

B. GRIMM BIP POWER 1 LTD.

No. 55/2021
12 April 2021

CORPORATES

Company Rating:	A-
Issue Rating:	
Senior unsecured	A-
Outlook:	Stable

Last Review Date: 12/03/20

Company Rating History:

Date	Rating	Outlook/Alert
25/04/18	A-	Stable

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RATIONALE

TRIS Rating affirms the company rating on B. Grimm BIP Power 1 Ltd. (BIP1) at "A-". At the same time, TRIS Rating also affirms the rating on BIP1's senior unsecured amortizing debentures at "A-". The rating outlook remains "stable".

The ratings reflect the company's predictable cash flows from a long-term power purchase agreement (PPA) with the Electricity Generating Authority of Thailand (EGAT) under the small power producer (SPP) scheme as well as the company's proven record in the operation of its gas-fired combined-cycle cogeneration power plant. However, the ratings are weighed down by the company's single asset risk.

KEY RATING CONSIDERATIONS

Predictable cash flows from long-term PPA

BIP1's predictable cash flows are secured by a 25-year PPA with EGAT under the SPP scheme. The contract covers a capacity of 90 megawatts (MW). Under the terms of a standard PPA for an SPP cogeneration power plant, EGAT agrees to dispatch at least 80% of the contracted capacity, based on plant operating hours. The PPA is on a take-or-pay basis, which stabilizes the cash flow BIP1 receives. In addition, the PPA contains a formula that includes adjustments for changes in fuel prices and currency exchange rates. This largely mitigates the risks associated with changes in the price of fuel and currency fluctuations.

In addition, BIP1 has a long-term PPA with an industrial customer in Bangkadi Industrial Park (BIP). The agreement covers 14 MW of electricity. The contract specifies the minimum amount of electricity the customer is obligated to purchase. The electricity tariff charged to this industrial customer is based on the tariff that the Provincial Electricity Authority (PEA) charges to large general service customers. This tariff generally carries a fuel adjustment charge, or Ft, to adjust for changes in the price of fuel. However, the Ft adjustment carries a time lag and is subject to the authorities' discretion regarding the timing and size of the adjustments. BIP1 also has a 25-year gas supply contract with PTT PLC (PTT).

Proven technology mitigates operational risks

BIP1's combined-cycle cogeneration plant employs proven technology. The GE-LM6000PD gas turbine made by GE Power (GE) has a proven track record. GE has made and sold more than 1,000 turbines, logging more than two million operating hours. BIP1's plant is composed of two gas turbine units, two heat recovery steam generators (HRSGs), and one steam turbine. The steam turbine is made by Siemens.

Proven track record

BIP1 has a proven track record in the operation of its cogeneration power plant. For day-to-day operations, BIP1 has its own operation and maintenance teams. The teams leverage the expertise of B. Grimm Power PLC (BGRIM), BIP1's parent company. BGRIM has extensive expertise in the operation and maintenance of cogeneration power plants.

BIP1 also entered into an eight-year long-term service agreement (LTSA) with IHI Corporation (IHI). The LTSA helps mitigate operational risks and control maintenance costs. The agreement has an option for renewal, subject to

mutual agreement between BIP1 and IHI.

The power plant BIP1 operates has met the targets specified in the PPA since the plant started up in 2015. In 2020, the actual availability factor was 98.7% while the heat rate was 7,816 British thermal units per kilowatt-hour (BTU/kWh), better than the threshold of 8,000 BTU/kWh specified in the PPA. In terms of energy efficiency, BIP1's power plant achieved the primary energy saving (PES) threshold and received an additional tariff of THB0.36 per kWh from EGAT as a fuel-saving (FS) payment.

Sales are largely contributed by EGAT

BIP1's sales to EGAT represented about 90% of total annual revenues. BIP1's revenues and earnings have been stable for the past several years. During 2018-2020, revenues ranged around THB2.1-THB2.2 billion per year. Earnings before interest, taxes, depreciation, and amortization (EBITDA) ranged around THB505-THB537 million per year over the same period. Revenues for the period from 2018 to 2020 were derived from electricity sold to EGAT (89%), electricity sold to industrial customers (8%), electricity sold to related company (3%).

During 2018-2020, BIP1 annually sold around 622-637 gigawatt hours (GWh) of electricity to EGAT, 49-60 GWh to industrial customers, and 17-22 GWh to related companies (other power plants in BIP owned by BGRIM) for load management purposes. The electricity sold to EGAT accounts for 89% of the total electricity sold, while the industrial customer accounts for 8%. The rest is sold to B. Grimm BIP Power 2 Ltd. (BIP2) for load management purposes.

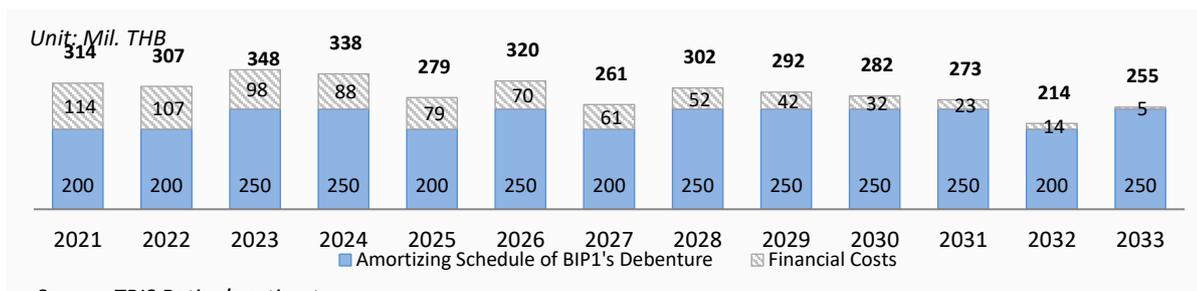
No impact from COVID-19

In 2020, BIP1 sold about 637 GWh of electricity to EGAT, 60 GWh to industrial customers, and 17 GWh to related company. Total electricity sales volume increased 1.9% from the same period of the previous year. The increased electricity sales volume was mainly attributed to the 20% increase in power demand of industrial customers in 2020 while electricity sold to EGAT increased by 1%.

