

# WHA UTILITIES AND POWER PLC

No. 183/2022  
17 October 2022

## CORPORATES

<b>Company Rating:</b>	A-
<b>Issue Ratings:</b>	
Senior unsecured	A-
<b>Outlook:</b>	Stable

**Last Review Date:** 12/04/22

### Company Rating History:

Date	Rating	Outlook/Alert
27/10/21	A-	Stable
27/09/19	A-	Negative
03/04/18	A-	Stable

### Contacts:

Suchana Chantadisai  
suchana@trisrating.com

Nauwarut Temwattanangkul  
nauwarut@trisrating.com

Parat Mahuttano  
parat@trisrating.com

Sasiporn Vajarodaya  
sasiporn@trisrating.com



WWW.TRISRATING.COM

## RATIONALE

TRIS Rating affirms the company rating on WHA Utilities and Power PLC (WHAUP) and the ratings on its outstanding senior unsecured debentures at “A-” with a “stable” rating outlook. The ratings reflect WHAUP’s status as a core subsidiary of WHA Corporation PLC (WHA) according to TRIS Rating’s “Group Rating Methodology”. WHA is rated “A-” with a “stable” outlook by TRIS Rating.

We also assess WHAUP’s stand-alone credit profile (SACP) at “a-”. The SACP reflects WHAUP’s position as the sole utility service provider for all of WHA’s industrial estates in Thailand and neighboring countries and recurring income from its investments in the power business. However, WHAUP’s business profile is constrained by the underperformance of its utility assets in Vietnam and the steep rise in fuel prices which will likely pressure WHAUP’s earnings.

## KEY RATING CONSIDERATIONS

### Core subsidiary of WHA

We assess WHAUP as a core subsidiary of WHA due to its high integration in terms of business and financial strategy.

WHA Group held a 74% stake in WHAUP as of 30 June 2022. WHAUP has an exclusive right agreement with WHA Industrial Development PLC (WHAID), a subsidiary of WHA, to provide utilities for customers in WHAID’s industrial estates in Thailand and neighboring countries. This exclusive right agreement protects WHAUP against competitive threats in its service areas. Currently, WHAUP provides utility services for 11 operating industrial estates in Thailand and one in Vietnam.

In the first half of 2022, WHAUP contributed 27% of WHA’s revenue and 37% of its earnings before interest, taxes, depreciation, and amortization (EBITDA).

### Expanding revenue base

WHAUP’s revenues from utilities and solar rooftops are expected to rise during the forecast years. The significant increase in demand for utilities is mainly from a customer’s new power plants starting operation in 2021-2022, and from incremental of WHAID’s land transfers after the country’s reopening. WHAUP’s strategy to boost utility demand from industrial estates outside WHAID’s industrial estates is another contributing factor. WHAUP entered into a cooperative agreement with Asia Industrial Estate (AIE) and will start providing services to the first industrial user in AIE by the fourth quarter of 2022. We assume its utility revenue growth of around 10% per year in 2022-2023 and 3% in 2024.

Revenue from WHAUP’s solar rooftops has also grown continuously with total installed capacity expected to increase by 20%-30% per year. The revenue contribution from solar power rose to 12% in 2021 from 1% of total revenue in 2019.

### Concerns over utility performance in Vietnam

WHAUP has been expanding its utility business in Vietnam since 2019, with a total investment of approximately THB2.5 billion in Cua Lo Water Supply Joint Stock Company and Duong River Surface Water Plant JSC (SDWTP), covering the service areas in Hanoi and Nghe An provinces in the northern region of Vietnam.

Due to uncertainty over the government situation and the impacts of the Coronavirus Disease 2019 (COVID-19), sales volume and tariffs did not ramp up as planned. WHAUP recognized cumulative shared losses from the two projects of THB440 million as of June 2022. Nevertheless, we expect sales volume to increase during the forecast period. Expansion to nearby areas and the easing of COVID-19 impacts are boosting demand for water. Water sales volume increased by 22% in the first half of 2022 compared with the same period of 2021.

In our base-case forecast, we assume WHAUP will book lower shared losses and receive no dividend from the Vietnam investment in 2022-2024.

