

# SPCG PLC

No. 68/2015

11 November 2015

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

### Company Rating History:

Date	Rating	Outlook/Alert
04/06/15	A-	Stable
02/05/14	BBB+	Stable

### Contacts:

Sermwit Sriyotha  
sermwit@trising.com

Rapeepol Mahapant  
rapeepol@trising.com

Wiyada Pratoomsuwan, CFA  
wiyada@trising.com

[WWW.TRISING.COM](http://WWW.TRISING.COM)

### Rating Rationale

TRIS Rating affirms the company rating of SPCG PLC (SPCG) at "A-". At the same time, TRIS Rating assigns the rating of "A-" to SPCG's proposed issue of up to Bt13,000 million in senior unsecured debentures. In addition, TRIS Rating upgrades the rating of SPCG's guaranteed and amortizing debentures to "A-" from "BBB+". The proceeds from the new debentures will be used to refinance all of the project loans at SPCG's subsidiaries and for SPCG's normal operations.

After refinancing project loans with the new debentures, all of securities and mortgages pledged as collateral for the project loans will be released. All of the group's financial obligations are then ranked pari passu with no priority debt at the operating companies.

The "A-" ratings continue to reflect the stable cash flows from SPCG's solar power portfolio which comprises 36 projects with a combined contracted capacity of 206 megawatts (MW). All of the projects have long-term power purchase agreements (PPAs) with the Provincial Electricity Authority (PEA), plus an adder tariff of Bt8 per kilowatt-hour (kWh) of solar energy under the Very Small Power Producer (VSPP) scheme. The ratings also take into consideration SPCG's management experience in the solar power industry, the proven record of photovoltaic (PV) technology, and SPCG's selection of solar panels and inverters from reputable suppliers. However, the ratings are constrained by SPCG's high leveraged balance sheet.

SPCG was founded in 1996 as Solar Power Co., Ltd. (SPC) to develop solar power projects in Thailand. In 2011, the company was listed on the Market for Alternative Investment (MAI), and moved its listed to the Stock Exchange of Thailand (SET) in 2012. As of 9 October 2015, the Khunchornyakong family held a 49% interest in SPCG. Currently, SPCG is a holding company that invests in 36 solar power projects with a combined contracted capacity of 206 MW. In 2014, 91% of SPCG's revenue came from solar farms, 6% from a metal sheet roofing factory, and the remaining 3% from solar rooftops.

SPCG's solar farms use multi-crystalline PV modules purchased from Kyocera, Japan. Kyocera has supplied more than 1.2 gigawatts (GW) of PV modules for utilities and households around the world since 1982, when it began mass producing multi-crystalline PV modules. SPCG's solar modules carry a 25-year warranty on efficiency. SPCG's inverters were supplied by SMA Solar Technology AG (SMA) and are secured by 20-year warranty contracts. SMA has supplied PV inverters with a combined capacity of 35 GW worldwide since 1981.

Currently, all of SPCG's solar farms are in operation. Its first farm has already reached five years of operation while its last farm started up in June 2014. The SPCG's solar farms performance was better than their feasibility studies. During 2010-2014, SPCG generated 717 Gigawatt hour (GWh) of electricity supplied to the grid. This amount was 5.1% higher than an initial estimation based on a 50% probability (P50) of electricity production. If compared with the 90% probability estimate or P90, the actual power generation was higher by 12.3%. The better-than-expected performance was due to the solar irradiation and plant's efficiency were higher than expectation.

