

# GLOBAL POWER SYNERGY PLC

No. 95/2023  
26 May 2023

## CORPORATES

<b>Company Rating:</b>	AA+
<b>Issue Ratings:</b>	
Senior unsecured	AA+
<b>Outlook:</b>	Stable

**Last Review Date:** 10/03/23

### Rating History:

Date	Rating	Outlook/Alert
04/10/21	AA+	Stable
01/10/19	AA-	Stable

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## RATIONALE

TRIS Rating affirms the company rating on Global Power Synergy PLC (GPSC) and the ratings on GPSC's senior unsecured debentures at "AA+". The rating outlook remains "stable".

The company rating incorporates a two-notch uplift from GPSC's stand-alone credit profile (SACP) of "aa-", reflecting our view of GPSC's status as a strategically important subsidiary of PTT PLC (PTT).

The SACP reflects the company's position as a leading private power producer in Thailand, with highly predictable cash flows backed by long-term power purchase agreements (PPAs) with the Electricity Generating Authority of Thailand (EGAT, rated "AAA/stable") and the PTT Group. However, the ratings are partially weighed down by heavy debt load over the course of business expansion in renewable power energy.

## KEY RATING CONSIDERATIONS

### Leading private power producer in Thailand

As of March 2023, GPSC had a sizable power portfolio, with the net operating power-generation capacity of 6,397 megawatts (MW), when measured in proportion to its ownership in the power plants. Gas-fired power plants accounted for the largest proportion of 3,322 MW, or 52% of total operating capacity, followed by renewable power plants with 2,261 MW (35%) and coal-fired power plants with a combined capacity of 814 MW (13%).

The operating power portfolio is expected to reach 7,974 MW by 2025. The additional capacity will mainly come from renewable power projects including the expansion of solar platform under Avaada Energy Private Ltd. (Avaada) in India and the commencement of wind projects in Taiwan. The proportion of renewable power will increase to 45% of total capacity by the end of 2025. GPSC also expects to start operation of its Energy Recovery Unit (ERU) power plant within 2025.

### Well-diversified power portfolio

GPSC's power portfolio is well-diversified, comprising of 37 operating power plants in Thailand and abroad.

GPSC's portfolio includes six power plants under the Independent Power Producer (IPP) scheme with a combined capacity of 2,439 MW, accounting for 38% of total net capacity. GPSC also has 20 cogeneration power plants under the Small Power Producer (SPP) scheme with a combined capacity of 2,115 MW, accounting for 33% of total equity capacity. The remaining equity capacity of 29% is spread among power plants under the Very Small Power Producer (VSPP) and renewable power plants.

Approximately 66% of GPSC's capacity is in Thailand. The remaining 34% is spread across India, Taiwan, and the Lao People's Democratic Republic (Lao PDR).

### Predictable cash flows backed by long-term PPA

The predictable cash flows mostly rely on long-term PPAs with EGAT and reputable industrial users under the PTT Group. In the first three months of 2023, sales to EGAT accounted for 46% of total operating revenues. Electricity and steam sold to industrial users made up around 51% of total operating revenues.

GPSC sells electricity to EGAT under the IPP and SPP schemes. A typical PPA with EGAT has a term of 21-25 years. For the IPP scheme, GPSC receives the full amount of Availability Payment (AP) as long as the company has maintained the availability of the plants as agreed in the PPA, even if EGAT has not dispatched electricity from the plants. The PPAs in the SPP scheme differ slightly. These include minimum power purchase obligations, and fuel price pass-through mechanisms in the tariff formulas. Besides, GPSC sells electricity to EGAT under the non-firm SPP scheme to help manage power plant loads at optimum efficiency with no obligation to dispatch. GPSC also has PPAs and Steam Purchase Agreements (SPAs) with many industrial users in the Map Ta Phut area. The PPAs and SPAs cover 5-15 years.

### **Growth toward renewable energy**

GPSC aims to expand its renewable capacity to 8,000 MW by 2030, up from 2,261 MW in 2022. The target capacity will increase its renewable energy portfolio to more than 50% by 2030. One key area of growth comes from the solar platform in India, through the investment in Avaada.

