

# ROJANA INDUSTRIAL PARK PLC

No. 208/2022  
9 November 2022

## CORPORATES

**Company Rating:** BBB+  
**Outlook:** Stable

**Last Review Date:** 28/10/21

### Company Rating History:

Date	Rating	Outlook/Alert
06/08/13	BBB+	Stable
02/05/12	A-	Negative
14/10/11	A-	Alert Negative
27/03/07	A-	Stable
10/01/06	BBB+	Stable

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## RATIONALE

TRIS Rating affirms the company rating on Rojana Industrial Park PLC (ROJNA) at “BBB+” with a “stable” rating outlook. The rating reflects ROJNA’s highly predictable cash flow from electricity and utility sales and its leading position in industrial property in Thailand. However, the rating is constrained by the company’s relatively high leverage and the steep rise in fuel prices which will likely pressure its earnings.

### KEY RATING CONSIDERATIONS

#### Strong recovery in land sales

We expect land sales to increase significantly thanks to the country’s reopening and rising demand from the relocation of production bases driven by heightened geopolitical tensions.

The company’s reputation and long track record should also help accelerate the recovery in land sales. ROJNA’s services and quality assets in primely located industrial estates in Ayutthaya province and the Eastern Economic Corridor (EEC) are sought after by manufacturers seeking to establish manufacturing bases.

Following the easing of the Coronavirus Disease 2019 (COVID-19) restrictions, ROJNA is seeing a recovery of land presales and transfers. Presales from January to October 2022 rose to around 700-800 rai, doubling the normal yearly level of the past five years. Some 40% of this amount was from a sizeable land sale to an electric vehicle manufacturer.

In our base-case forecast, we expect significant increases in ROJNA’s land presales and title transfers in 2022, followed by gradual reverting to the normal level in 2024. Land sales are expected to reach THB2.5 billion in 2022, before falling to THB2.2 billion in 2023 and THB1.3 billion in 2024.

#### Reliable cash flow from the power business

Cash flow from ROJNA’s power plant and solar farm operations has been stable. Revenue from electricity sales has been approximately THB10 billion per year for the past five years. In 2021, the revenue and earnings before interest, taxes, depreciation, and amortization (EBITDA) from power sales contributed around 85% and 70% of total consolidated revenue and EBITDA, respectively.

Rojana Power Co., Ltd., ROJNA’s subsidiary, has three power plants with total capacity of 489 megawatts (MW). The company supplies 55% of its capacity to the Electricity Generating Authority of Thailand (EGAT) through three 25-year Power Purchase Agreements (PPA) under the Small Power Producer (SPP) scheme. As of June 2022, the remaining contract periods were three years, 16 years, and 20 years respectively. According to the company’s management, ROJNA will not extend the soon-to-expire contract with EGAT. The management expects demand from both existing and new industrial users to absorb the capacity after the EGAT contract expiry.

Rojana Energy Co., Ltd., another subsidiary of ROJNA, generates income from solar power through three contracts with the Provincial Electricity Authority (PEA) under the Very Small Power Producer (VSPP) scheme. The contracts are automatically renewed every five years. The company is entitled to receive an adder at the rate of THB8 per kilowatt-hour (kwh) of electricity for 10 years

from the commencement of commercial operation in April and August 2014. The adder expiry in 2024 is expected to cut cash flow from solar power generation by about two-thirds of the current level. However, EBITDA from solar power contributed only 4% of total EBITDA in 2021.

### **Power business pressured by soaring fuel prices**

We expect the surge in gas prices to significantly impact ROJNA's earnings in 2022. Soaring fuel costs will have a significant impact on earnings from electricity sales to industrial users, which accounted for 35%-40% of total electricity sales during the past five years. Tariff rates for these sales generally carry a fuel adjustment charge, or Ft, to reflect changes in fuel costs. However, the Ft adjustment carries a time lag, and the timing and magnitude of adjustments are subject to the authorities' discretion. As such, a surge in gas prices will inevitably affect the earnings of SPP plants.

