

CREDIT OPINION

10 February 2025

Update



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RATINGS

Ratch Group Public Company Limited

Domicile	Thailand
Long Term Rating	Baa1
Type	LT Issuer Rating - Fgn Curr
Outlook	Negative

Please see the [ratings section](#) at the end of this report for more information. The ratings and outlook shown reflect information as of the publication date.

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Ratch Group Public Company Limited

Update following periodic review

Summary

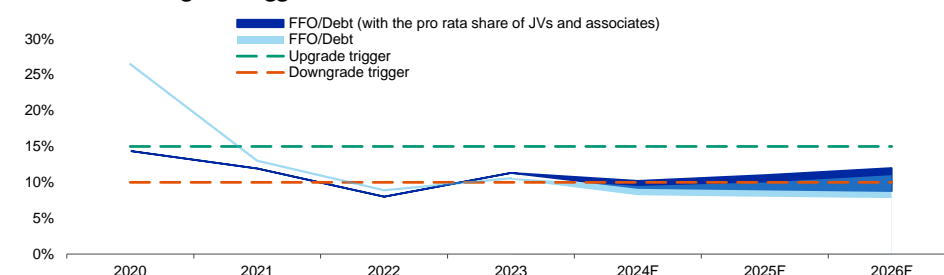
[Ratch Group Public Company Limited's](#) (Baa1 negative) issuer rating reflects its Baseline Credit Assessment (BCA) of baa3 and a two-notch uplift based on our expectation of a high level of extraordinary support from, and the company's very high level of dependence on, the [Government of Thailand](#) (Baa1 stable) under our Joint Default Analysis (JDA) approach for government-related issuers. This support assessment reflects the 45% effective ownership by the government in Ratch and its high strategic importance as one of Thailand's largest Independent Power Producers (IPP).

Ratch's BCA factors in Ratch's long-term power purchase agreements, secured fuel supply, and stable operations in Thailand. However, Ratch's diversification strategy to overseas markets will have increasing bearing on the company's credit profile as its operational power capacity in Thailand declines due to the expiry of key power contracts.

The negative outlook on Ratch reflects our expectation of high financial leverage, including the pro rata share from its joint ventures (JVs) and associates, over the next two to three years. We expect Ratch to continue its growth strategy with a focus on renewable energy, while remaining open to opportunistic approaches. The future trajectory of the company's financial metrics will depend on the growth plan and capital expenditure requirements of its JVs and associates.

Exhibit 1

We anticipate funds from operations (FFO)/debt to be in the range of 9%-12%, which hovers around the downgrade trigger of 10% FFO/debt.



All data based on adjusted financial data, which follow our Financial Statement Adjustments in the Analysis of Nonfinancial Corporations methodology. The metrics are after adjustments for lease receivables and based on a pro rata consolidation of Ratch's JVs and associates.

Sources: Moody's Financial Metrics™ and Moody's Ratings Forecasts

Credit strengths

- » High likelihood of government support because of the company's strategic importance to Thailand's power sector
- » Cash flow predictability underpinned by long-term PPAs and secured fuel supply

Credit challenges

- » High financial leverage because of sizable capital spending and joint venture (JV) exposures
- » Incremental credit risks with expansion beyond core Thailand power operations

Rating outlook

The negative rating outlook reflects Ratch's continued execution of its stated growth strategy, which will result in a persistent increase in its financial leverage.

Factors that could lead to upgrade

An upgrade of Ratch's BCA is unlikely, because of the negative outlook and its rating being on par with that of the sovereign. However, we could revise the company's outlook to stable if it can achieve a sustained recovery in its FFO/debt above 10%, based on the pro rata consolidation of its JVs. We would assess the sustainability of such a recovery in the company's financial metrics based on its actions over a period of less than a year.

Factors that could lead to downgrade

We could downgrade Ratch's ratings if its projected FFO/debt remains persistently below 10% at the BCA level, which would reflect the completion of its announced acquisitions or further debt-funded investments. A further increase in business or regulatory risks, likely because of further overseas expansion, could also lead to a downgrade. A downgrade of Thailand's sovereign rating, a reduction in Electricity Generating Authority of Thailand's (EGAT) stake in Ratch, or a significant decline in EGAT's ability to provide support to the company would also lead to a rating downgrade.

Key indicators

Exhibit 2

Ratch Group Public Company Limited

	Dec-2019	Dec-2020	Dec-2021	Dec-2022	Dec-2023
(CFO Pre-W/C + Interest) / Interest (3 year average)	7.0x	6.4x	4.4x	3.5x	3.0x
(CFO Pre-W/C) / Debt (3 year average)	28.3%	21.9%	12.2%	7.8%	7.2%
RCF / Debt (3 year average)	17.6%	13.4%	5.5%	2.8%	2.8%

All data based on adjusted financial data, which follow our Financial Statement Adjustments in the Analysis of Nonfinancial Corporations methodology. The metrics are before adjustments for lease receivables and pro rata consolidation of Ratch's JVs and associates.

A portion of the power plant availability payment is accounted for as reduction of the finance lease receivables over time. If adjustments for finance lease receivables are applied, the respective metrics would be 5.8x, 17.3%, 10.6% for 2021, 4.9x, 12.1%, 7.1% for 2022 and 4.1x, 10.7% and 6.1% for 2023.