During January - May 2023, Avaada won new solar projects in India with a combined capacity of 1,886 MW. As a result, Avaada's gross capacity will reach 6,520 MW, or 2,799 MW when measured in proportion to GPSC's equity stakes. To support further expansion in Avaada, GPSC provided capital increase of THB2.5 billion in Avaada on 25 April 2023. The proceeds will be used for refinancing Avaada's debt obligations and investment in new solar projects. As of April 2023, GPSC's investment in Avaada totaled THB17.1 billion.

Apart from overseas projects, GPSC has recently been selected to develop new solar projects in Thailand with total capacity of 16 MW, or 8 MW in net capacity.

### **Financial performance to recover in 2023**

We expect GPSC's financial performance to improve in 2023. GPSC's earnings in 2022 were pressured by the steep rise in gas prices. GPSC sells electricity to industrial customers based on the tariff rates charged by the Provincial Electricity Authority (PEA) to large electricity users. The tariffs generally carry a fuel adjustment charge, or Ft, to reflect changes in the fuel price. However, the Ft adjustment carries a time lag and is subject to the authorities' discretion on the timing and magnitude of adjustments.

Gas prices soared to a record high above THB550 per metric million British thermal unit (MMBTU) in the third quarter of 2022. Meanwhile, the adjustment of electricity charges to industrial customers did not keep pace with the inflated fuel cost. As a result, GPSC's earnings before interest, taxes, depreciation, and amortization (EBITDA) decreased to THB14.4 billion in 2022, from THB20.2 billion in 2021. For the first four months of 2023, Ft for the large electricity users was adjusted to THB1.5492 per kWh, up from THB0.9343 per kWh during the last four months of 2022. Consequently, GPSC's EBITDA revived to THB5.1 billion in the first three months of 2023, 25% up from THB4.1 billion year-on-year (y-o-y).

In our base-case projection, we assume gas prices to remain high in 2023 and gradually decline to ordinary levels from 2024 onwards in anticipation of easing demand-supply imbalance. The Ft adjustment will likely continue to compensate the hefty subsidy of electricity charges incurred by EGAT. As a result, we expect GPSC's EBITDA to recover to THB18.2-THB20.2 billion per year during 2023-2025.

### **Financial leverage to remain high**

We expect GPSC to incur significant amounts of additional debt to support developing projects in the pipeline. These projects consist of conventional and renewable power plants, with the largest investment slated for the ERU power plant. In our base-case forecast, we project GPSC to spend a net amount of THB34.8 billion for capital expenditures and investments during 2023-2025. In effect, GPSC's adjusted net debt should hover around THB102.6-THB122.2 billion during 2023-2025. The ratio of debt to capitalization should range between 46%-51% during 2023-2025. The debt to EBITDA ratio is expected to stay around 5-7 times.

### **Strategically important subsidiary of PTT Group**

We hold the view that GPSC is a strategically important subsidiary of PTT Group. According to PTT's vision of "Powering life with future energy and beyond", the PTT Group aims to increase its renewable power capacity to 12,000 MW by 2030 and to reduce greenhouse gas emissions by 15% from 2020 levels.

GPSC is the flagship subsidiary in spearheading PTT Group's strategy in future energy expansion. The strategy encompasses renewable power, energy storage & energy management systems, battery value chain for electric vehicles (EVs), and other forms of clean energy such as power from hydrogen.

### **Strong support from PTT Group**

As a flagship company in the power and future energy businesses of the PTT Group, we believe that GPSC will continue to receive strong support from the group.

PTT's support to GPSC is evidenced by its subscription of all the remaining shares of GPSC's rights offering to support the acquisition of GLOW Energy PLC (GLOW) in 2019. This ensured that GPSC received the full amount of THB74 billion from the equity issue. PTT also provided a shareholder loan of THB20 billion for GPSC to invest in renewable energy abroad. Also, PTT has provided liquidity management support, in form of an extended trade credit program and an inter-company borrowing and lending program. We believe PTT will continue to provide extraordinary support to GPSC when needed.