*CreditUpdate reviews ratings of companies or debt issues that have already been rated by TRIS Rating. The CreditUpdate occurs when new debt instruments are issued or if significant events have taken place that may impact a company's current ratings or when current ratings are cancelled. The CreditUpdate announces whether a rating has been "upgraded," "downgraded," "affirmed" or "cancelled." The update includes information to supplement the previously published ratings.*

*CreditUpdates are part of TRIS Rating's monitoring process. TRIS Rating monitors every rating it assigns until either the debt instrument matures or the rating contract ends. To keep the public informed of changing situations, TRIS Rating periodically issues announcements about the credit ratings it monitors.*

For the first nine months of 2015, the company’s revenue was Bt3,713 million, 24% higher than the same period of last year. The higher revenue was reflected the full operation of all 36 solar farms. At the end of September 2015, SPCG’s total debt was Bt16,322 million, down from a peak of Bt18,014 million at the end of 2014, in accordance with SPCG’s repayment schedule. The company’s total debt to capitalization ratio was 65.8% at the end of September 2015. The company’s high leverage is partly offset by the stable and predictable cash flows produced by each solar project. Solar farms have a high operating margin (operating income before depreciation and amortization as percentage of sales) because of the adder tariff and low operating expenses. For the first nine months of 2015, the company’s operating margin was 79.7%. The company generated an earnings before interest, tax, depreciation and amortization (EBITDA) of Bt3,009 million for the first nine months of 2015.

TRIS Rating’s base-case scenario assumes an energy generation will match the P90 estimate and the performance ratio will be 77.5%. The electricity energy produced in the base-case scenario is expected to range from 340-350 GWh per annum. SPCG’s EBITDA is expected to reach Bt3,400-Bt3,500 million per year during 2015-2020. From 2021 onwards, EBITDA is expected to gradually decline as the adder scheme starts to expire. The debt to capitalization ratio is expected to improve to 60%-65% by the end of 2016.

### Rating Outlook

The “stable” outlook reflects the expectation that SPCG will be able to maintain its plant performance ratio of above 75% with an expected EBITDA of Bt3,400-Bt3,500 million per year.

The credit upside for SPCG is limited over the next 12 months. On the contrary, the credit downside for SPCG would occur if there is a deterioration in solar farm performance, which materially affects SPCG’s cash flow or a weaker capital structure due to large debt-funded investments.

---

### SPCG PLC (SPCG)

<b>Company Rating:</b>	A-
<b>Issue Ratings:</b>	
SPCG196A: Bt4,000 million guaranteed and amortizing debentures due within 2019	A-
Up to Bt13,000 million senior unsecured debentures due within 2023	A-
<b>Rating Outlook:</b>	Stable

### Financial Statistics and Key Financial Ratios\*

Unit: Bt million

	Jan-Sep 2015	-----Year Ended 31 December -----			
		2014	2013	2012	2011
Revenue	3,713	4,357	2,473	1,214	579
Gross interest expense	684	979	605	230	103
Net income from operations	1,702	1,632	496	7	7
Funds from operations (FFO)	2,256	2,514	1,023	279	207
Earnings before interest, tax, depreciation, and amortization (EBITDA)	3,009	3,407	1,658	555	243
Capital expenditures	191	1,358	8,339	6,055	1,773
Total assets	25,187	25,571	22,501	13,052	5,217
Total debts	16,322	18,014	16,646	8,171	2,970
Shareholders' equity	8,485	7,100	3,513	2,589	1,160
Operating income before depreciation and amortization as % of sales	79.7	77.5	65.5	44.7	41.2
Pretax return on permanent capital (%)	13.8 **	12.5	8.5	5.3	6.5
Earnings before interest, tax, depreciation, and amortization (EBITDA) interest coverage (times)	4.4	3.5	2.7	2.4	2.4
FFO/total debt (%)	19.3 **	14.0	6.1	3.4	7.0
Total debt/capitalization (%)	65.8	71.4	82.6	75.9	71.9

\* Consolidated financial statements

\*\* Annualized with trailing 12 months

#### TRIS Rating Co., Ltd.

Tel: 0-2231-3011 ext 500 / Silom Complex Building, 24th Floor, 191 Silom Road, Bangkok 10500, Thailand [www.trisrating.com](http://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, without the prior written permission of TRIS Rating Co., Ltd. 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>.