Strong demand and the ongoing Russia-Ukraine conflict have driven up gas prices. As of October 2022, gas prices have risen to above THB500 per metric million British thermal unit (MMBTU). We expect gas prices to remain high throughout 2022 and the first half of 2023, before gradually decreasing to the normal level in 2024. We expect the Ft will escalate to match higher gas prices after the first half of 2023.

In our base-case forecast, we project ROJNA's total revenue to reach around THB16 billion per annum during 2022-2023, and gradually decline to approximately THB13 billion in 2024. EBITDA is expected to reach THB2.6-THB4.0 billion per annum during 2022-2024.

### **Lower leverage expected after peaking in 2022**

We expect the company's leverage to hit a five-year peak in 2022 before gradually receding in 2023-2024. Capital expenditures for land development and utility facilities are expected to be around THB1 billion per annum during the forecast period. Adjusted net debt is expected to gradually decline to THB18 billion in 2024.

As ROJNA's EBITDA will likely decline in 2022 before gradually normalizing in 2023-2024, we project the adjusted net debt to EBITDA ratio to recede to around 5 times in 2023-2024 from 8 times in 2022. The ratio of funds from operation (FFO) to adjusted net debt should be around 7% in 2022 and 15% in 2023-2024.

### **Acceptable liquidity**

As of June 2022, ROJNA's debts maturing within the next 12 months are estimated at THB6 billion with investment spending of THB1 billion. Sources of funds include forecast FFO of THB1.6 billion, plus cash and short-term investments of THB6.3 billion and remaining undrawn credit facilities of THB5 billion as of 30 June 2022. These should give the company ample headroom to cover scheduled debt repayments and investments over the next 12 months.

At the end of June 2022, ROJNA had debt of THB24.6 billion, excluding financial lease. All debt at the subsidiary level was considered priority debt, translating to a ratio of priority debt to total debt of 51%. As its priority debt ratio is more than our threshold of 50%, we view that ROJNA's unsecured creditors are significantly disadvantaged with respect to the priority of claims against ROJNA's assets.

### **BASE-CASE ASSUMPTIONS**

- Revenue from industrial land sales to be in the range of THB1.3-THB2.5 billion per annum during 2022-2024.
- Revenue from the power segment projected to be THB11.5-THB13.0 billion per annum.
- EBITDA margin of 16% in 2022, ramping up to around 30% in 2024.
- Capital expenditures and investments of THB1 billion per annum during the forecast period.

### **RATING OUTLOOK**

The "stable" outlook reflects our expectation that ROJNA will maintain its competitive position in the industrial property industry. Cash flow from the power business is expected to counterbalance fluctuations in industrial land sales.

### **RATING SENSITIVITIES**

A rating upgrade could occur if ROJNA is able to significantly improve its cash generation and debt servicing ability, with its net debt to EBITDA ratio dropping below 4 times for a sustained period. In contrast, ROJNA's rating could be downgraded if the company undertakes any sizeable debt-financed investments that result in a material weakening of its balance sheet or a rise in the net debt to EBITDA ratio over 9 times for an extended period.

**COMPANY OVERVIEW**

ROJNA was established in 1988 by the Vinichbutr family and the Sumitomo Group. In addition to selling industrial properties and providing utility services, ROJNA owns and operates cogeneration power plants, producing 489 MW of electricity, and owns a 24-MW solar farm located in Rojana Industrial Park in Ayutthaya province.

As part of its efforts to boost recurring income, ROJNA increased its equity stake in TICON Industrial Connection PLC (TICON), a leader in the industrial property for rent business in Thailand, to 43.6% from 20.6% with an additional investment of about THB5.3 billion in late 2014. ROJNA began to consolidate TICON's financial statements into its own financial statements in January 2015. However, in October 2016, TICON sold its additional shares to Frasers Property Holdings Thailand Co., Ltd. leading to a decrease in the stakes held by ROJNA to 26%. ROJNA deconsolidated TICON's financial statements and has only recognized a share of the profit from TICON since January 2017. In April 2018, ROJNA sold its entire stake in TICON to Fraser Assets Co., Ltd.