### Adequate liquidity position

On a consolidated basis, GPSC held cash and cash equivalents of about THB21.6 billion at the end of March 2023. We forecast GPSC to generate funds from operations (FFO) of about THB12.6 billion in 2023. The combination of cash on hand and expected FFO should provide ample headroom to cover scheduled repayments of long-term loans due in the next 12 months of about THB14.2 billion.

### Debt structure

As of March 2023, GPSC had consolidated debt (excluding lease liabilities) of THB131.6 billion. GPSC's priority debt totaled THB15.8 billion, comprising all borrowings incurred by its operating subsidiaries. The priority debt to total debt ratio was 12%.

### BASE-CASE ASSUMPTIONS

TRIS Rating's assumptions for GPSC's performance during 2023-2025 are as follows:

- Total electricity sale to range between 18,020-19,680 gigawatts-hour (GWh) per year.
- Steam sale to be around 14.1-14.5 million tonnes per year.
- EBITDA to range between THB18.2-THB20.2 billion per year.
- Net capital expenditures and investments to be THB34.8 billion during the forecast period.

### RATING OUTLOOK

The "stable" outlook reflects our expectation that GPSC's power plants will continue to perform satisfactorily and deliver stable cash flows as forecast. We also expect the company to maintain financial discipline while pursuing its growth strategy.

### RATING SENSITIVITIES

The prospect of an upward revision of the SACP is limited during the next several years. Conversely, a downward revision could occur if GPSC's operating performance significantly falls short of our expectation, or the financial profile deteriorates considerably due to excessive debt-funded investments.

Any change in the credit profile of PTT or any change in the linkage between GPSC and PTT could also impact the ratings on GPSC.

### COMPANY OVERVIEW

GPSC was founded on 20 January 2013 through the amalgamation of PTT Utility Co., Ltd. (PTTUT) and Independent Power (Thailand) Co., Ltd. (IPT) as the flagship power company of the PTT Group. Following its establishment, GPSC gradually bought shares in power plants from other companies in the PTT Group.

GPSC was listed on the Stock Exchange of Thailand (SET) in 2015. As of February 2023, the PTT Group held around 75.2% of the company's total shares with the remainder held by the public. Shareholdings under the PTT Group consist of 47.3% held by PTT, 10% held by PTT Global Chemical PLC (GC), 10% held by Thai Oil PLC (TOP), and 7.9% held by Siam Management Holdings Co., Ltd. (SMH).

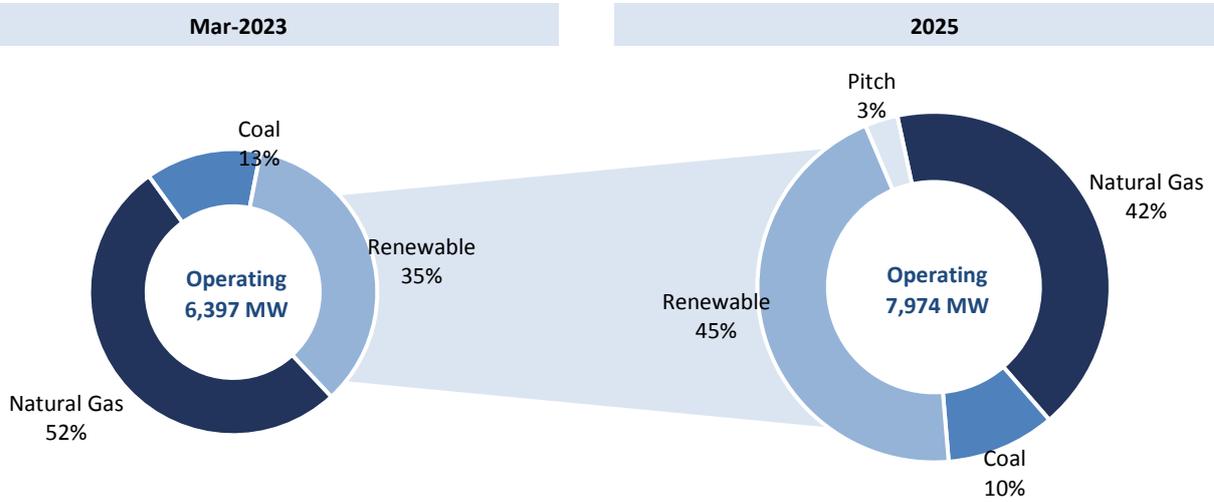
On 14 March 2019, GPSC acquired a 69.11% stake in GLOW from ENGIE Global Developments B.V. (ENGIE). Currently, GPSC holds a 99.8% stake in GLOW. After the acquisition, GLOW's power portfolio of 2,771 MW was added to GPSC's pre-acquisition power portfolio of 2,256 MW, bringing the combined capacity to 5,026 MW.

