

# EGAT INTERNATIONAL CO., LTD

No. 171/2023  
11 September 2023

## CORPORATES

**Company Rating:** AAA  
**Outlook:** Stable

**Last Review Date:** 26/08/22

### Company Rating History:

| Date     | Rating | Outlook/Alert |
|----------|--------|---------------|
| 16/09/15 | AAA    | Stable        |

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## RATIONALE

TRIS Rating affirms the company rating on EGAT International Co., Ltd. (EGATi) at “AAA” with a “stable” outlook. The rating reflects the company’s status as a core subsidiary of the Electricity Generating Authority of Thailand (EGAT, rated “AAA/stable”) based on its important role as the investment arm of EGAT for power and energy-related businesses abroad, the high integration between EGAT and EGATi, and the strong support EGATi receives from EGAT.

## KEY RATING CONSIDERATIONS

### Core subsidiary of EGAT

Our assessment of EGATi’s group status as a core subsidiary of EGAT reflects its important role as EGAT’s investment arm in international power and energy-related ventures. EGATi is a wholly-owned subsidiary of EGAT, aligning its business direction with EGAT’s overall growth strategy. As EGAT’s investment arm, EGATi engages in diverse government-to-government (G-to-G) energy projects in neighboring nations, with the aim of ensuring adequate electricity supply and secure favorable investment returns for EGAT. Both EGAT and EGATi are state-owned enterprises under Thai law.

### Highly integrated with EGAT

Most of EGATi’s board members and top management have been seconded from EGAT. EGAT is also involved in EGATi’s strategic direction, financial policy, and investment process. Investments that receive approvals from EGATi’s board of directors have to be reviewed and approved by EGAT before being submitted to the Ministry of Energy (MOE) for final endorsement.

TRIS Rating anticipates EGAT will continue providing crucial support to EGATi, given its integral role in EGAT’s long-term business strategy. In 2011, EGAT budgeted an equity contribution framework to EGATi of THB17 billion to support the company’s investment plans. Additionally, the MOE approved a 5-year investment plan for 2022-2026 with an increase in the equity contribution budget of THB4 billion for EGATi. At the end of June 2023, EGATi had received a capital injection of THB12.2 billion from EGAT.

### Increased focus on renewables

As of June 2023, the aggregate capacity of EGATi’s power generation projects was 805 megawatts (MW), while its equity capacity was 213 MW. The projects include two hydro power projects, Nam Ngiep 1 and Nam Ngum 3 in Laos, along with a floating solar plant in Taiwan. Nam Ngum 3 is in the development phase, while the other two projects are operational. For non-power generation, EGATi’s investments include a large coal mining company in Indonesia and a battery energy storage system (BESS) business in Taiwan.

As of March 2023, EGATi’s total investment was THB11.8 billion, of which the power generation segment accounted for 28%, while the non-generation segment constituted 72%. EGATi’s strategic growth direction will focus on power generation projects to rebalance its portfolio. The company’s five-year growth strategy targets the addition of at least 400 MW equity capacity, primarily by concentrating on renewable power investments.

### Huge dividends from Adaro investment

Currently, most of EGATi’s earnings are derived from the returns on investment in Adaro Indonesia (Adaro), a large coal mining operation in

Indonesia. EGATi benefited noticeably from Adaro's superior performance, driven by historically high coal prices. EGATi recorded THB6.56 billion in dividend received from Adaro in 2022 and about THB1.21 billion in the first half of 2023. These dividends bolstered EGATi's cash position, which reached THB10.6 billion at the end of June 2023.

At the end of June 2023, EGATi had received cumulative dividends of USD421 million from Adaro, which covered all the required capital investment of USD325 million. EGATi acquired an 11.53% stake in Adaro, valued at USD325 million in late 2016. EGATi has already paid about USD231 million to the seller and has to pay the remaining amount totaling USD94 million over 2023-2027.

We expect dividends from Adaro to decline following the downward trend in global coal prices. However, the dividend receipts will likely continue to act as a core source of cash inflow in covering EGATi's operating costs and supporting future project investment. Our base-case forecast projects dividend receipts from Adaro of about THB1.6-THB1.7 billion in 2023, followed by around THB0.8-THB1.1 billion per annum during 2024-2025.

### Seeking investments to maintain earnings growth

EGATi is actively exploring new projects after discontinuing Quang Tri (a 1,320 MW coal-fired power plant in Vietnam) and suspending Mong Ton (a 2,650 MW hydro power plant in Myanmar) in 2022. The company targets achieving a minimum 10% annual growth in shared profit from investments during 2023-2027. To remain aligned with this growth target, the company focuses on potential investments in sizable power projects, both conventional and renewable in specific countries, such as Taiwan, Vietnam, and USA.

