

EASTERN WATER RESOURCES DEVELOPMENT AND MANAGEMENT PLC

No. 98/2025

26 June 2025

CORPORATES

Company Rating:	A-
Issue Ratings:	
Senior unsecured	A-
Outlook:	Stable

Last Review Date: 28/06/24

Company Rating History:

Date	Rating	Outlook/Alert
29/06/22	A	Stable
25/02/22	A+	Negative
23/01/08	A+	Stable
20/09/07	A+	Alert Developing
12/07/04	A+	Stable
29/06/04	A+	-

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RATIONALE

TRIS Rating downgrades the company rating on Eastern Water Resources Development and Management PLC (EASTW) and the ratings on its outstanding senior unsecured debentures to “A-” from “A”, with a “stable” outlook. The downgrade reflects heightened competition from a number of raw water suppliers which has affected the company’s earnings and led to a slower-than-anticipated recovery in its financial profile.

The ratings continue to reflect EASTW’s strengths as a major raw water supplier with an extensive pipeline network in the Eastern Economic Corridor (EEC), its reliable services, and lengthy track record. These strengths are partially offset by the company’s increasing leverage from investments in new water pipelines.

KEY RATING CONSIDERATIONS

Earnings hit by heightened competition

EASTW’s revenue declined in the first quarter of 2025 (1Q25), primarily due to intensified competition, a trend expected to weigh on performance throughout the forecast period. Revenue fell 16% year-on-year (y-o-y) to THB940 million, down from THB1.1 billion in the same period of 2024, largely due to a 24% drop in raw water sales volume. The decline was primarily driven by the Industrial Estate Authority of Thailand (IEAT), a key customer, entering into a water purchase agreement with a new raw water supplier, Y.S.S.P. Aggregate Co., Ltd. (YSSP), and beginning to procure significant volumes of raw water in late 2024. Additionally, some industrial users have partially shifted some of their orders to other suppliers offering more competitive pricing.

Despite these challenges, EASTW has retained the majority of its customers in both the private industrial and consumer segments, supported by its reliable water sources and proven service quality. However, the company’s revenue recovery is expected to be slower than previously projected. Total revenue is anticipated to decline to approximately THB3.6 billion in 2025, before gradually increasing to THB4.0 billion by 2027, in line with EASTW’s plans to secure new customers.

Deleveraging slower than expected

EASTW’s financial leverage is expected to improve more slowly than previously projected. The company plans to spend around THB1.2 billion in CAPEX in 2025, followed by THB400-THB600 million annually during 2026-2027, after completing the construction of its new trunk transmission main system—replacing the leased pipeline from the Treasury Department—in 4Q24. Therefore, EASTW’s adjusted net debt is anticipated to gradually decline from THB15.3 billion in 2025 to THB13.4 billion in 2027. However, weaker-than-expected revenue has led to a downward revision of EBITDA forecasts and higher projected leverage. The adjusted net debt-to-EBITDA ratio is expected to remain above 8 times in 2025, before gradually easing to around 6.5 times in 2027. We previously forecast that the ratio would fall below 8 times from 2025 onwards.

Resilient revenues from tap water with potential growth in industrial water sales

EASTW’s tap water business is expected to deliver consistent performance throughout the forecast period. EASTW and its subsidiaries have been granted

concessions to supply tap water to various service areas in Chonburi, Rayong, and Chachoengsao with minimum order quantities (MOQs). We expect the company's tap water volume to grow by 2% during 2025-2027. Also, the tap water price is subject to the Consumer Price Index (CPI) or contract agreements, which we project to grow by around 2% per year. Consequently, we project EASTW's revenues from tap water to range from THB1.5 billion-THB1.6 billion per annum during the forecast period.

Industrial water, another value-added product, also shows strong potential to enhance the company's earnings. Sales are expected to grow steadily, underpinned by long-term contracts with key customers and rising demand from new industrial users. We forecast annual revenue from industrial water to range from THB350-THB550 million over the forecast period.

Continuing role as a major EEC raw water supplier

We believe EASTW will remain a key raw water supplier in the EEC. Currently, the company operates a 553-kilometer pipeline network, which includes newly constructed pipelines parallel to those of the Treasury Department and a connection to the Klong Luang Reservoir. EASTW is currently awaiting approval from the Treasury Department to install a pumping station, which will enable it to draw additional water from the Klong Luang Reservoir—enhancing supply security to meet demand in the Chonburi area. The company is also awaiting approval from the Treasury Department to install a new pumping station at the Dok Krai Reservoir, replacing the original pumping station that has already been returned to the Treasury Department.

