

# TTW PLC

 No. 211/2021  
 29 November 2021

## CORPORATES

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

**Last Review Date:** 30/11/20

**Company Rating History:**

Date	Rating	Outlook/Alert
22/08/08	AA-	Stable

**Contacts:**

Suchana Chantadisai  
 suchana@trisrating.com

Chanaporn Pinphithak  
 chanaporn@trisrating.com

Wajee Pitakpaibulkij  
 wajee@trisrating.com

Wiyada Pratoomsuwan, CFA  
 wiyada@trisrating.com


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

## RATIONALE

TRIS Rating affirms the company rating on TTW PLC (TTW) and the ratings on its outstanding senior unsecured debentures at “AA-”, with a “stable” rating outlook. The ratings reflect TTW’s strong business profile as the country’s largest private tap water supplier, its stable cash flows from tap water sale agreements with the Provincial Waterworks Authority (PWA), high barriers to entry for potential competitors, and a strong financial profile. These strengths are partially offset by customer concentration risk as revenue is predominantly derived from the sale of tap water to PWA, and limited growth potential in the existing operating areas.

## KEY RATING CONSIDERATIONS

### Largest private tap water supplier with predictable cash flow

TTW’s strong business profile is underpinned by its status as the largest private tap water supplier in Thailand and its long-term water purchase and sale agreements (WPSA) with PWA. TTW and its subsidiary, Pathum Thani Water Co., Ltd. (PTW), supply tap water to PWA under two WPSAs which cover a committed minimum offtake quantity of 712,000 cubic meters per day (cu.m./day).

TTW also has the operating rights to provide tap water and wastewater treatment services at Bangpa-in Industrial Estate (BIE) for a period of 30 years. The operating rights will remain valid through 2039.

For the first nine months of 2021, revenue from the Nakhonpathom-Samutsakhon, the Rangsit-Pathumthani, and BIE service areas made up 64%, 30%, and 6% of TTW’s total revenue, respectively.

### Low impact from COVID-19

Revenue from tap water distribution dropped 6% during the first nine months of 2021 and is expected to decline by 5% for the full-year 2021 from 2020, mainly due to the impacts of the Coronavirus Disease 2019 (COVID-19) pandemic.

For the first nine months of 2021, TTW’s water sales averaged 833,380 cu.m./day, down by 7% from 896,600 cu. m./day during the same period in 2020. Although demand from residential users increased during lockdown, it was insufficient to offset slumping demand in the commercial and industrial segments. According to PWA data, PWA’s water sales volume to commercial and industrial users decreased by 6% in TTW’s service areas, while water sales volume to residential users increased by 3% during the first three quarters of 2021.

However, TTW’s investment in CK Power PLC (CKP), helped boost the company’s earnings. The share of profit from CKP of THB514 million for the first three quarters of 2021 significantly increased from the THB100 million recorded for the full-year 2020.

We expect TTW’s revenue to rebound following easing of lockdown in October 2021. Total operating revenue is expected to range from THB5.8-THB6.1 billion annually during 2021-2023.

## High barriers to entry

It is difficult for newcomers to establish operations in TTW's service areas. To build the bulk water transmission mains and local distribution networks requires intensive capital investment and right of way permission. TTW's ownership of the mains and distribution networks effectively prevents new entrants from operating in TTW's existing coverage areas. Sources of raw water and the concession granted by PWA are additional constraints. The prospect of PWA granting new water concessions to private companies is low.

## Healthy financial profile

TTW's profitability is likely to remain stable over the forecast period. Earnings before interest, taxes, depreciation, and amortization (EBITDA) should hover around THB4.7-THB5.0 billion per year. The adjusted EBITDA margin is forecast at above 80%, the same level as the past five-year average.

Liquidity and leverage are at comfortable levels and likely to strengthen further due to stable profitability and no major capital expenditure during the forecast period. The debt to capitalization ratio is expected to fall below 30% over the next three years, after scheduled debt repayments, capital expenditure (CAPEX), and planned investment. The funds from operations (FFO) to net debt ratio is anticipated to rise above 80% in 2021-2023, up from around 70% in 2020 and (annualized, from the trailing 12 months) the first nine months of 2021.