### **Pressure from soaring fuel prices on power business**

WHAUP's cash flow from power generation operations with several strategic partners has been stable, except for a period in 2022 when fuel prices surged. WHAUP owns equity stakes in several power assets which generate power under the Independent Power Producer (IPP), Small Power Producer (SPP), and Very Small Power Producer (VSPP) schemes. As of 30 June 2022, excluding its own solar rooftops, WHAUP had a total installed capacity of 553 megawatts (MW), based on the proportions of its equity interests in the joint-venture power assets. State-owned offtakers contribute 85% of the operators' total electricity sales.

We expect WHAUP's share of profit and dividends from the power business to decline in 2022 due to higher fuel prices. Soaring fuel costs will have a significant impact on earnings from power sold to industrial users. The tariff rates to industrial users 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. As such, a surge in gas prices will affect earnings of SPP plants and consequently, WHAUP's share of profit and dividends. Higher coal prices will also affect WHAUP's cash dividends from IPP plants as the plants will have to reserve more cash for working capital.

WHAUP received cash dividends from the power business of THB1 billion in 2021 and THB247 million for the first half of 2022.

In our base-case forecast, we expect gas prices and coal prices to remain high in 2022 and gradually decline to more normal levels from 2023 onwards. We project WHAUP will receive cash dividends totaling around THB450 million in 2022, half of the 2021 figure, before rising to the THB750 million to THB1 billion per annum in 2023-2024. EBITDA (including dividends received from the power business) is projected to be THB1.4 billion in 2022, gradually reaching THB2.1 billion in 2024.

### **Leverage expected to decline after one-time high 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 utility facilities and solar rooftop installments are expected to be around THB1.0-THB2.4 billion per year during the forecast period. For the same period, adjusted net debt should stay at around THB15.0 billion but the debt to capitalization ratio will likely increase to 55% (vs 49% in 2021).

As EBITDA will likely decline in 2022 before gradually normalizing in 2023-2024, WHAUP's net debt to EBITDA ratio is projected to reach 10 times in 2022, before easing to 7 times in 2024. The ratio of funds from operations (FFO) to debt should be in the 7%-12% range.

### **Manageable liquidity**

We assess WHAUP to have adequate liquidity over the next 12 months. Sources of liquidity include cash on hand of around THB3 billion, undrawn credit facilities of THB3.5 billion, and expected FFO of around THB1 billion. These should be adequate to cover bank loans and debentures of around THB5.8 billion coming due in the next 12 months.

According to the key financial covenant on its debentures, WHAUP is required to maintain its net interest-bearing debt to equity ratio below 2.5 times. The ratio was 0.93 times as of June 2022, well below the covenant threshold. The company should have no problems complying with the financial covenant over the next 12 to 18 months.

### **BASE-CASE ASSUMPTIONS**

- Total revenues to increase by 12% in 2022 and 5%-10% per year in 2023-2024, mainly due to increased demand for water among new power plants, new clients outside WHA's industrial estates, and incremental revenue from solar power.
- Gross profit margin of 32%-35% and EBITDA margin (including dividends) of 55%-75%.
- Total capital spending to be THB1.0-THB2.4 billion per year during 2022-2024.

## RATING OUTLOOK

The “stable” outlook mirrors the outlook on WHA. We expect the business model and the level of integration between WHA and WHAUP to remain unchanged.

## RATING SENSITIVITIES

As a core subsidiary of WHA, the ratings on WHAUP are tied to the rating on WHA. Any change in the rating on WHA, or WHAUP’s group status, will affect the ratings on WHAUP accordingly.

An upward revision of WHAUP’s SACP could occur if the company can materially enlarge cash generation and profitability while maintaining a strong balance sheet on a sustained basis. On the other hand, a downward revision could emerge if its profitability and earnings fall significantly short of expectations. Any overly aggressive, debt-funded investments that elevate the company’s net debt to EBITDA ratio to a level of 8 times or above for an extended period could also lead to a downward revision.