The company's water distribution system links multiple water sources, including government reservoirs, rivers, and privately owned reservoirs. This extensive pipeline infrastructure is one of EASTW's core competitive advantages, ensuring reliable access to water, particularly during drought conditions. In 2024, EASTW sourced approximately 355 million cubic meters (MCM) of water from both government and private reservoirs under its current capacity, with water extraction accounting for 78% of its total water resources in that year.

High barriers to entry, stemming from substantial capital requirements and the complex process of obtaining permits for pipeline installation and water extraction, further reinforce EASTW's strong market position.

Litigation risk

In November 2024, the Treasury Department filed a lawsuit in the Civil Court, seeking the company's eviction and the removal of buildings and any occupants from land overlapping with the Nong Pla Lai–Nong Khor Pipeline Project and the Nong Khor–Laem Chabang Pipeline Project (Phase 2). The case also includes a claim for financial damages totaling THB127.77 million.

At present, the case is in the preliminary legal stages and may take several years before a final court ruling is reached. The outcome remains uncertain. However, in the event that the court rules against the company and mandates the return of the land, the company has plans for contingency measures to ensure uninterrupted raw water supplies to its clients. The plans involve relocating the pumping station and constructing a replacement pipeline in the affected area.

Improving profitability

We expect profitability to improve after completion of the new pipeline system. EBITDA will likely sustain at a healthy level of around THB1.8-THB2.0 billion per year throughout the forecast period after dropping to around THB1.5 billion in 2024 due to the high cost of raw water purchased from another supplier. EBITDA margin is forecast to range from 45%-50% in the forecast years, a similar range to that achieved in 2019-2023 and considerably higher than the 37% recorded in 2024.

Acceptable liquidity

We assess EASTW's liquidity as adequate over the next 12 months. Its sources of funds at the end of March 2025 comprised cash on hand and short-term investments of THB2.5 billion and undrawn credit facilities of THB1.8 billion. Funds from operations (FFO) over the next 12 months are projected to be around THB1.2 billion. These sources of funds should cover debt services and investment needs over the next 12 months. According to information as of March 2025, the company will have maturing debt over the next 12 months totaling THB4.8 billion, comprising short-term loans of THB975 million, long-term loans of THB2.3 billion and debentures of THB1.5 billion. CAPEX over the next 12 months is estimated at THB1.2 billion. As of May 2025, the company received additional loans totaling around THB500 million and is in the process of negotiating extra loans from financial institutions. We also expect EASTW to be able to roll over its short-term debts.

EASTW should have no problems complying with its debenture covenants over the next 12 to 18 months. The debt-to-equity ratio at the end of December 2024 and March 2025 was 1.6 times, well below the debenture covenant of not more than 2 times.

Debt structure

As of March 2025, EASTW's total interest-bearing debt stood at THB16 billion. This included THB575 million in priority debt comprising unsecured debts at the subsidiary level, translating to a priority debt to total debt ratio of 4%.

BASE-CASE ASSUMPTIONS

- Total revenues to be THB3.5-THB4.0 billion per year in 2025-2027.
- EBITDA margin at around 45%-50% in 2025-2027.
- Total capital spending of THB1.2 billion in 2025, and THB400-THB600 million per year during 2026-2027.

RATING OUTLOOK

The “stable” outlook reflects our expectation that EASTW’s operating performance will gradually improve from 2025 onwards, with the adjusted net debt-to-EBITDA ratio falling below 8 times after 2025. Also, we expect EASTW to be able to utilize its existing water sources.

RATING SENSITIVITIES

A rating upgrade is unlikely in the near term. However, a downgrade could occur if EASTW’s operating performance falls materially short of our expectations. This could occur if the company loses significant numbers of customers or is unable to utilize its existing water sources.

COMPANY OVERVIEW

EASTW was established in 1992 by a Cabinet resolution. The government granted EASTW a mandate to develop and manage raw water distribution systems in the EEC. As of May 2025, EASTW’s major shareholders were the Provincial Waterworks Authority (PWA; owning a 40.2% stake); Manila Water Company, Inc. (MWC; 18.7%); and the Industrial Estate Authority of Thailand (IEAT; 4.6%).

In 2024, EASTW sold a total of 190 MCM of raw water. At present, EASTW supplies raw water in Chonburi, Rayong, and Chachoengsao. The company’s current strategy focuses more on comprehensive water solutions, covering raw water, tap water, industrial water, wastewater management, and recycled water.