For on-hand projects, the 480-MW Nam Ngum 3 hydro power project in Laos is in a development stage. Nevertheless, the project is facing potential delay due to protracted negotiations regarding the concession agreement. The solar investments in Taiwan, currently planned for 38 MW installed capacity, have high growth potential but are likely to take a long period to achieve significant capacity. The company is pursuing new s-curve business, engaging in the development of BESS, equivalent to 128 MW, in Taiwan in early 2023.

In 2022, the company terminated its investment in Quang Tri and suspended investment in Mong Ton. The termination of The Quang Tri project was due to the change in investment policy of the Vietnamese government. The suspension of the Mong Ton project was due to the uncertain political environment in Myanmar. EGATi incurred project impairment totaling THB625 million in 2022.

### Strong financial profile

We estimate EGATi's investment will reach around THB9 billion during 2023-2025. The main portion will be allocated to the investment in Nam Ngum 3, scheduled investment in Adaro and capacity expansion for the solar and battery storage business in Taiwan.

At the end of June 2023, EGATi had cash on hand of about THB10.6 billion. We anticipate that its ample cash-on-hand and equity support from EGAT will be adequate to fund these investments, and that its financial status will remain solid. However, the company plans to start using debt financing for the investment in Nam Ngum 3. We expect the company's net debt to EBITDA will still be below 1 times and funds from operations (FFO) to net debt to be over 50% over the forecast period.

### BASE-CASE ASSUMPTIONS

- Dividend income to be about THB1.6-THB1.7 billion in 2023 and about THB0.8-THB1.1 billion per year during 2024-2025.
- Investments to be about THB9 billion during 2023-2025.

### RATING OUTLOOK

The "stable" outlook reflects our expectation that EGATi will maintain its status as a core subsidiary of EGAT and continue its important role as an investment arm of EGAT for electricity generation and related businesses abroad.

### RATING SENSITIVITIES

A credit downgrade scenario could materialize if there is material deterioration in EGAT's credit profile that leads to a downward revision of the rating on EGAT, or there are material changes in EGATi's role and importance to EGAT that change our view on EGATi's status as a core subsidiary of EGAT.

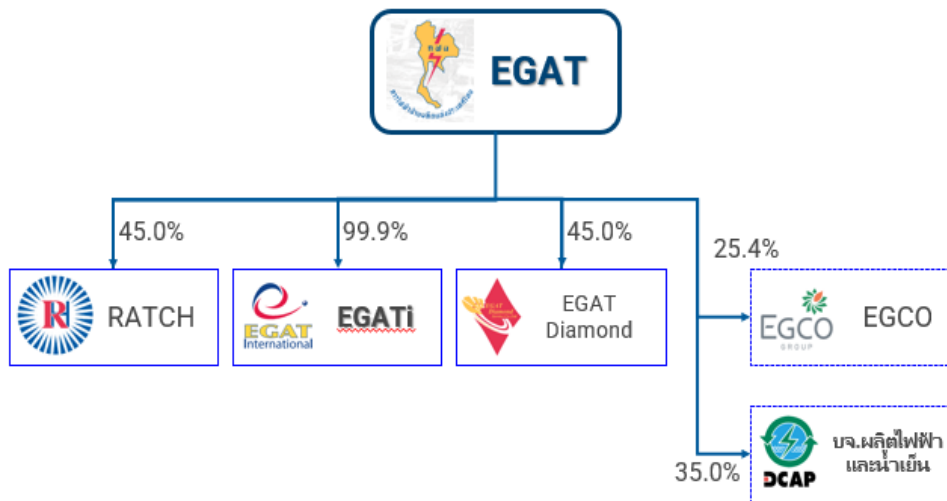
**COMPANY OVERVIEW**

EGATi was founded by a cabinet resolution dated 30 October 2007. Its initial objective was to serve as EGAT’s representative in G-to-G power projects in neighboring countries. The company was formally established in December 2007, with a registered capital of THB50 million. EGATi is wholly owned by EGAT. EGAT received approval from the MOE to inject THB17 billion in equity into EGATi for the purpose of making investments abroad.

EGATi’s investment portfolio currently comprise of three power projects, including hydropower plant (Nam Ngiep 1) in the Lao PDR and Floating solar in Taiwan and a coal mine in Indonesia. As of June 2023, the aggregate capacity of these power projects is 805 MW, while its equity capacity was 213 MW. EGATi has a policy of holding a 25%-40% interest in each project. Nam Ngiep 1 project commenced commercial operations in September 2019. The floating solar projects in Taiwan began commercial operations in 2021-2022.

