

# B. GRIMM BIP POWER 2 LTD.

No. 56/2021  
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 2 Ltd. (BIP2) at "A-". At the same time, TRIS Rating also affirms the rating on BIP2'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

BIP2'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 BIP2 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.

BIP2 also has long-term PPA with industrial customers in Bangkadi Industrial Park (BIP). In November 2020, BIP2 secured another PPA of 5.8 MW with a new industrial customer, added up total contracted capacity to 24.3 MW of electricity. The contracts specify the minimum amount of electricity the customers are obligated to purchase. The electricity tariff charged to the industrial customers is based on the tariff that the Provincial Electricity Authority (PEA) charges to large general service customers. This tariff also 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. BIP2 also has a 25-year gas supply contract with PTT PLC (PTT).

### Proven technology mitigates operational risks

BIP2'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. BIP2'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

BIP2 has a proven track record in the operation of its cogeneration power plant. For day-to-day operations, BIP2 has its own operation and maintenance teams. The teams leverage the expertise of B. Grimm Power PLC (BGRIM), BIP2's parent company. BGRIM has extensive expertise in the operation and maintenance of cogeneration power plants.

BIP2 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 BIP2 and IHI.

The power plant BIP2 operates has met the targets specified in the PPA since the plant started up in 2016. In 2020, the actual availability factor was 99% while the heat rate was 7,769 British thermal units per kilowatt-hour (BTU/kWh), better than the threshold of 7,950 BTU/kWh specified in the PPA. In terms of energy efficiency, BIP2'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

BIP2's sales to EGAT represented about 86% of total annual revenues. BIP2's revenues and earnings have been stable for the past several years. During 2018-2020, revenues ranged around THB2.3-THB2.5 billion per year. Earnings before interest, taxes, depreciation, and amortization (EBITDA) ranged around THB622-THB627 million per year over the same period. Revenues for the period from 2018 to 2020 were derived from electricity sold to EGAT (86%), electricity sold to industrial customers (14%), and some electricity sold to related company.

During 2018-2020, BIP2 annually sold around 638-664 gigawatt hours (GWh) of electricity to EGAT, 94-98 GWh to industrial customers, and 0.1-0.9 GWh to related companies (other power plants in BIP owned by BGRIM) for load management purposes. The electricity sold to EGAT accounts for 87% of the total electricity sold, while the industrial customer accounts for 13%. The rest is sold to B. Grimm BIP Power 1 Ltd. (BIP1) for load management purposes.

### Low impact from COVID-19

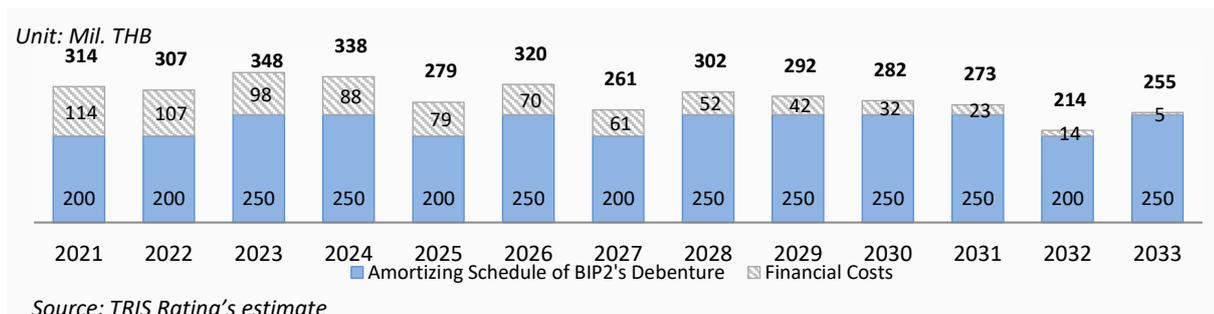
In 2020, BIP2 sold about 638 GWh of electricity to EGAT, 96 GWh to industrial customers, and 0.6 GWh to related company. Total electricity sales volume dropped 3.5% from 2019. The decreased electricity sales volume was mainly attributed to a 3.8% drop in electricity sold to EGAT and a 2% drop of electricity sold to industrial customers.

