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EGCO GROUP

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Egco looks to more overseas revenue

ELECTRICITY Generating Public Company (Egco) could soon see half of its business coming from abroad as dimming prospects for domestic demand send the firm scrambling for revenue sources overseas.

Income from foreign businesses "may go up to 50 per cent" if San Buenaventura Power succeeds in getting the go-ahead and the Masinloc and Star power plants can be expanded, Sahust Pratuknukul, president of Egco Group, said yesterday.

San Buenaventura Power, a coal-fired power producer in the Philippines that is 49 per cent owned by Egco, is waiting for official approval for its expansion project. Mansinloc Power Partners is also a coal-fired power generator in the Philippines, while Star Energy Geothermal runs a geothermal power station in Indonesia. News about Thai power authorities revising down demand forecasts and postponing projects has prompted Egco to take a "more intense look" at its international portfolio, which contributes 32 per cent of the company's revenues.

The company is considering two or three mergers or acquisitions (M&A deals), including acquiring some shares of a firm in India that owns power plants there and raising its stake in a firm that it already owns.

"It's too early [to say more]. We are studying and may not even go into the negotiation stage" with the Indian company, Sahust said.

Egco's growth outlook for the next five years has been assured with projects that the company has concluded, including the 930-megawatt Khanom Power Plant Unit 4 that will commence operations in June next year and three small-power-producer projects that will start up in 2017.

Despite the decommissioning of the Rayong Electricity Generating power plant that contributed Bt400 million to its earnings last year and higher cost of funds expected from its plan to refinance its US dollar-dominated short-term debts worth Bt8 billion with long-term debt this year, Egco's profits for 2015 are expected to be roughly the same as last year.

This is because the company can realise full-year earnings from Mansiloc and Star, which were acquired in July and October last year, and a higher contribution from Natural Energy Development after doubling its stake to 66 percent in February. Based on projects on hand, Egco will invest Bt25 billion this year and Bt15 billion next year, compared with Bt37 billion last year when it had concluded many acquisitions.

There are fewer attractive M&A offers now, compared with two years ago when Egco received plenty.

"While the economic outlook is poorer, the offered prices are high," Sahust said.

Egco will continue to focus its efforts on maintaining return on equity at the 10-per-cent minimum that it had achieved from 2011-14.

KK Trade Securities said in a stock analyst note yesterday that Egco was still more outstanding than its peers because it was not expected to be affected by the government's plan to defer the commissioning dates of some power plant projects and was projected to show record earnings of Bt8 billion this year.

Egco's net profits before foreign exchange, deferred tax, lease income and income from service concessions has steadily increased from Bt5.3 billion in 2011 to Bt6.06 billion in 2012, Bt7.38 billion in 2013 and Bt7.71 billion last year.

Egco Group runs 23 power plants with total equity contracted capacity of 3.75 gigawatts in five Asia-Pacific countries - Thailand, Laos, the Philippines, Indonesia and Australia.

It also has six projects under construction and development with total equity contracted capacity of 1.50GW.

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