**KEY OPERATING PERFORMANCE**

Chart 1: EGAT’s Group Structure as of 30 Jun 2023



Source: EGATi  
Illustrated by TRIS Rating

Table 1: EGATi’s Portfolio as of 30 Jun 2023

| Project Name                            | Location | Plant Type  | Project Capacity (MW) | EGATi’s Holding (%) | EGATi’s Capacity (MW) | PPA Terms (Years) | COD       |
|---|----------|-------------|-----------------------|---------------------|-----------------------|-------------------|-----------|
| <b>Power Generation projects</b>        |          |             |                       |                     |                       |                   |           |
| 1. Nam Ngiep 1                          | Lao PDR  | Hydro power | 287                   | 30.0                | 86                    | 27                | Sep 2019  |
| 2. Nam Ngum 3                           | Lao PDR  | Hydro power | 480                   | 25.0                | 120                   | n.a.              | 2026(e)   |
| 3. Hou Ju Energy Technology Corporation | Taiwan   | Solar       | 38                    | 18.7                | 7                     | 20                | 2021-2022 |
| <b>Total</b>                            |          |             | <b>805</b>            |                     | <b>213</b>            |                   |           |

| Company                                 | Location  | Business Type   | EGATi’s Holding (%) | EGATi’s Investment ( Mil.THB) |
|---|-----------|-----------------|---------------------|-------------------------------|
| <b>Other investments</b>                |           |                 |                     |                               |
| 1. Adaro Indonesia                      | Indonesia | Coal mining     | 11.53               | 11,160                        |
| 2. Hou Ju Energy Technology Corporation | Taiwan    | Battery Storage | 25.00               | 420                           |
| <b>Total</b>                            |           |                 |                     | <b>11,580</b>                 |

Source: EGATi  
e = estimation

## FINANCIAL STATISTICS AND KEY FINANCIAL RATIOS\*

Unit: Mil. THB

|   | Jan-June<br>2023 | -----Year Ended 31 December ----- |        |        |        |
|---|------------------|-----------------------------------|--------|--------|--------|
|   |                  | 2022                              | 2021   | 2020   | 2019   |
| Total operating revenues  | 6                | 13                                | 11     | 4      | 5      |
| Earnings before interest and taxes (EBIT)                                   | 2,079            | 6,337                             | 1,741  | 140    | 270    |
| Earnings before interest, taxes, depreciation,<br>and amortization (EBITDA) | 2,378            | 6,405                             | 29     | 596    | 392    |
| Funds from operations (FFO)   | 2,075            | 5,306                             | (323)  | 522    | 309    |
| Adjusted interest expense   | 0                | 0                                 | 0      | 0      | 0      |
| Capital expenditures  | 0                | 10                                | 41     | 25     | 23     |
| Total assets  | 25,374           | 23,253                            | 20,221 | 17,627 | 17,720 |
| Adjusted debt   | 0                | 0                                 | 0      | 0      | 0      |
| Adjusted equity   | 21,812           | 19,707                            | 14,682 | 12,697 | 12,778 |
| <b>Adjusted Ratios</b>  |                  |                                   |        |        |        |
| EBITDA margin (%)   | n.m.             | n.m.                              | n.m.   | n.m.   | n.m.   |
| Pretax return on permanent capital (%)                                      | 28.85 **         | 36.8                              | 12.7   | 1.1    | 2.1    |
| EBITDA interest coverage (times)  | n.m.             | n.m.                              | n.m.   | n.m.   | n.m.   |
| Debt to EBITDA (times)  | 0.0 **           | 0.0                               | 0.0    | 0.0    | 0.0    |
| FFO to debt (%)   | n.m.             | n.m.                              | n.m.   | n.m.   | n.m.   |
| Debt to capitalization (%)  | 0.0              | 0.0                               | 0.0    | 0.0    | 0.0    |

\* Equity-method

\*\* Annualized with trailing 12 months

n.m. Not meaningful

## RELATED CRITERIA

- Group Rating Methodology, 7 September 2022
- Corporate Rating Methodology, 15 July 2022
- Key Financial Ratios and Adjustments for Corporate Issuers, 11 January 2022
- Government-Related Entities Rating Methodology, 30 July 2020

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**EGAT International Co., Ltd. (EGATi)**

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|                        |        |
|------------------------|--------|
| <b>Company Rating:</b> | AAA    |
| <b>Rating Outlook:</b> | Stable |

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