MiC | MATICHON INFORMATION CENTER

Subject Heading :

Source : BANGKOK POST

61213550

Date : 3 JUL 2018 Page : B5

No :

ENERGY

Tris rates monopoly Egat at AAA

B5

Tris Rating rates the Electricity Generating Authority of Thailand (Egat) at AAA, reflecting its dominant position as the country's largest power generator and its status as the sole owner of power transmission throughout Thailand.

Egat is the sole owner and operator of the national grid. It also operates the national control centre to control the electricity flow to meet electricity demand for the whole country. Egat continues to be the largest power producer in Thailand.

Some 97.1% of Egat's total revenue comes from electricity sold in bulk to state enterprises Provincial Electricity Authority (69.1%) and Metropolitan Electricity Authority (28.0%).

Egat has recovered its investment cost through the electricity tariff. The current structure of the electricity tariff is calculated based on a return on invested capital of 5.69% for Egat. This rate of return is meant to generate cash flow sufficient to cover Egat's investment in both power plants and transmission network.

Egat has limited exposure to fluctuations in fuel price. Under the structure of the electricity tariff regulated by the Energy Regulatory Commission (ERC), any changes in the price of fuel or the price Egat must pay for purchasing power will be incorporated into the fuel adjustment charge (or Ft) and passed through to end users. The ERC calculates and publishes the Ft every four months.

Egat has a conservative financial policy. It has a policy to keep minimum cash on hand of 45 billion baht. It also has internal guidelines to maintain financial discipline. The key financial guidelines include maintaining the debt-to-equity ratio at less than 1.5 times, the self-financing ratio at more than 25%, and the debt service coverage ratio at more than 1.5 times.

The company's financial position is strong. At the end of 2017, Egat's total debt was reported at 395 billion baht, including power purchase commitments worth 283 billion baht with other generators. Egat's capital structure was very healthy, with a total debt-to-capitalisation ratio of 47.8% at the end of 2017.

Egat had cash on hand and cash equivalents of 70.95 billion baht and undrawn credit facilities of 10 billion baht at the end of 2017. Its funds from operations over the next 12 months are expected to be 73 billion baht. On the other hand, Egat has debt due over the next 12 months, comprising long-term loans and bonds, of around 7.55 billion baht.

Tris Rating's base-case scenario forecasts Egat's earnings before interest, tax, depreciation and amortisation will be in the range of 110-140 billion baht per year during 2018-2020.