

# WHA UTILITIES AND POWER PLC

No. 216/2023  
31 October 2023

## CORPORATES

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

**Last Review Date:** 25/05/23

### Company Rating History:

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

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## 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 our view on the company’s status as a “core subsidiary” of WHA Corporation PLC (WHA, rated “A-/stable”). The group status incorporates WHAUP’s position as the sole utility service provider for all of WHA’s industrial estates in Thailand and neighboring countries, as well as recurring income from its investments in the power business.

## 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% equity stake in WHAUP as of 30 June 2023. 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 12 operating industrial estates in Thailand and one in Vietnam.

WHAUP contributes significantly to WHA’s overall performance. In the first half of 2023, WHAUP contributed 30% of WHA’s revenue and 42% of its earnings before interest, taxes, depreciation, and amortization (EBITDA).

### Growing revenue base

WHAUP’s revenues from utility service business increased to THB2.1 billion in 2022 from THB1.6 billion in 2017, a 5-year compound annual growth rate (CAGR) of 5.3%. During the first half of 2023, revenues from this business increased by 11% year-on-year (y-o-y) to THB1.2 billion. The strong growth was mainly attributed to price adjustments and rising demand from new power plants located in WHA’s industrial estates, as well as a greater contribution from value-added water supplies.

Additionally, revenue from the solar rooftop business has grown continuously with additional installed capacity of 20 -40 megawatts (MW) per annum over the past few years. Revenue from solar power business rose to THB332 million in 2022 (14% of total revenue) from THB55 million in 2020 (3% of total revenue).

Looking forward, revenues from the utility service and solar power businesses are expected to grow steadily, supported by continued growth in the number of customers in the industrial estates, growing demand for value added water supplies, and capacity expansion in the solar power business.

### Higher dividend income from power business

WHAUP owns equity stakes in several power plants which generate power under the independent power producer (IPP), small pPower producer (SPP), and very small power producer (VSPP) schemes. As of 30 June 2023, the company had a total installed capacity of 553 MW, based on the proportions

of its equity interests in the joint-venture power assets. State-owned off-takers contribute 85% of the operators' total electricity sales.

WHAUP's share of profit and dividends from the power business declined significantly in 2022, mainly due to an unusual increase in gas costs for SPP plants and an unplanned outage for an IPP plant. As a result, cash dividends from the power business declined to THB347 million in 2022, from around THB1 billion in 2021. However, the operating performance of the power business improved in the first half of 2023, thanks to a significant drop in gas costs. Total dividend receipts from power plants increased by 43% y-o-y to THB317 million in the first half of 2023.

#### **Declining shared loss from utility operations in Vietnam**

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

Due to the uncertainty surrounding the change of government and the impacts of the Coronavirus Disease 2019 (COVID-19) pandemic, sales volume and tariffs did not ramp up as planned. WHAUP recognized shared losses of about THB200 million per year in 2020-2022. However, we see improvements in operations following higher sales volume and tariff adjustments in the first half of 2023. WHAUP recorded a shared loss of THB14 million in the first half of 2023, compared with a shared loss of THB62 million during the same period of 2022.

Despite several uncertainties lying ahead, we expect the operations of SDTWP and Cua Lo to improve gradually albeit at a slow pace, with strengthened demand and tariff adjustments anticipated in the coming years.

#### **Leverage declined after a record high in 2022**

WHAUP's leverage ratio surged to hit a five-year peak in 2022 before gradually receding in the first half of 2023. Thanks to an EBITDA improvement on the back of improved performance from utility business and rising dividend income from power plants. The adjusted debt to EBITDA ratio was 8.4 times in the first half of 2023, down from 9.5 times in 2022.

#### **Manageable liquidity**

We assess WHAUP to have adequate liquidity over the next 12 months. The company's cash on hand plus cash flow from operations should be sufficient to cover debentures of THB2.5 billion coming due in the next 12 months. At the end of June 2023, the company had a liquidity buffer with cash on hand of around THB2.7 billion and undrawn credit facilities of THB2.9 billion from commercial banks.

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 company had the ratio of 1.0 times as of June 2023, well below the covenant threshold. Therefore, we believe that the company should have no problems complying with the financial covenant over the next 12 to 18 months.

#### **BASE-CASE ASSUMPTIONS**

- WHAUP will remain a "core subsidiary" of WHA.

#### **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.

#### **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 Hemaraj Land and Development PLC (HEMRAJ)), 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 2022, WHAUP supplied 25.7 million cubic meters (cu.m.) of raw water, 49.1 million cu.m. of industrial water, 5.3 million cu.m. of value-added water, and treatment services for 30.8 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 also invested 100% in solar rooftops.

