

UPA ignores advice about Myanmar deal

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THE NATION

UNITED Power of Asia (UPA) has insisted its plan to acquire a power business in Myanmar is justified despite the deal's independent financial adviser warning against the purchase.

Noppol Milinthatgoon, the chief executive of UPA (formerly known as CyberPlanet Interactive), remarked during the signing of the purchase agreement yesterday that KTB Securities (Thailand) might have weighed up all the risks associated with the deal with Andaman Power and Utility and that led to its valuation being lower than the proposed purchase price. APU holds a small power plant concession in Myanmar.

"But we also have our financial adviser who has only taken into account the serious risks and thus made a different valuation," he said.

"Our shareholders' meeting has already approved [the acquisition]. If we invest in something that is different from our past [but is] for our future, we have to accept a higher risk."

KTB reported to the stock market authorities on April 27 that it recommended UPA shareholders not approve the plan to acquire APU at the proposed price of Bt340 million.

KTB said based on a discount cash flow valuation method, APU's

fair price was appraised at only between Bt117.50 and Bt118.69 million.

The project, which carries many risky aspects, is surrounded by ambiguity, according to the report.

But UPA shareholders voted on April 30 to purchase the entire stake from APU's eight shareholders, including Upakit Pachariyangkun, who holds a 25.04 per cent share of UPA and a 60 per cent share in APU, for Bt340 million.

APU, which previously operated under the name Dawei Power Utility, and its Myanmar partner Star Sapphire, have entered into a temporary power rental agreement with the Tanintharyi regional government in Myanmar.

The agreement allows them to install a small power generator in Kanbauk, a town in Tanintharyi, at up to 20 megawatts for supplying electricity to the regional government, which distributes electricity to Dawai and nearby provinces in the region.

At yesterday's press conference, Noppol said UPA expects to buy more than 75 per cent shares of APU but this was dependent on UPA shareholders.

"We expect to realise income from this investment from August, provided all the processes are accomplished," he said.

Upakit said UPA, which started generating electricity in Dawai and its nearby provinces on June 17, makes Bt20 million a month in revenue and between Bt2 million and Bt3 million in profit.

The power tariff is 5.8 cents per kilowatt/hour, which translates to a 15 per cent internal rate of return for the company.

"We have built two substations as a goodwill gesture [to

Myanmar]. And in less than two months, we will realise income back from this investment amounting to US\$5 million (Bt169 million). The profit [margin] is 15 per cent," he said.

Noppol said the power plant ran close to its six MW capacity from day one and it would be expanded to reach its licence limit of 20 MW in the near future.

He said APU had signed a memorandum of understanding with the Myanmar government to develop a large combined-cycle power plant with a maximum capacity of 500 MW, but the project's viability depended on many factors including the availability of natural gas supply and a power transmission network.

But there will be no problem finding gas for its current first-phase project to expand to 20 MW or even to 50 MW, said Noppol.

Noppol, a former managing director of Ratchaburi Electricity Generating Holding, said he could not confirm right now how soon UPA would be able to make a turnaround into a profitable business.

"[I have to] wait to see [the results] of our property business and our third-quarter results. Give me a little more time," the director said.

UPA reported a consolidated loss of Bt20.51 million in the first three months of 2015, up from Bt6.16 million a year ago.