Cash flow protection is likely to remain strong. Internal funds from TTW's performance should be sufficient to repay debts coming due of approximately THB2 billion in 2022, as well as planned CAPEX and potential investments of THB800 million per year. Dividend payments are forecast at THB2.4 billion per annum. In addition, TTW owns a 24.98% stake in CKP, worth THB10.36 billion as of 19 November 2021. This investment enhances TTW's financial flexibility.

## Customer concentration risk and limited growth prospects

TTW is exposed to customer concentration risk. PWA is the company's predominant customer. During the past 10 years, over 95% of TTW's total annual revenue has been from tap water sold to PWA. However, PWA's credit profile as a state enterprise presents low credit risk. PWA itself is also a key competitor of TTW, with its own filtration plants and tap water distribution network near TTW's service areas.

Future growth prospects are limited for TTW. Revenue growth depends mainly on organic growth in existing service areas. Expansion into new areas in Thailand and overseas is under consideration. PWA maintains a concrete policy regarding the business platforms of private tap water producers and the granting of concessions is still unresolved.

## New Water Resources Act

The new Water Resources Act announced in 2018 may affect TTW's raw water costs in the next couple of years. Currently, TTW has permission to pump raw water from the Tha Chin and Chao Phraya rivers with no charge from the government. However, if the government adopts a new policy to charge for raw water, PWA will be fully responsible for the raw water cost under the WPSA between PWA and TTW.

## PTW concession to end in 2023

The WPSA between PTW and PWA will end in October 2023. According to the current agreement between PTW and PWA, PTW has the right to extend the concession for another 10 years for two times. Discussions between PTW and PWA will be conducted one year before the expiry of the contract.

## BASE-CASE ASSUMPTIONS

- Revenues to decline by 5% in 2021, then grow by 3% in 2022, and 1% in 2023.
- EBITDA margin to be around 80% during the forecast period.
- CAPEX and investment to be THB300 million in 2021 and THB800 million annually during 2022-2023.

## RATING OUTLOOK

The "stable" outlook reflects the expectation that TTW's operating performance and ability to generate cash will remain strong. The ratings are likely to remain unchanged over the next two to three years as TTW's operations are very stable.

## RATING SENSITIVITIES

A rating upside could occur if TTW can increase operating cash flow materially without weakening its balance sheet. A rating downside, on the other hand, could arise from overly aggressive, debt-funded investments, resulting in a material deterioration of capital structure.

## COMPANY OVERVIEW

TTW, formerly named Thai Tap Water Supply Co., Ltd, was established in 2000 and listed on the Stock Exchange of Thailand (SET) on 22 May 2008. As of September 2021, CH. Karnchang PLC (CK) and affiliates, CK Group, held 37.87% of TTW through CK (19.4%) and Bangkok Expressway and Metro PLC (BEM; 18.47%). Mitsui Water Holdings (Thailand) Co., Ltd. held 25.98%.

TTW has two subsidiaries: PTW, with a 98% shareholding, and Thai Water Operations Co., Ltd. (TWO). TTW holds 68% of TWO while PTW owns 32%. In addition, TTW owned 24.98% of CKP, a power holding company of the CK Group as of September 2021.

TTW operates four water filtration plants in Banglen, Kratumban, Samkok, and BIE, as well as a wastewater treatment plant in BIE. The company can produce 1,076,000 cu.m./day of tap water and treat up to 18,000 cu.m./day of wastewater. The tap water production capacity at the Kratumban plant can be expanded to 400,000 cu.m./day from the current capacity of 100,000 cu.m./day. TTW's service areas are Nakhonpathom-Samutsakhon, Rangsit-Pathumthani, and BIE. Details are below.

