH. RATCHGEN is a wholly owned subsidiary of RATCH. The 3,645-MW Ratchaburi power plant accounted for about 46% of RATCH's total equity capacity as of June 2023. RATCHGEN contributed about 36% of RATCH's EBITDA in 2022.

Despite RATCHGEN's lowering contribution to the group, we believe that RATCH will maintain its strong support for the company. RATCH is exploring the potential usage of RATCHGEN's facilities after PPA expiration, by capitalizing on its strategic location and existing energy logistic facilities.

BASE-CASE ASSUMPTIONS

- EBITDA to gradually decline in near future, from THB4.5-THB6.4 billion per year in 2020-2022.
- Routine maintenance expenditures of THB50-THB100 million per year.
- No large investment in near future

RATING OUTLOOK

The "stable" outlook reflects our expectation that RATCHGEN will continue to meet the plant availability and efficiency targets set out in the PPAs, enabling it to generate predictable revenue streams throughout the lives of the PPAs.

RATING SENSITIVITIES

Based on RATCHGEN's status as a core subsidiary of RATCH, the rating on RATCHGEN will move in tandem with the ratings on RATCH. Any change in the ratings on RATCH will result in the same change to the rating on RATCHGEN. Also, a weaker status of the company within RATCH Group could also affect the rating on RATCHGEN.

COMPANY OVERVIEW

RATCHGEN is a wholly owned subsidiary of RATCH (rated "AA+/Stable"). RATCHGEN is a core subsidiary of RATCH, set up to operate and invest in conventional power plants in Thailand.

As of 30 May 2023, RATCHGEN's total contracted capacity was 3,645 MW, consisting of two thermal units (1,470 MW) and three combined cycle gas turbine (CCGT) units (2,175 MW). The plants account for about 7% of Thailand's total generating capacity on EGAT system. The PPAs of the first two thermal power units will expire in 2025, while the PPAs of the three combined-cycle blocks will expire in 2027.

KEY OPERATING PERFORMANCE
Table 1: Performance Statistics of Ratchaburi Power Plant

	Unit	Jan-Mar 23 (Target)	Jan-Mar 23 (Actual)	2022	2021	2020
Ratchaburi Plant (Thermal Units)						
Dispatch factor	%	-	35.00	10.3	6.3	-
EAF* avg. 12 months	%	96.7	99.7	99.9	89.1	97.2
Planned outage	Hours	-	-	0	877.5	-
Forced outage	Hours	72.4	6.5	12.0	74.0	-
Maintenance outage	Hours	-	-	-	74.0	-
Ratchaburi Plant (CCGT Units)						
Dispatch factor	%	54.9	46.0	81.4	72.3	74.3
EAF avg. 12 months	%	83.6	99.8	93.6	89.9	91.6
Planned outage	Hours	216.0	-	400.0	736.6	1,701
Forced outage	Hours	133.9	4.7	154.7	139.3	493
Maintenance outage	Hours	-	-	-	139.3	-
Tri Energy Plant						
Dispatch factor	%	-	-	-	-	-
EAF* avg. 12 months	%	-	-	-	-	99.4
Planned outage	Hours	-	-	-	-	-
Forced outage	Hours	-	-	-	-	-
Maintenance outage	Hours	-	-	-	-	24

* Equivalent Availability Factor (EAF)

Source: RATCHGEN

FINANCIAL STATISTICS AND KEY FINANCIAL RATIOS

Unit: Mil. THB

	Jan-Mar 2023	-----Year Ended 31 December -----			
		2022	2021	2020	2019
Total operating revenues	10,451	61,953	33,720	32,972	36,322
Earnings before interest and taxes (EBIT)	571	1,597	2,625	2,927	4,026
Earnings before interest, taxes, depreciation, and amortization (EBITDA)	948	4,518	5,318	6,389	5,510
Funds from operations (FFO)	879	4,097	5,062	6,321	4,992
Adjusted interest expense	0	13	70	70	69
Capital expenditures	1	2	34	14	84
Total assets	30,793	32,707	33,750	30,865	31,711
Adjusted debt	0	0	0	0	0
Adjusted equity	24,610	24,292	24,516	25,013	24,630
Adjusted Ratios					
EBITDA margin (%)	9.07	7.29	15.77	19.38	15.17
Pretax return on permanent capital (%)	5.80 *	6.28	9.79	10.90	15.19
EBITDA interest coverage (times)	8,173.96	351.53	76.15	91.35	79.51
Debt to EBITDA (times)	0.00 *	0.00	0.00	0.00	0.00
FFO to debt (%)	n.m. *	n.m.	n.m.	n.m.	n.m.
Debt to capitalization (%)	0.00	0.00	0.00	0.00	0.01

* Annualized with trailing 12 months

n.m.= Not measurable

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

Ratchaburi Electricity Generating Co., Ltd. (RATCHGEN)

Company Rating:	AA+
Rating Outlook:	Stable

TRIS Rating Co., Ltd.

Silom Complex Building, 24th Floor, 191 Silom Road, Bangkok 10500, Thailand Tel: +66 2 098 3000

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