EASTW, through its subsidiary, Universal Utilities PLC (UU), provides tap water services in 12 areas in Chonburi, Rayong, and Chachoengsao, with a total production capacity of 414,530 cu.m. per day in 2024. Excluding construction revenue under concession agreements, raw water sales accounted for 50% of the company’s total revenue, while tap water services and industrial water services represented 38% and 6% of the total in 2024, respectively.

In 2018, EASTW signed 25-year and 30-year contracts with Gulf PD Co., Ltd. and Amata Water Co., Ltd. to supply industrial water of 22 MCM per year and 5.5 MCM per year, respectively. Revenues from these industrial water contracts have been recognized from 2021 onwards.

In 2020, the company entered into four agreements to provide total water solutions in the EEC area: a 25-year concession to provide tap water and wastewater treatment services to U-Tapao Airport; a 20-year contract for the supply of industrial water to Carabao Group PLC (CBG); a 30-year contract to supply tap water to PTT PLC at Wang Chan Valley; and a 32-year contract for the supply of raw water to Thai Oil PLC (TOP).

KEY OPERATING PERFORMANCE

Table 1: EASTW's Total Revenue Breakdown by Line of Business

Line of Business	Unit	2020	2021	2022	2023	2024	Jan-Mar 2024	Jan-Mar 2025
Raw water	%	59	64	61	57	51	54	45
Tap water	%	35	31	33	35	39	37	42
Industrial water	%	-	-	1	4	6	5	6
Engineering services and rental	%	3	3	3	3	3	4	6
Construction revenue under concession agreement	%	3	2	2	1	1	0	1
Total	%	100	100	100	100	100	100	100
Revenue from sale & service	Mil. THB	4,204	4,631	4,263	4,287	4,063	1,066	920

Source: EASTW

FINANCIAL STATISTICS AND KEY FINANCIAL RATIOS*

Unit: Mil. THB

	-----Year Ended 31 December -----				
	Jan-Mar 2025	2024	2023	2022	2021
Total operating revenues	943	4,107	4,321	4,298	4,641
Earnings before interest and taxes (EBIT)	134	428	828	1,079	1,442
Earnings before interest, taxes, depreciation, and amortization (EBITDA)	443	1,537	1,914	2,157	2,424
Funds from operations (FFO)	284	805	1,335	1,653	1,890
Adjusted interest expense	159	628	463	314	260
Capital expenditures	165	2,049	2,228	2,833	3,078
Total assets	30,001	29,574	29,077	25,098	23,689
Adjusted debt	13,758	14,036	12,598	11,573	10,088
Adjusted equity	11,578	11,569	11,638	11,568	11,427
Adjusted Ratios					
EBITDA margin (%)	47.0	37.4	44.3	50.2	52.2
Pretax return on permanent capital (%)**	1.9	1.6	3.3	4.7	6.8
EBITDA interest coverage (times)	2.8	2.4	4.1	6.9	9.3
Debt to EBITDA (times)**	8.3	9.1	6.6	5.4	4.2
FFO to debt (%)**	6.6	5.7	10.6	14.3	18.7
Debt to capitalization (%)	54.3	54.8	52.0	50.0	46.9

* Consolidated financial statements

** Annualized from the trailing 12 months

RELATED CRITERIA

- Issue Rating Criteria, 26 December 2024
- Corporate Rating Methodology, 15 July 2022
- Key Financial Ratios and Adjustments for Corporate Issuers, 11 January 2022

Eastern Water Resources Development and Management PLC (EASTW)

Company Rating:	A-
Issue Ratings:	
EASTW25DA: THB350 million senior unsecured debentures due 2025	A-
EASTW275A: THB850 million senior unsecured debentures due 2027	A-
EASTW278A: THB200 million senior unsecured debentures due 2027	A-
EASTW280A: THB650 million senior unsecured debentures due 2028	A-
EASTW298A: THB400 million senior unsecured debentures due 2029	A-
EASTW300A: THB1,100 million senior unsecured debentures due 2030	A-
EASTW318A: THB100 million senior unsecured debentures due 2031	A-
EASTW325A: THB750 million senior unsecured debentures due 2032	A-
EASTW332A: THB1,000 million senior unsecured debentures due 2033	A-
EASTW330A: THB1,150 million senior unsecured debentures due 2033	A-
EASTW348A: THB1,300 million senior unsecured debentures due 2034	A-
Rating Outlook:	Stable

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