In the third quarter of 2021, GPSC acquired a 41.6% stake in Avaada. In January 2022, GPSC increased its equity interest in Avaada to 42.9%.

At the end of March 2023, GPSC had an operating capacity of 6,397 MW. The operating capacity is expected to reach 7,974 MW by 2025.

**KEY OPERATING PERFORMANCE**

**Chart 1: GPSC's net operating capacity (Net operating capacity in proportion to GPSC's ownership)**



Source: GPSC

## FINANCIAL STATISTICS AND KEY FINANCIAL RATIOS\*

Unit: Mil. THB

	Jan-Mar 2023	-----Year Ended 31 December -----			
		2022	2021	2020	2019
Total operating revenues	28,132	125,638	75,958	70,587	67,295
Earnings before interest and taxes (EBIT)	2,666	4,794	10,958	13,506	11,437
Earnings before interest, taxes, depreciation, and amortization (EBITDA)	5,081	14,377	20,235	23,009	18,980
Funds from operations (FFO)	3,473	9,295	14,760	17,608	12,936
Adjusted interest expense	1,251	4,368	3,927	4,087	5,221
Capital expenditures	3,777	5,584	4,442	5,482	3,180
Total assets	287,282	288,810	270,796	256,656	252,017
Adjusted debt	113,305	117,752	96,744	85,993	88,247
Adjusted equity	115,262	115,100	117,748	111,867	110,176
<b>Adjusted Ratios</b>					
EBITDA margin (%)	17.87	11.33	26.35	32.05	27.93
Pretax return on permanent capital (%)	2.57 **	2.00	4.85	6.16	8.21
EBITDA interest coverage (times)	4.06	3.29	5.15	5.63	3.64
Debt to EBITDA (times)	7.35 **	8.19	4.78	3.74	4.65
FFO to debt (%)	8.84 **	7.89	15.26	20.48	14.66
Debt to capitalization (%)	49.57	50.57	45.10	43.46	44.47

\* Consolidated financial statements

\*\* Annualized with trailing 12 months

## 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
- Issue Rating Criteria, 15 June 2021

## Global Power Synergy PLC (GPSC)

<b>Company Rating:</b>	AA+
<b>Issue Ratings:</b>	
GPSC24NA: THB5,000 million senior unsecured debentures due 2024	AA+
GPSC256A: THB1,000 million senior unsecured debentures due 2025	AA+
GPSC258A: THB1,500 million senior unsecured debentures due 2025	AA+
GPSC26NA: THB6,000 million senior unsecured debentures due 2026	AA+
GPSC276A: THB3,000 million senior unsecured debentures due 2027	AA+
GPSC29NA: THB8,000 million senior unsecured debentures due 2029	AA+
GPSC306A: THB1,000 million senior unsecured debentures due 2030	AA+
GPSC308A: THB1,000 million senior unsecured debentures due 2030	AA+
GPSC31NA: THB7,500 million senior unsecured debentures due 2031	AA+
GPSC326A: THB3,000 million senior unsecured debentures due 2032	AA+
GPSC34NA: THB6,500 million senior unsecured debentures due 2034	AA+
GPSC354A: THB3,000 million senior unsecured debentures due 2035	AA+
GPSC358A: THB2,500 million senior unsecured debentures due 2035	AA+
GPSC376A: THB4,000 million senior unsecured debentures due 2037	AA+
<b>Rating Outlook:</b>	Stable

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