

RATCHABURI ELECTRICITY GENERATING CO., LTD.

 No. 126/2021
 5 August 2021

CORPORATES

Company Rating: AA+
 Outlook: Stable

Last Review Date: 24/07/20

Company Rating History:

| Date | Rating | Outlook/Alert |
|----------|--------|---------------|
| 10/04/15 | AAA | Stable |
| 25/04/13 | AA+ | Stable |
| 15/06/05 | AA | Stable |
| 12/07/04 | AA- | Stable |
| 26/06/03 | AA- | - |

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RATIONALE

TRIS Rating downgrades the company rating on Ratchaburi Electricity Generating Co., Ltd. (RATCHGEN) to “AA+”, with a “stable” outlook, from “AAA”. The downgrade follows the rating action on RATCH Group PLC (RATCH) which is downgraded to “AA+” on 5 August 2021. RATCHGEN is a core subsidiary of RATCH. Therefore, RATCHGEN’s stand-alone credit profile (“aaa”) is capped by the rating on RATCH.

RATCHGEN’s stand-alone credit profile continues to reflect the highly predictable cash flows it receives under the long-term power purchase agreements (PPAs) with the Electricity Generating Authority of Thailand (EGAT), as well as the company’s proven record in power plant management, and its low-debt balance sheet.

KEY RATING CONSIDERATIONS

Highly predictable cash flow from long-term PPAs

RATCHGEN’s predictable cash flow is supported by its long-term PPAs with EGAT (rated “AAA” with a “stable” outlook by TRIS Rating). The PPAs mitigate most of the company’s market risk. RATCHGEN’s revenue depends mostly on power plant availability. EGAT is obliged to make full available payments (AP) to RATCHGEN as long as it attains availability targets, regardless of dispatching. Fuel price risk is also mitigated through the PPAs, as they enable RATCHGEN to pass through any changes in fuel costs to EGAT based on the agreed plant heat rate.

Proven operational track record

The “Ratchaburi” power plant has a track record of over 20 years of smooth operations. The plant has consistently been able to meet the availability targets specified in the PPAs. During the last 10 years, the plant availability figures and plant efficiency values have exceeded the targets set in the PPAs almost every year.

For the first three months of 2021, the overall availability factor of RATCHGEN’s power plants was 93.1%, better than the target of 88.3%. The plant efficiency metric also outperformed the target. The plant heat rate was 7,144 British Thermal Unit/kilowatt-hours (BTU/kWh), better than the target of 7,181 BTU/kWh.

No sizable investments ahead

During the forecast period, RATCHGEN will have no sizable investment plan. The “Hin Kong” power project with total capacity of 1,400 megawatts (MW), will be developed by a subsidiary of RATCH, its parent company.

Strong balance sheet

TRIS Rating believes RATCHGEN will maintain a strong balance sheet over the next three years. As of March 2021, the company’s reported debt was only THB2 billion. TRIS Rating expects RATCHGEN’s debt to capitalization ratio to stay below 10% over the forecast period. The ratio will likely improve further when the company repays debentures of THB2 billion in 2022.

Very strong liquidity profile

RATCHGEN’s liquidity profile is very strong. As of March 2021, the company’s sources of funds comprised cash on hand of THB607 million. TRIS Rating

forecasts RATCHGEN's funds from operations (FFO) over the next 12 months to be around THB5 billion. The cash on hand plus expected FFO can cover bonds repayments of THB2 billion coming due in March 2022. We expect RATCHEN will have no large investments through 2023 other than routine maintenance expenditures of about THB100 million per year.

A core subsidiary of RATCH

TRIS Rating considers RATCHGEN as a core subsidiary of RATCH, in view of its investment structure and significant earnings contribution to RATCH. RATCHGEN is a wholly-owned subsidiary of RATCH. It owns and operates 3,645 MW of the Ratchaburi power plant, accounting for about 52% of RATCH's total equity capacity as of June 2021. RATCHGEN contributed about 62% of RATCH's EBITDA in 2020.

BASE-CASE ASSUMPTIONS

- EBITDA of about THB5 billion in 2021, declining to THB4.5-THB3.5 billion per year during 2022-2023.
- Routine maintenance expenditures of about THB100 million per year.

RATING OUTLOOK

The "stable" outlook reflects our expectation that RATCHGEN will continue to meet the plant availability and efficiency targets set out in the PPAs, enabling it to generate predictable revenue streams throughout the lives of the PPAs.

RATING SENSITIVITIES

Based on RATCHGEN's status as a core subsidiary of RATCH, the ratings on RATCHGEN will move in tandem with the rating on RATCH. Any change in the rating on RATCH will result in the same change to the ratings on RATCHGEN.

