

RATCHABURI ELECTRICITY GENERATING HOLDING PLC

No. 26/2015

10 April 2015

Company Rating: AAA

Outlook: Stable

Company Rating History:

Date	Rating	Outlook/Alert
25/04/13	AA+	Stable
09/02/11	AA	Stable
15/06/05	AA-	Stable
12/07/04	A+	Stable
26/06/03	A+	-

Rating Rationale

TRIS Rating upgrades the company rating of Ratchaburi Electricity Generating Holding PLC (RATCH) to "AAA" from "AA+". The "AAA" rating reflects RATCH's position as the largest private power producer in Thailand, its predictable cash flow from power projects with creditworthy off-takers, and strong relationship with the Electricity Generating Authority of Thailand (EGAT). The rating also takes into consideration its conservative investment plan and strengthening balance sheet.

RATCH is a power holding company focusing on investment in power and related businesses. The company was established in 2000 to purchase the Ratchaburi power plant from EGAT. RATCH was listed on the Stock Exchange of Thailand (SET) in 2000. EGAT is RATCH's major shareholder, holding a 45% stake. As of March 2015, RATCH's total power portfolio was 6,578 megawatts (MW). About 5,613 MW is in operation while the rest (965 MW) is in the development and construction phases. RATCH was the largest power generator in Thailand with a capacity of 5,014 MW connected to the Thai power grid, representing 14% of the nation's total installed capacity.

RATCH's business profile is very strong. The reliable streams of cash flow stem from the power purchase agreements RATCH has with EGAT and the Provincial Electricity Authority (PEA). In addition, RATCH's project management and operating experience keep its projects on schedule and ensure each project is operating smoothly and producing cash flows as planned. As of March 2015, about 4,964 MW or 88.4% of RATCH's operating capacity was secured by power purchase agreement (PPAs) with EGAT, 29 MW covered by PPAs with PEA, and the rest or 620 MW was mostly covered by PPAs with the industrial customers both in Thailand and abroad. In terms of plant type, about 94% of RATCH's generating capacity is from gas-fired power plants, 4% from hydropower plants, and 2% from renewable resources.

RATCH's financial profile is satisfactory. The company's earnings before interest, tax, depreciation and amortization (EBITDA) increased from Bt11,252 million in 2013 to Bt12,823 million in 2014. The increase was due to the better performance of Ratchaburi Electricity Generating Co., Ltd. (RATCHGEN) – rated "AAA" by TRIS Rating, as well as the consolidation of Tri Energy Co., Ltd. (TECO), and higher contributions from Ratchaburi Power Co., Ltd. (RPCL) and renewable energy projects. RATCH's EBITDA is expected to increase over Bt13,000 million in 2015, due to the start-up of the Hongsa power project in the second half of 2015. The Hongsa power project will add 751 MW of new generating capacity to RATCH by 2016. At the end of 2014, RATCH's capital structure was above average. The total debt to capitalization ratio improved from 27.5% at the end of 2013 to 26.7% at the end of 2014. RATCH's liquidity is very strong. Cash on hand and short-term investments totaled Bt14,266 million at the end of 2014. The company's total debt was Bt22,298 million. Its debt repayment is well-managed with only Bt721 million due in 2015 and Bt1,200 million in 2016. RATCH has committed capital expenditures of Bt13,800 million during 2015-2017, largely for the Hongsa and the Xe-Pian Xe-Namnoy power projects in the Lao PDR. However, RATCH has planned to increase its capacity to 9,700 MW by 2023. With this plan, RATCH may spend about Bt20,000 million for new investments and acquisitions during 2015-2017. RATCH may need to raise more debt to fund its investment plan. However, the debt to capitalization ratio is not expected to rise above 40% during 2015-2017.

Contacts:

Sermwit Sriyotha
sermwit@trisrating.com

Pravit Chaichamnapai
pravit@trisrating.com

Wiyada Pratoomsuwan, CFA
wiyada@trisrating.com

WWW.TRISRATING.COM

Rating Outlook

The “stable” outlook reflects the expectation that RATCH will continue to receive reliable cash from its power projects secured with long-term PPAs. RATCH’s debt to capitalization ratio is expected to stay at 30%-40%, taking into account its growth strategy and investment plans.

Credit rating downside may occur if RATCH’s financial leverage increases dramatically due to any large scale, debt-funded acquisitions.

Ratchaburi Electricity Generating Holding PLC (RATCH)

Company Rating:	AAA
Rating Outlook:	Stable

Financial Statistics and Key Financial Ratios*

Unit: Bt million

	----- Year Ended 31 December -----				
	2014 **	2013 **	2012	2011	2010
Sales	54,970	49,020	55,365	43,457	42,181
Gross interest expense	1,468	1,634	2,488	1,720	677
Net income from operations	5,134	5,164	5,075	4,885	5,177
Funds from operations (FFO)	10,101	8,881	8,308	7,824	7,862
Earnings before interest, tax, depreciation, and amortization (EBITDA)	12,823	11,252	12,555	11,720	9,830
Capital expenditures	808	446	938	193	383
Total assets	96,235	93,874	96,811	97,342	69,582
Total debts	22,298	22,465	31,803	39,325	16,860
Shareholders’ equity	61,199	59,126	53,732	48,485	46,676
Operating income before depreciation and amortization as % of sales	16.8	18.3	19.1	21.7	18.6
Pretax return on permanent capital (%)	9.4	9.7	10.0	11.0	11.1
EBITDA interest coverage (times)	8.7	6.9	5.0	6.8	14.5
FFO/total debt (%)	45.3	39.5	26.1	19.9	46.6
Total debt/capitalization (%)	26.7	27.5	37.2	44.8	26.5

* Consolidated financial statements

** FFO, EBITDA, and all financial ratios are adjusted with lease receivable from related party

TRIS Rating Co., Ltd.

Tel: 0-2231-3011 ext 500 / Silom Complex Building, 24th Floor, 191 Silom Road, Bangkok 10500, Thailand www.trisrating.com

© Copyright 2015, 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. 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 <http://www.trisrating.com/en/rating-information/rating-criteria.html>.