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Research Update:

Ratchaburi Electricity Generating Holding Public Co. Ltd. Rating Raised To 'BBB+'; Outlook Stable

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Overview

- In our opinion, RATCH has a strong linkage with EGAT, whose stand-alone credit profile has improved.
- We raised the long-term corporate credit rating on RATCH to 'BBB+' from 'BBB'.
- The stable outlook reflects our view of stable operating performance and cash flows.

Rating Action

On Jan. 6, 2011, Standard & Poor's Ratings Services raised its long-term corporate credit rating on Thailand-based power generator Ratchaburi Electricity Generating Holding Public Co. Ltd. (RATCH) to 'BBB+' from 'BBB'. The outlook is stable. At the same time, we raised our ASEAN regional scale rating on the company to 'axA+' from 'axA'.

Rationale

We upgraded RATCH to reflect the improvement in the stand-alone credit profile (SACP) of Electricity Generating Authority of Thailand (EGAT: BBB+/Stable/--; ASEAN Scale axA+/axA-1) to 'bbb' from 'bbb-'. This is based on our view of the strong relationship between RATCH and EGAT.

EGAT is RATCH's largest shareholder at 45%, controls the company's board of directors, is its only purchaser, and is the operator of many of its power plants. RATCH is Thailand's largest independent power producer and has strong power purchase agreements with EGAT. While we view RATCH as a strategic investment for EGAT, we do not consider it to be a government-related entity.

The rating on RATCH continues to reflect the company's good market position, stable operating performance, and conservative financial policy. It also reflects RATCH's lack of diversity and increasing country and macroeconomic risk associated with the rising exposure to operations and investments in Laos (not rated).

Liquidity

In our view RATCH has adequate liquidity. As at Sept. 30, 2010, the company had cash and cash equivalents of about Thai baht (THB) 10.5 billion. It also

had strong cash flow generation with cash from operations of more than THB7 billion, compared with debt maturities of about THB4 billion annually over the next two years. We expect the company to fund its capital expenditure and investments through internal cash resources and long-term debt, if required. RATCH is also compliant with its debt covenants. In addition, we believe that the company has good access to the local financial markets, although it is yet to access the global financial markets.

Outlook

The stable outlook reflects our expectation of stable operating performance and cash flows at RATCH's existing power operations.

We could raise the rating if: (1) there is an improvement in RATCH's business risk profile; and (2) EGAT'S SACP is raised to at least 'bbb+'.

Conversely, we could lower the rating if EGAT's SACP falls to 'bbb-' or lower. We could also downgrade RATCH if the company makes a larger-than-expected debt-funded acquisition or investment, which results in a weaker financial risk profile and heightened country and macroeconomic risk.

Related Criteria And Research

- Electricity Generating Authority of Thailand, published Jan. 5, 2011
- Stand-Alone Credit Profiles: One Component Of A Rating, published Oct. 1, 2010
- Key Credit Factors: Business And Financial Risks In The Investor-Owned Utilities Industry, published Nov. 26, 2008
- Corporate Ratings Criteria 2008, published April 15, 2008
- Corporate Criteria--Parent/Subsidiary Links; General Principles; Subsidiaries/Joint Ventures/Nonrecourse Projects; Finance Subsidiaries; Rating Link to Parent, published Oct. 28, 2004

Ratings List

Upgraded

	To	From
Ratchaburi Electricity Generating Holding Public Co. Ltd.		
Corporate Credit Rating	BBB+/Stable/--	BBB/Stable/--
ASEAN Scale Rating	axA+/--	axA/--

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