## KEY OPERATING PERFORMANCE

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

| Volume Contribution              | 2018        | 2019        | 2020        | 2021        | 2022        | 6M22        | 6M23        |
|----------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Raw water                        | 17%         | 16%         | 17%         | 21%         | 23%         | 24%         | 27%         |
| Industrial water                 | 54%         | 55%         | 52%         | 46%         | 44%         | 44%         | 40%         |
| Value-added water                |             |             | 2%          | 4%          | 5%          | 4%          | 5%          |
| Wastewater treatment             | 29%         | 29%         | 29%         | 29%         | 28%         | 28%         | 27%         |
| <b>Total</b>                     | <b>100%</b> |
| <b>Sales volume (mil. cu.m.)</b> | <b>98</b>   | <b>100</b>  | <b>91</b>   | <b>107</b>  | <b>111</b>  | <b>59</b>   | <b>57</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        |
| Glow IPP                 | IPP         | Gas Combined Cycle | Glow        | WHA CIE 1                             | 713           | 5.00%     | 36         |
| Houay Ho Power           | IPP         | Hydro              | Glow        | Lao PDR                               | 152           | 12.75%    | 19         |
| GJP NLL                  | SPP         | Gas Co-gen         | Gulf JP     | WHA RIL                               | 123           | 25.01%    | 31         |
| Gulf Solar               | VSPP        | Solar              | Gulf        | WHA LP 1, WHA CIE 1, WHA ESIE 1, ESIE | 0.6           | 25.01%    | 0.2        |
| WHA Gunkul               | VSPP        | Solar              | Gunkul      | Bangna and Ayudhaya                   | 3.3           | 74.99%    | 2.5        |
| BGWHA-1                  | SPP         | Gas Co-gen         | B Grimm     | WHA CIE 1                             | 130           | 25.01%    | 33         |
| GVTP                     | SPP         | Gas Co-gen         | Gulf MP     | ESIE                                  | 137           | 25.01%    | 34         |
| GTS1                     | SPP         | Gas Co-gen         | Gulf MP     | ESIE                                  | 134           | 25.01%    | 34         |
| GTS2                     | SPP         | Gas Co-gen         | Gulf MP     | ESIE                                  | 134           | 25.01%    | 34         |
| GTS3                     | SPP         | Gas Co-gen         | Gulf MP     | WHA ESIE 1                            | 130           | 25.01%    | 32         |
| GTS4                     | SPP         | Gas Co-gen         | Gulf MP     | WHA ESIE 1                            | 130           | 25.01%    | 32         |
| GNLL2                    | SPP         | Gas Co-gen         | Gulf MP     | WHA RIL                               | 127           | 25.01%    | 32         |
| CCE                      | VSPP        | Waste-to-energy    | Glow & Suez | WHA CIE 1                             | 8.6           | 33.33%    | 2.9        |
| Solar Rooftop Projects   | Private PPA | Solar              | 100% Owned  | IEs/ Logistic Center/Outside IEs      | 101           | 100.0%    | 101        |
| <b>Total</b>             |             |                    |             |                                       | <b>2,684</b>  |           | <b>654</b> |
| <b>Development Phase</b> |             |                    |             |                                       |               |           |            |
| Solar Rooftop Projects   | Private PPA | Solar              | 100% Owned  | IEs/ Logistic Center/Outside IEs      | 63            | 100.0%    | 63         |
| <b>Total</b>             |             |                    |             |                                       | <b>63</b>     |           | <b>63</b>  |

Source: WHAUP

## FINANCIAL STATISTICS AND KEY FINANCIAL RATIOS\*

Unit: Mil. THB

|   | Jan-Jun<br>2023 | -----Year Ended 31 December ----- |        |        |        |
|---|-----------------|-----------------------------------|--------|--------|--------|
|   |                 | 2022                              | 2021   | 2020   | 2019   |
| Total operating revenues  | 1,555           | 2,465                             | 2,202  | 1,722  | 1,879  |
| Earnings before interest and taxes (EBIT)                                   | 988             | 890                               | 1,160  | 1,257  | 2,530  |
| Earnings before interest, taxes, depreciation,<br>and amortization (EBITDA) | 1,101           | 1,449                             | 2,111  | 2,374  | 1,589  |
| Funds from operations (FFO)   | 851             | 962                               | 1,665  | 1,904  | 1,177  |
| Adjusted interest expense   | 225             | 427                               | 414    | 436    | 352    |
| Capital expenditures  | 442             | 1,439                             | 585    | 1,033  | 819    |
| Total assets  | 30,297          | 27,645                            | 25,839 | 26,172 | 26,419 |
| Adjusted debt   | 14,002          | 13,724                            | 12,010 | 11,735 | 11,550 |
| Adjusted equity   | 12,987          | 12,621                            | 12,384 | 12,157 | 13,559 |
| <b>Adjusted Ratios</b>  |                 |                                   |        |        |        |
| EBITDA margin (%)   | 70.79           | 58.78                             | 95.87  | 137.87 | 84.54  |
| Pretax return on permanent capital (%)                                      | 4.75 **         | 3.40                              | 4.55   | 4.88   | 10.24  |
| EBITDA interest coverage (times)  | 4.90            | 3.39                              | 5.10   | 5.45   | 4.52   |
| Debt to EBITDA (times)  | 8.36 **         | 9.47                              | 5.69   | 4.94   | 7.27   |
| FFO to debt (%)   | 8.28 **         | 7.01                              | 13.87  | 16.23  | 10.19  |
| Debt to capitalization (%)  | 51.88           | 52.09                             | 49.23  | 49.12  | 46.00  |

\* 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>  |        |
| WHAUP241A: THB1,000 million senior unsecured debentures due 2024 | A-     |
| WHAUP247A: THB1,300 million senior unsecured debentures due 2024 | A-     |
| WHAUP24DA: THB750 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-     |
| WHAUP266A: THB3,000 million senior unsecured debentures due 2026 | A-     |
| WHAUP267A: THB700 million senior unsecured debentures due 2026   | A-     |
| WHAUP276A: THB1,000 million senior unsecured debentures due 2027 | A-     |
| WHAUP27DA: THB750 million senior unsecured debentures due 2027   | A-     |
| WHAUP286A: THB500 million senior unsecured debentures due 2028   | A-     |
| WHAUP302A: THB1,500 million senior unsecured debentures due 2030 | A-     |
| <b>Rating Outlook:</b>   | Stable |

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