Service Areas	Co.	Plant	Type of contract	MOQ (m <sup>3</sup> / day)	Contract end	Water resources
Nakhonpathom-Samutsakhon	TTW	Banglen Kratumban	Build-Own-Operate (BOO)	354,000	July 2034	Tha Chin River
Rangsit-Pathumthani	PTW	Samkok	Build-Own-Operate-Transfer (BOOT)	358,000	October 2023	Chaopraya River
BIE	TTW	BIE	Right (Operating lease)	48,000	2039	BIE
BIE – wastewater	TTW	BIE	Right (Operating lease)	18,000	2039	n/a

## KEY OPERATING PERFORMANCE

Table 1: Tap Water Sales by Service Area

Sales (Billion THB)	2016	2017	2018	2019	2020	9M20	9M21
Nakhonpathom-Samutsakhon	3.44	3.57	3.76	3.87	3.89	2.91	2.81
Rangsit-Pathumthani	1.65	1.70	1.83	1.90	1.97	1.48	1.33
BIE	<u>0.18</u>	<u>0.20</u>	<u>0.21</u>	<u>0.22</u>	<u>0.20</u>	<u>0.15</u>	<u>0.15</u>
<b>Total</b>	<b>5.27</b>	<b>5.47</b>	<b>5.80</b>	<b>5.99</b>	<b>6.06</b>	<b>4.54</b>	<b>4.29</b>
<b>Sales volume (mil. cu.m.)</b>	<b>277.5</b>	<b>290.1</b>	<b>312.7</b>	<b>323.9</b>	<b>327.1</b>	<b>245.7</b>	<b>227.4</b>

Source: TTW

## FINANCIAL STATISTICS AND KEY FINANCIAL RATIOS\*

Unit: Mil. THB

	Jan-Sep 2021	-----Year Ended 31 December -----			
		2020	2019	2018	2017
Total operating revenues	4,393	6,193	6,151	5,937	5,734
Earnings before interest and taxes (EBIT)	3,185	3,933	4,152	3,853	3,724
Earnings before interest, taxes, depreciation, and amortization (EBITDA)	3,636	5,059	5,051	4,810	4,779
Funds from operations (FFO)	2,953	4,098	4,046	3,818	3,691
Adjusted interest expense	188	276	308	376	456
Capital expenditures	186	377	155	46	478
Total assets	21,894	22,842	23,158	23,330	23,277
Adjusted debt	5,626	5,878	7,070	7,722	8,940
Adjusted equity	13,531	13,700	13,125	12,365	11,878
<b>Adjusted Ratios</b>					
EBITDA margin (%)	82.78	81.69	82.11	81.02	83.35
Pretax return on permanent capital (%)	19.18 **	17.60	18.33	16.94	15.59
EBITDA interest coverage (times)	19.30	18.36	16.40	12.80	10.47
Debt to EBITDA (times)	1.16 **	1.16	1.40	1.61	1.87
FFO to debt (%)	69.94 **	69.72	57.23	49.45	41.29
Debt to capitalization (%)	29.37	30.02	35.01	38.44	42.94

\* Consolidated financial statements

\*\* Annualized from the trailing 12 months

## RELATED CRITERIA

- Issue Rating Criteria, 15 June 2021
- Rating Methodology – Corporate, 26 July 2019
- Key Financial Ratios and Adjustments, 5 September 2018

---

**TTW PLC (TTW)**

---

<b>Company Rating:</b>	AA-
<b>Issue Ratings:</b>	
TTW222A: THB2,000 million senior unsecured debentures due 2022	AA-
TTW255A: THB1,400 million senior unsecured debentures due 2025	AA-
TTW272A: THB1,000 million senior unsecured debentures due 2027	AA-
<b>Rating Outlook:</b>	Stable

---

**TRIS Rating Co., Ltd.**

Silom Complex Building, 24th Floor, 191 Silom Road, Bangkok 10500, Thailand Tel: 02-098-3000

© Copyright 2021, 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 [www.trisrating.com/rating-information/rating-criteria](http://www.trisrating.com/rating-information/rating-criteria)