Due to the fallout from the Coronavirus Disease 2019 (COVID-19), demand for industrial customers declined by 17% in the second quarter of 2020 before recovery in the third quarter and in the fourth quarter of 2020, respectively.

### Adequate debt service capability

We project BIP2 to generate sufficient cash flow to service its debt obligations. In May 2018, BIP2 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 2021-2024, BIP2's debt service obligations will amount to THB307-THB348 million per year. The forecast EBITDA of THB563-THB629 million per year is enough to service the company's debt obligations.

Chart 1: Debt Service Schedule of BIP2



### Improving capital structure

BIP2's capital structure is forecast to slightly improve as it repays the amortizing debentures. BIP2's adjusted debt is projected to decrease to THB1.7 billion in 2024, from THB2.4 billion in 2020. The adjusted debt to capitalization ratio will improve to be about 50% in 2024, from 60% in 2020. The adjusted net debt to EBITDA ratio is forecast to be at 3 times in 2024.

### BASE-CASE ASSUMPTIONS

- During 2021-2024, the plant availability factor of BIP2 to be in the 94%-99% range.
- Electricity sales to be around 709-745 GWh per year during 2021-2024. Revenue to be in the range of THB2.2-THB2.4 billion per year. EBITDA is projected at THB563-THB629 million per year.
- Cash on hand to be in the range of THB381-THB560 million per year.
- Maintenance capital expenditure of about THB9-THB40 million per year.

## RATING OUTLOOK

The “stable” outlook reflects our expectation that BIP2 will maintain its smooth operation, yielding EBITDA of around THB563-THB629 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

BIP2 was established in 2010 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. BIP2 started commercial operation in January 2016. As of December 2020, BIP2’s shareholders were BGRIM (74%), BIP (12%), and Nikornkij& Son (BIP Group) (14%).

## KEY OPERATING PERFORMANCE

Table 1: Plant Performance Statistics of BIP2

Plant Performance	Unit	2020	2019	2018	2017
Net output energy *	GWhe	717.7	742.7	711.7	738.4
Plant heat rate	BTU/kWh	7,769	7,731	7,697	7,657
Primary energy saving factor	%	11.0	11.4	12.3	11.9
Availability	%	99.0	99.2	96.6	96.6
Unplanned outage	%	0.1	0.0	0.4	1.3
Planned outage	%	0.9	0.8	2.9	1.1

\* Net output of electricity and steam

Source: BIP2

## FINANCIAL STATISTICS AND KEY FINANCIAL RATIOS

Unit: Mil. THB

	----- Year Ended 31 December -----				
	2020	2019	2018	2017	2016
Total operating revenues	2,252	2,466	2,307	2,231	2,210
Earnings before interest and taxes (EBIT)	428	426	432	472	626
Earnings before interest, taxes, depreciation, and amortization (EBITDA)	623	622	627	664	806
Funds from operations (FFO)	452	454	366	456	651
Adjusted interest expense	171	168	261	208	156
Capital expenditures	8	7	13	12	1,996
Total assets	4,827	5,141	5,247	5,606	5,565
Adjusted debt	2,384	2,546	2,782	2,660	3,167
Adjusted equity	1,611	1,710	1,549	1,597	1,670
<b>Adjusted Ratios</b>					
EBITDA margin (%)	27.66	25.21	27.18	29.77	36.50
Pretax return on permanent capital (%)	8.88	8.59	8.59	8.97	14.95
EBITDA interest coverage (times)	3.65	3.71	2.40	3.19	5.18
Debt to EBITDA (times)	3.83	4.09	4.44	4.00	3.93
FFO to debt (%)	18.94	17.84	13.15	17.14	20.55
Debt to capitalization (%)	59.67	59.82	64.24	62.49	65.47

## RELATED CRITERIA

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

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**B. Grimm BIP Power 2 Ltd. (BIP2)**

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<b>Company Rating:</b>	A-
<b>Issue Rating:</b>	
BIPB335A: THB3,350 million senior unsecured amortizing debentures due in 2033	A-
<b>Rating Outlook:</b>	Stable

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**TRIS Rating Co., Ltd.**

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