## COMPANY OVERVIEW

WHAUP, formerly named Hemaraj Clean Water Co., Ltd., was incorporated in 2008 to produce and distribute industrial water for use in industrial estates owned by WHAID (formerly named Hemaraj Land and Development PLC), a 98.5%-owned subsidiary of WHA. In 2016, the utility and power segments of WHAID and WHA were transferred to WHAUP.

WHAUP provides utility services such as supplying raw water, industrial water, value-added water including demineralized water and reclaimed water, as well as wastewater treatment within WHAID’s industrial estates. In 2021, WHAUP supplied 22.4 million cubic meters (cu.m.) of raw water, 49.6 million cu.m. of industrial water, 4.4 million cu.m. of value-added water, and treatment services for 36.1 million cu.m. of wastewater.

In the power segment, WHAUP has invested in several power projects with well-known power producers such as Global Power Synergy PLC (GPSC), B. Grimm Power PLC (B. Grimm), Gulf Energy Development PLC (Gulf), and Suez S.A. (Suez). WHAUP holds stakes ranging from 5%-35% in IPP and SPP projects while holding stakes greater than 25% in VSPP projects. The company has invested 100% in solar rooftops.

## KEY OPERATING PERFORMANCE

**Table 1: Total Sales Volume of Water and Wastewater\***

Volume Contribution	2017	2018	2019	2020	2021	6M21	6M22
Raw water	17%	17%	16%	17%	21%	20%	24%
Industrial water	53%	54%	55%	52%	46%	48%	44%
Value-added water				2%	4%	4%	4%
Wastewater treatment	30%	29%	29%	29%	29%	28%	28%
<b>Total</b>	<b>100%</b>						
<b>Sales volume (mil. cu.m.)</b>	<b>93</b>	<b>98</b>	<b>100</b>	<b>91</b>	<b>107</b>	<b>54</b>	<b>59</b>

Source: WHAUP

\* Excluding wastewater management volume at Eastern Seaboard Industrial Estate (ESIE)

**Table 2: WHAUP's Investment in Power Segment**

Project Name	Type	JV Partner	Location	Installed Capacities (MW)	WHAUP Portion	Equity MW	COD	
<b>Operating Phase</b>								
Gheco-I	IPP	Coal	Glow	Map Ta Phut IE	660	35.00%	231	Q3'12
Glow IPP	IPP	Gas Combined	Glow	WHA CIE 1	713	5.00%	36	Jan-03
Houay Ho Power	IPP	Hydro	Glow	Lao PDR	152	12.75%	19	Sep-99
GJP NLL	SPP	Gas Co-gen	Gulf JP	WHA RIL	123	25.01%	31	May-13
Gulf Solar	VSP	Solar	Gulf	WHA LP 1, WHA CIE WHA ESIE 1, ESIE	0.6	25.01%	0.2	Jun-14 – Jan-15
WHA Gunkul	VSP	Solar	Gunkul	Bangna and	3.3	74.99%	2.5	Apr – Jul-14
BGWHA-1	SPP	Gas Co-gen	B Grimm	WHA CIE 1	130	25.01%	33	Nov-16
GVTP	SPP	Gas Co-gen	Gulf MP	ESIE	137	25.01%	34	May-17
GTS1	SPP	Gas Co-gen	Gulf MP	ESIE	134	25.01%	34	Jul-17
GTS2	SPP	Gas Co-gen	Gulf MP	ESIE	134	25.01%	34	Sep-17
GTS3	SPP	Gas Co-gen	Gulf MP	WHA ESIE 1	130	25.01%	32	Nov-17
GTS4	SPP	Gas Co-gen	Gulf MP	WHA ESIE 1	130	25.01%	32	Jan-18
GNLL2	SPP	Gas Co-gen	Gulf MP	WHA RIL	127	25.01%	32	Jan-19
CCE	VSP	Waste-to-energy	Glow & Suez	WHA CIE 1	8.6	33.33%	2.9	Q4'19
Solar Rooftop Projects	Private PPA	Solar	100% Owned	IEs/ Logistic Center/Outside IEs	59	100.00%	59	May'18-Q2'22
<b>Total</b>					<b>2,642</b>		<b>612</b>	
<b>Development Phase</b>								
Solar Rooftop Projects	Private PPA	Solar	100% Owned	IEs/ Logistic Center/Outside IEs	64	100.00%	64	Q3'22-Q1'23
<b>Total</b>					<b>64</b>		<b>64</b>	