ROJNA has focused more on the power business. For solar power, the company acquired shares in two solar rooftop companies, RLN Energy Co., Ltd. and RJ Energy Co., Ltd., totaling THB100 million. The company also acquired additional shares in Rojana Power to hold a 75% stake (up from 41%) with a total investment of THB3.1 billion in 2021.

In addition to its main businesses in industrial land, power, and utility sales, ROJNA has entered into a number of partnerships in various businesses including management of non-performing loans, a medical center, and a gas provider. The company manages excess liquidity by investing in marketable securities and a real estate investment trust (REIT). As of June 2022, ROJNA's short-term investments, including the REIT investment, were worth THB5.3 billion.

ROJNA operates in nine business segments as shown in Table 1.

**Table 1: ROJNA's Business Operations**

Companies	ROJNA's Holding (%)	Partners
<b>Utility Business</b>		
1) Rojana Power Co., Ltd.	75	Nippon Steel & Sumikin Bussan Corporation (25%)
2) Rojana Industrial Management Co., Ltd.	90	Nippon Steel & Sumikin Bussan Corporation (10%)
3) Rojana Energy Co., Ltd.	70	Nippon Steel & Sumikin Bussan Corporation (30%)
4) RLN Energy Co., Ltd.	60*	Loop Co., Ltd.(35%) Nippon Steel Trading Corporation(5%)
5) RJ Energy Co., Ltd.	100*	
<b>Industrial Property Business</b>		
6) Rojana Property Co., Ltd.	100	
7) Rojana Industrial Park Prachinburi Co., Ltd.	100	
8) Rojana Industrial Park Rayong 2 Co., Ltd.	100	
9) TRA Land Development Co., Ltd.	25	Fraser Property (Thailand) PLC (50%) Asia Industrial Estate Co., Ltd. (25%)
10) SC Plus Property Co., Ltd.	42*	SC Real Estate Development Co., Ltd. (42%),others (16%)
11) Spectral Property Development Co., Ltd.	51*	Risland (Thailand) Co., Ltd. (49%)
<b>Medical Business</b>		
1) ThaiUnivest Holding Group Co., Ltd.	30	Others (70%)
<b>Operation and Maintenance</b>		
1) Operational Energy Group Ltd.	25	S&J International Enterprise PLC (30%) Engineering Technical Supply Co., Ltd.(26%),others (19%)
<b>Asset Management (NPLs)</b>		
1) Rachakarn Assets Management Co., Ltd.	50*	Gulf Holding (Thailand) Co., Ltd. (50%)
<b>Nitrogen Gas Provider</b>		
1) BIG Rojana Thai-Japan Gas Co., Ltd.	25	Bangkok Industrial Gas Co., Ltd. (55%) Thai-Japan Gas Co., Ltd. (20%)
<b>Consumer Products</b>		
1) Herb Treasure Co., Ltd.	51	Global B2C Co., Ltd.(21%), others(28%)
<b>Waste Management</b>		
1) Rojana Waste Management Holding Co., Ltd.	100	
2) Rayong Recycle Waste Co., Ltd.	30*	Sun Tech Group Co., Ltd.(30%), Ban Khai Concrete Products Co., Ltd. (30%), SUEN CORP Co., Ltd.(10%)
<b>Construction</b>		
1) SUEN Construction & Engineering Co., Ltd.	25.5	Others (74.5%)