Adequate debt service capability

We project BIP1 to generate sufficient cash flow to service its debt obligations. In May 2018, BIP1 issued THB3.35 billion worth of senior unsecured amortizing debentures. The proceeds were used to refinance all its outstanding project loans from banks. The debenture amortization schedule is designed to match the cash flows of the PPA. During 2021-2023, BIP1's debt service obligations will amount to THB307-THB348 million per year. The forecast EBITDA of THB477-THB508 million per year is enough to service the company's debt obligations.

Chart 1: Debt Service Schedule of BIP1



Source: TRIS Rating's estimate

Improving capital structure

BIP1's capital structure is forecast to slightly improve as it repays the amortizing debentures. BIP1's adjusted debt is projected to decrease to THB1.9 billion in 2023, from THB2.3 billion in 2020. The adjusted debt to capitalization ratio will improve to lower than 60% in 2022, from 61% in 2020. The adjusted net debt to EBITDA ratio is forecast to be lower than 4 times in 2023.

BASE-CASE ASSUMPTIONS

- During 2021-2024, the plant availability factor of BIP1 to be in the 95%-98% range.
- Electricity sales to be around 685-698 GWh per year during 2021-2024. Revenue to be in the range of THB2.1-THB2.2 billion per year. EBITDA is projected at THB477-THB508 million per year.
- Cash on hand to be in the range of THB463-THB558 million per year.
- Maintenance capital expenditure of THB9-THB34 million per year.

RATING OUTLOOK

The “stable” outlook reflects our expectation that BIP1 will maintain its smooth operation, yielding EBITDA of around THB477-THB508 million per year during 2021-2024.

RATING SENSITIVITIES

A rating upgrade is limited over the next 12-18 months. Conversely, a rating downgrade may occur if the operating performance or financial result of the company deteriorates significantly, hurting its cash flows.

COMPANY OVERVIEW

BIP1 was established in 2008 to own and operate a gas-fired combined-cycle cogeneration power plant under the SPP scheme. The plant is located in BIP, Pathum Thani province. The power plant has an installed capacity of 114.6 MW plus 20 tonnes of steam per hour. BIP1 started commercial operation in April 2015. As of December 2020, BIP1’s shareholders were BGRIM (74%), BIP (12%), and Nikornkij & Son (BIP Group) (14%).

KEY OPERATING PERFORMANCE

Table 1: Plant Performance Statistics of BIP1

Plant Performance	Unit	2020	2019	2018	2017
Net output energy *	GWhe	714.1	700.9	693.4	696.3
Plant heat rate	BTU/kWh	7,816	7,771	7,741	7,740
Primary energy saving factor	%	11.4	11.7	12.0	12.0
Availability	%	98.7	97.7	94.6	94.8
Unplanned outage	%	0.31	0.0	1.7	4.8
Planned outage	%	1.03	2.3	3.8	0.4

* Net output of electricity and steam

Source: BIP1

FINANCIAL STATISTICS AND KEY FINANCIAL RATIOS

Unit: Mil. THB

	----- Year Ended 31 December -----				
	2020	2019	2018	2017	2016
Total operating revenues	2,128	2,241	2,129	2,029	1,826
Earnings before interest and taxes (EBIT)	347	355	324	370	284
Earnings before interest, taxes, depreciation, and amortization (EBITDA)	531	537	505	543	463
Funds from operations (FFO)	388	377	278	346	262
Adjusted interest expense	142	158	226	193	201
Capital expenditures	8	6	1	2	10
Total assets	4,685	4,905	4,976	5,182	5,051
Adjusted debt	2,332	2,566	2,828	2,707	3,259
Adjusted equity	1,470	1,471	1,333	1,423	1,337
Adjusted Ratios					
EBITDA margin (%)	24.94	23.95	23.70	26.75	25.34
Pretax return on permanent capital (%)	7.50	7.49	6.81	7.62	5.78
EBITDA interest coverage (times)	3.75	3.39	2.24	2.81	2.30
Debt to EBITDA (times)	4.39	4.78	5.60	4.99	7.04
FFO to debt (%)	16.65	14.69	9.84	12.79	8.03
Debt to capitalization (%)	61.33	63.57	67.97	65.55	70.90

RELATED CRITERIA

- Group Rating Methodology, 13 January 2021
- Rating Methodology – Corporate, 26 July 2019
- Key Financial Ratios and Adjustments, 5 September 2018

B. Grimm BIP Power 1 Ltd. (BIP1)

Company Rating:	A-
Issue Rating:	
BIPA335A: THB3,350 million senior unsecured amortizing debentures due in 2033	A-
Rating Outlook:	Stable

TRIS Rating Co., Ltd.

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