

# SAHACOGEN (CHONBURI) PLC

No. 83/2022  
11 August 2022

## CORPORATES

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

Last Review Date: 17/06/22

### Company Rating History:

Date	Rating	Outlook/Alert
17/06/22	A	Stable

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## RATIONALE

TRIS Rating affirms the company rating on Sahacogen (Chonburi) PLC (SCG) at “A” with a “stable” outlook. At the same time, TRIS Rating assigns the rating of “A” to SCG’s proposed issue of up to THB3 billion senior unsecured debentures. The proceeds from the new debentures are intended to be used for refinancing, working capital requirement, and the company’s business expansion including the SPP Replacement project.

The ratings on SCG reflect our view of SCG as a strategic subsidiary of Ratch Group PLC (RATCH, rated “AA+/Stable” by TRIS Rating). Therefore, the ratings incorporate a one-notch uplift from SCG’s stand-alone credit profile (SACP) of “a-”

The SACP of SCG continues to reflect its stable cash generation from long-term power purchase agreements (PPAs) with creditworthy offtakers, including the Electricity Generating Authority of Thailand (EGAT, rated “AAA/Stable” by TRIS Rating) and Saha Pathana Inter-Holding PCL (SPI, rated “AA/Stable” by TRIS Rating). The rating also reflects the company’s diversified industrial customer base and the proven record of operating performance of its cogeneration power plant. However, the rating is constrained by the timing mismatch of the fuel price pass-through mechanism for industrial customers as well as the company’s rising financial leverage during its period of capacity expansion.

For the first half of 2022, SCG’s earnings before interest, taxes, depreciation, and amortization (EBITDA) in the first half of 2022 dropped by 52% (year-on-year) to THB226 million, caused by the surge in natural gas prices coupled with the time-lag in Ft adjustments, as expected. The ratio of debt to EBITDA increase to 5.9 times (annualized with the trailing 12 months), from 2.9 times at the end of 2021. We nevertheless expect SCG’s EBITDA to improve in the second half of 2022, due to a rise in the electricity selling prices to industrial customers of about THB0.61 per unit on average, from the Ft adjustment.

As of June 2022, the company’s debt to capitalization ratio was 40.7%, up from 33.5% as of December 2021, resulting mainly from capital expenditure for the SPP Replacement project during the first half of 2022. Currently, the SPP Replacement project is being financed by bank bridge loans. We expect the bridging loans to be refinanced by the proposed debenture issuance.

As of June 2022, SCG’s consolidated debt was about THB3.4 billion. SCG’s priority debt consisted of THB187 million in secured debts and THB78 million in senior debts, both owed by SCG’s subsidiaries. The ratio of priority debt to total debt was about 7.8% at the end of June 2022.

## RATING OUTLOOK

The “stable” outlook reflects our expectation that SCG will maintain its satisfactory operating performance, and that the transition to the new EGAT PPA with lower contracted capacity will have limited impact on its cash generation.

## RATING SENSITIVITIES

The credit upside for SCG is limited over the next 12-18 months. Downward pressure on the ratings could arise if SCG's financial performance deteriorates significantly from our expectations. Any major debt-funded investments, which considerably weaken the company's capital structure, could also lead to a rating downgrade.

Any material changes in the credit profile of RATCH or a change in the relationship between SCG and RATCH could also impact the ratings on SCG.

## RELATED CRITERIA

- Corporate Rating Methodology , 15 July 2022
- Key Financial Ratio and Adjustments for Corporate Issuers, 11 January 2022
- Issue Rating Criteria, 15 June 2021
- Group Rating Methodology, 13 January 2021

## Sahacogen (Chonburi) PLC (SCG)

<b>Company Rating:</b>	A
<b>Issue Rating:</b>	
Up to THB3,000 million senior unsecured debentures due within 10 years	A
<b>Rating Outlook:</b>	Stable

## TRIS Rating Co., Ltd.

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