Source: WHAUP

**FINANCIAL STATISTICS AND KEY FINANCIAL RATIOS\***
*Unit: Mil. THB*

	Jan-Jun 2022	-----Year Ended 31 December -----			
		2021	2020	2019	2018
Total operating revenues	1,185	2,202	1,722	1,879	1,738
Earnings before interest and taxes (EBIT)	497	1,160	1,257	2,530	2,676
Earnings before interest, taxes, depreciation, and amortization (EBITDA)	876	2,111	2,374	1,589	1,278
Funds from operations (FFO)	652	1,665	1,904	1,177	846
Adjusted interest expense	200	414	436	352	376
Capital expenditures	539	585	1,033	819	322
Total assets	29,120	25,839	26,172	26,419	23,773
Adjusted debt	12,799	12,010	11,735	11,550	8,664
Adjusted equity	12,694	12,384	12,157	13,559	14,049
<b>Adjusted Ratios</b>					
EBITDA margin (%)	73.94	95.87	137.87	84.54	73.56
Pretax return on permanent capital (%)	3.93 **	4.55	4.88	10.24	11.98
EBITDA interest coverage (times)	4.38	5.10	5.45	4.52	3.40
Debt to EBITDA (times)	7.23 **	5.69	4.94	7.27	6.78
FFO to debt (%)	10.35 **	13.87	16.23	10.19	9.76
Debt to capitalization (%)	50.21	49.23	49.12	46.00	38.15

\* 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

**WHA Utilities and Power PLC (WHAUP)**

<b>Company Rating:</b>	A-
<b>Issue Ratings:</b>	
WHAUP22DA: THB1,500 million senior unsecured debentures due 2022	A-
WHAUP231A: THB1,000 million senior unsecured debentures due 2023	A-
WHAUP236A: THB1,290 million senior unsecured debentures due 2023	A-
WHAUP237A: THB1,500 million senior unsecured debentures due 2023	A-
WHAUP247A: THB1,300 million senior unsecured debentures due 2024	A-
WHAUP256A: THB1,320 million senior unsecured debentures due 2025	A-
WHAUP256B: THB1,800 million senior unsecured debentures due 2025	A-
WHAUP267A: THB700 million senior unsecured debentures due 2026	A-
WHAUP276A: THB1,000 million senior unsecured debentures due 2027	A-
WHAUP302A: THB1,500 million senior unsecured debentures due 2030	A-
<b>Rating Outlook:</b>	Stable

**TRIS Rating Co., Ltd.**

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

© Copyright 2022, TRIS Rating Co., Ltd. All rights reserved. Any unauthorized use, disclosure, copying, republication, further transmission, dissemination, redistribution or storing for subsequent use for any purpose, in whole or in part, in any form or manner or by any means whatsoever, by any person, of the credit rating reports or information is prohibited, without the prior written permission of TRIS Rating Co., Ltd. The credit rating is not a statement of fact or a recommendation to buy, sell or hold any debt instruments. It is an expression of opinion regarding credit risks for that instrument or particular company. The opinion expressed in the credit rating does not represent investment or other advice and should therefore not be construed as such. Any rating and information contained in any report written or published by TRIS Rating has been prepared without taking into account any recipient's particular financial needs, circumstances, knowledge and objectives. Therefore, a recipient should assess the appropriateness of such information before making an investment decision based on this information. Information used for the rating has been obtained by TRIS Rating from the company and other sources believed to be reliable. Therefore, TRIS Rating does not guarantee the accuracy, adequacy, or completeness of any such information and will accept no liability for any loss or damage arising from any inaccuracy, inadequacy or incompleteness. Also, TRIS Rating is not responsible for any errors or omissions, the result obtained from, or any actions taken in reliance upon such information. All methodologies used can be found at [www.trisrating.com/rating-information/rating-criteria](http://www.trisrating.com/rating-information/rating-criteria)