

Press Release

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TRIS Rating Assigns Company Rating of "ABP3" at "A-" with "Stable" Outlook

TRIS Rating has assigned the company rating of Amata B.Grimm Power 3 Ltd. (ABP3) at "A-" with "stable" outlook. The rating reflects the reliable cash flows received through the long-term power purchase agreement (PPA) with the Electricity Generating Authority of Thailand (EGAT) under the Small Power Producer (SPP) scheme, proven technology of combined-cycle gas turbine used for its cogeneration power plant and B.Grimm Group's experiences in power business. The rating is constrained by the single asset risk and ABP3's highly-leveraged balance sheet.

The "stable" outlook reflects the expectation that ABP3 will maintain smooth operations, which will generate a reliable stream of earnings (EBITDA) of Bt600-Bt700 million per year.

The upside for ABP3's rating is limited over the next 12-18 months. The rating downside case may occur if ABP3's performance deteriorates significantly and hurting its cash flow generation.

ABP3 was established in 2010 to own and operate a cogeneration power plant under the SPP scheme. The plant is located in Amata Nakorn Industrial Estate (ANE), Chonburi province. The power plant has an installed capacity of 132.5 megawatts (MW) plus 30 tonnes per hour of steam. Of 132.5 MW, 90 MW is sold to EGAT under the 25-year PPA while the rest is sold to industrial customers in ANE. ABP3's plant commenced commercial operation on 1 October 2012. Currently, ABP3's shareholders are B.Grimm Power PLC (60.7%), Sunrise Energy (Sumitomo Group – 18.0%), Amata Corporation (AMATA – 18.3%), and B.Grimm Joint Venture Holding Ltd. (BGJV - 3%).

ABP3 has a 25-year PPA with EGAT for 90 MW under the SPP scheme. ABP3 has long-term off-take agreements with industrial customers to sell 46 MW of electricity and 13 tonnes per hour of steam. The PPA with EGAT has helped mitigate the market risk as EGAT agreed to dispatch not less than 80% of the contracted capacity based on operating hours. The PPA also contains a gas price pass-through mechanism. For the industrial customers, the contracts also specify the minimum off-take amounts. The electricity tariffs charged to the industrial customers are based on the electricity tariff that the Provincial Electricity Authority (PEA) charges to large general service customers. The tariff generally carries a fuel adjustment charge or Ft to adjust for changes in fuel prices. ABP3 holds a gas supply contract (GSA) with PTT PLC (PTT) for 25 years covering the term of the PPA with EGAT.

ABP3's power plant employs proven technology used in its combine cycle cogeneration plant. The Siemens SGT 800 gas turbine has a proven track record with a fleet of more than 100 units worldwide sold since 1997. ABP3's power plant is comprised of two gas turbine units with bypass stacks, two heat recovery steam generators (HRSGs) and one steam turbine. The gas turbines and the steam turbine are all made by Siemens. By selecting gas turbines with bypass stacks, ABP3 has the flexibility to operate gas turbine independently during the maintenance of the steam turbine or for load management purposes. ABP3 entered into eight-year long-term service agreement (LTSA) with Siemens. The agreement helps mitigate operational risk and control maintenance cost. For the day-to-day operation, ABP3 has its own operations and maintenance team, leveraging B.Grimm Power's expertise in the operation and maintenance of cogeneration power plants.

ABP3 operations have met the PPA targets since its inception in 2012. ABP3 sold about 630 gigawatt-hour (GWh) of electricity per year to EGAT. The actual availability factor was higher than 90.4% required by the PPA. The PPA allows 840 hours per year for planned maintenance in a normal year and 1,080 hours per year in a year when a major overhaul is planned. The plant heat rate was about 7,500-7,620 British Thermal Unit/kilowatt-hour (BTU/kWh) during the past three years, better than the PPA allowance of 8,000 BTU/kWh. In terms of energy efficiency, ABP3's plant has managed to achieve the primary energy saving (PES) threshold and received an additional tariff of 0.36 Bt/kWh of fuel saving (FS) payment from EGAT. For the first nine months of 2016, ABP3 sold 498 GWh of electricity to EGAT. The availability factor was 99.2%, and the heat rate was 7,621 BTU/kWh.

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In 2015, ABP3 had Bt3,135 million in revenue and Bt719 million in earnings before interest, tax, depreciation, and amortization (EBITDA). The company's operating margin (operating income before depreciation and amortization as percentage of sale) was 22.1%. The funds from operations (FFO) to total debt ratio was 13.0%. The company has high leverage, like other power plants. At the end of 2015, ABP3's debts totaled Bt3,720 million with a debt to capitalization ratio of 72.1%.

Looking forward, TRIS Rating expects that ABP3's EBITDA will be Bt600-Bt700 million per year, sufficient to cover debt repayments of about Bt210 million per year during 2017-2020. However, due to the long repayment profile, the company's debt to capitalization ratio is expected to improve slowly during the next three years.

Amata B.Grimm Power 3 Ltd. (ABP3)

Company Rating:

A-

Rating Outlook:

Stable

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