COMPANY OVERVIEW

RATCHGEN is a wholly-owned subsidiary of RATCH, which is rated "AA+" with a "stable" outlook by TRIS Rating. RATCHGEN is a core subsidiary of RATCH, set up to operate and invest in conventional power plants in Thailand.

As of 30 June 2021, RATCHGEN's total capacity was 3,645 MW, consisting of two thermal unit (1,470 MW) and three combined cycle gas turbine (CCGT) units (2,175 MW). The plants account for about 8% of Thailand's total installed capacity.

KEY OPERATING PERFORMANCE

Table 1: Performance Statistics of Ratchaburi Power Plant

| | Unit | Jan-Mar 21 (Target) | Jan-Mar 21 (Actual) | 2020 | 2019 | 2018 |
|---|-------|------------------------|------------------------|-------|-------|-------|
| Ratchaburi Plant (Thermal Units) | | | | | | |
| Dispatch factor | % | - | - | - | - | - |
| EAF* avg. 12 months | % | 95.6 | 100.0 | 97.2 | 82.3 | 97.2 |
| Planned outage | Hours | - | - | - | 2,736 | - |
| Forced outage | Hours | - | - | - | - | - |
| Maintenance outage | Hours | 191 | - | - | - | - |
| Ratchaburi Plant (CCGT Units) | | | | | | |
| Dispatch factor | % | 83.1 | 71.1 | 74.3 | 84.6 | 88.8 |
| EAF avg. 12 months | % | 83.3 | 88.4 | 91.6 | 88.3 | 90.0 |
| Planned outage | Hours | 685 | 637 | 1,701 | 2,247 | 1,824 |
| Forced outage | Hours | - | - | 493 | 446 | 138 |
| Maintenance outage | Hours | 387 | 108 | - | 345 | 665 |
| Tri Energy Plant | | | | | | |
| Dispatch factor | % | - | - | - | 7.9 | 38.0 |
| EAF* avg. 12 months | % | - | - | 99.4 | 97.4 | 87.2 |
| Planned outage | Hours | - | - | - | 208 | 144 |
| Forced outage | Hours | - | - | - | - | 126 |
| Maintenance outage | Hours | - | - | 24 | - | - |

* Equivalent Availability Factor (EAF)

Source: RATCHGEN

FINANCIAL STATISTICS AND KEY FINANCIAL RATIOS

Unit: Mil. THB

| | Jan-Mar 2021 | -----Year Ended 31 December ----- | | | |
|---|-----------------|-----------------------------------|--------|--------|--------|
| | | 2020 | 2019 | 2018 | 2017 |
| Total operating revenues | 6,651 | 32,972 | 36,322 | 41,048 | 43,770 |
| Earnings before interest and taxes (EBIT) | 873 | 2,927 | 4,026 | 3,678 | 4,288 |
| Earnings before interest, taxes, depreciation, and amortization (EBITDA) | 1,440 | 6,389 | 5,510 | 7,458 | 8,308 |
| Funds from operations (FFO) | 1,412 | 6,266 | 4,603 | 6,570 | 7,203 |
| Adjusted interest expense | 17 | 70 | 69 | 99 | 176 |
| Capital expenditures | 33 | 14 | 84 | 178 | 159 |
| Total assets | 29,647 | 31,338 | 31,711 | 31,351 | 35,408 |
| Adjusted debt | 0 | 0 | 0 | 3 | 4,001 |
| Adjusted equity | 24,949 | 25,013 | 24,630 | 24,288 | 24,466 |
| Adjusted Ratios | | | | | |
| EBITDA margin (%) | 21.65 | 19.38 | 15.17 | 18.17 | 18.98 |
| Pretax return on permanent capital (%) | 11.56 * | 10.90 | 15.19 | 13.24 | 13.92 |
| EBITDA interest coverage (times) | 84.63 | 91.35 | 79.51 | 75.46 | 47.20 |
| Debt to EBITDA (times) | 0.00 | 0.00 | 0.00 | 0.00 | 0.48 |
| FFO to debt (%) | n.m. | n.m. | n.m. | n.m. | 180.01 |
| Debt to capitalization (%) | 0.00 | 0.00 | 0.00 | 0.01 | 14.06 |

* Annualized with trailing 12 months

n.m. = not meaningful

RELATED CRITERIA

- Group Rating Methodology, 13 January 2021
- Rating Methodology – Corporate, 26 July 2019
- Key Financial Ratios and Adjustments, 5 September 2018

Ratchaburi Electricity Generating Co., Ltd. (RATCHGEN)

| | |
|------------------------|--------|
| Company Rating: | AA+ |
| Rating Outlook: | Stable |

TRIS Rating Co., Ltd.

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