\* % of holding by ROJNA's subsidiaries

KEY OPERATING PERFORMANCE

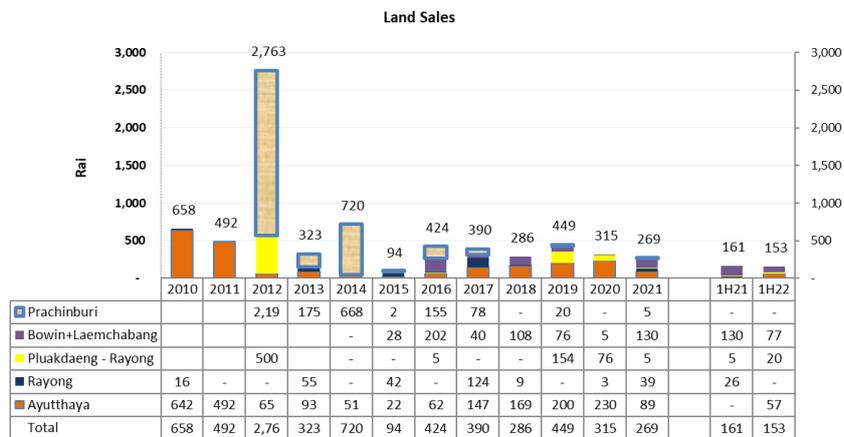
Table 2: Revenue Breakdown

Unit: %

Revenue	2017	2018	2019	2020	2021	Jan-Jun 2022
<b>Sales</b>						
• Industrial lands	14	7	7	12	10	12
• Consumer product						0.02
<b>Total sales</b>	<b>14</b>	<b>7</b>	<b>7</b>	<b>12</b>	<b>10</b>	<b>12</b>
<b>Recurring income</b>						
• Electricity	76	83	82	78	80	80
• Solar	4	4	4	4	4	3
• Utilities & rental	6	6	7	6	6	5
<b>Total recurring income</b>	<b>86</b>	<b>93</b>	<b>93</b>	<b>88</b>	<b>90</b>	<b>88</b>
<b>Total revenue</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>
<b>Total revenue (mil. THB)</b>	<b>10,866</b>	<b>11,706</b>	<b>12,304</b>	<b>12,154</b>	<b>12,559</b>	<b>7,785</b>

Source: ROJNA

Chart 1: Industrial Land Sales



Source: ROJNA

## FINANCIAL STATISTICS AND KEY FINANCIAL RATIOS\*

Unit: Mil. THB

	Jan-Jun 2022	-----Year Ended 31 December -----			
		2021	2020	2019	2018
Total operating revenues	7,792	12,566	12,160	12,335	11,721
Earnings before interest and taxes (EBIT)	585	1,904	2,403	2,075	1,938
Earnings before interest, taxes, depreciation, and amortization (EBITDA)	1,038	3,570	3,919	3,496	3,306
Funds from operations (FFO)	500	2,200	2,770	2,305	2,178
Adjusted interest expense	506	1,051	1,069	1,157	1,110
Capital expenditures	440	595	397	581	571
Total assets	47,491	47,887	49,717	49,495	44,760
Adjusted debt	22,507	20,418	23,263	24,256	21,588
Adjusted equity	18,755	19,030	20,361	19,060	17,589
<b>Adjusted Ratios</b>					
EBITDA margin (%)	13.33	28.41	32.23	28.34	28.21
Pretax return on permanent capital (%)	2.95 **	4.22	5.18	4.70	4.57
EBITDA interest coverage (times)	2.05	3.40	3.67	3.02	2.98
Debt to EBITDA (times)	8.52 **	5.72	5.94	6.94	6.53
FFO to debt (%)	6.55 **	10.77	11.91	9.50	10.09
Debt to capitalization (%)	54.55	51.76	53.33	56.00	55.10

\* Consolidated financial statements

\*\* Annualized from the trailing 12 months

## RELATED CRITERIA

- Corporate Rating Methodology, 15 July 2022
- Key Financial Ratios and Adjustments for Corporate Issuers, 11 January 2022

## Rojana Industrial Park PLC (ROJNA)

<b>Company Rating:</b>	BBB+
<b>Rating Outlook:</b>	Stable

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