Source: Moody's Financial Metrics™

This publication does not announce a credit rating action. For any credit ratings referenced in this publication, please see the issuer/deal page on <https://ratings.moody.com> for the most updated credit rating action information and rating history.

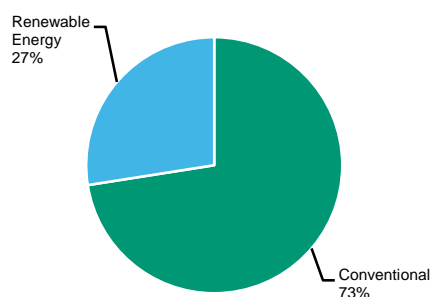
Profile

Founded and listed on the Stock Exchange of Thailand in 2000, Ratch Group Public Company Limited was established to purchase power plants from its parent, EGAT. Ratch's key operations are in Thailand, [Australia](#) (Aaa stable), [Laos](#) (Caa3 stable) and [Indonesia](#) (Baa2 stable). As of October 2024, power generating capacity under operations and development totaled 10.8 gigawatts (GW), of which 73% comprised conventional power plants such as coal- and gas-based plants. Capacity in Thailand accounted for around 51% of the company's total capacity.

Ratch's business profile is transforming with the continued execution of its growth strategy. Its business profile will incorporate an increasing share of overseas projects, driven by both investments and the contractual expiry of significant power capacities in Thailand over time.

Exhibit 3

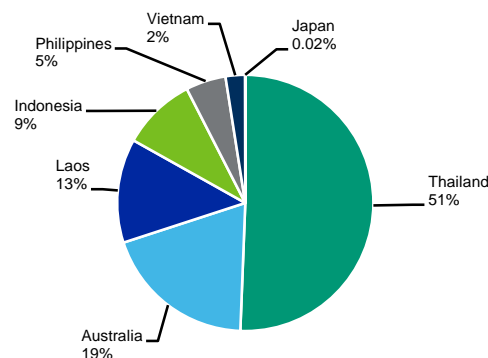
Power plant mix by fuel as of October 2024



Source: Company filings

Exhibit 4

Power plant mix by country as of October 2024



Source: Company filings

EGAT, with a 45% stake, is Ratch's largest shareholder and the sole off-taker of its power generation capacity in Thailand and Laos. EGAT is fully owned by the Government of Thailand and is mainly involved in the generation and transmission of energy throughout the country.

[RH International \(Singapore\) Corp. Pte. Ltd.](#) (RHIS, Baa1 negative) is a wholly owned indirect subsidiary of Ratch. RHIS was incorporated with limited liability under the laws of the Republic of Singapore in September 2010. RHIS is an investment holding company, which primarily undertakes Ratch's investments and offshore projects in the power generation sector. The subsidiary is also involved in raising funds to meet Ratch's capital requirements. Both RHIS' medium-term notes program and outstanding senior unsecured notes are guaranteed by Ratch.

Detailed credit considerations

High likelihood of government support because of the company's strategic importance to Thailand's power sector

Ratch's issuer rating incorporates a two-notch uplift from our assessment of a high likelihood of support, and very high level of dependence on, the Government of Thailand and its parent, EGAT. This support assessment reflects Ratch's controlling government ownership, and its high strategic importance to the government and EGAT.

Ratch will continue to benefit from its strategic importance to the country's power sector because of its position as one of the leading private power generators in Thailand. Thailand's growing energy needs have increased its reliance on private power generators and energy imports from neighboring countries, and Ratch is likely to benefit from the projected steady growth in electricity demand over the next three to five years.

Thailand's Power Development Plan (PDP 2018-37) focuses on increased contribution from gas-fired power generation and reduced reliance on coal power generation. Ratch's operations are key to Thailand achieving the targets set under PDP 2018-37, which include increasing the country's generating capacity to 77.2 GW by year-end 2037.

As of January 2025, Ratch's attributable generation capacity (including projects in Laos that have PPAs with EGAT) accounted for around 15% of Thailand's total capacity. Its expansion into neighboring countries also supports the government's promotion of imported electricity.

We expect Ratch to maintain its close links with EGAT because the parent is its single-largest shareholder and the off-taker for most of its existing domestic capacity, as well as its capacity for its plants in Laos. We expect EGAT to support the company in times of need because of the latter's strategic importance to Thailand's power sector. EGAT also provides operating and maintenance services for most of Ratch's plants and supports the company in environmental management. Ratch's power plants maintain high performance standards, with minimal forced outages, because of the strong operational support from its parent.

Another indication of the close links between the two entities is the fact that six of Ratch's 12 board members, including its chairman and CEO, are EGAT representatives. Several of Ratch's key management officers have also previously worked for EGAT. EGAT is the single-largest shareholder, with the remaining shares in Ratch being highly fragmented. Therefore, EGAT consolidates Ratch because of its effective control over the company.

For instance, during the Asian financial crisis of 1997-98, EGAT and the Thailand government ensured the performance stability and debt-servicing ability of IPPs by restructuring their PPAs to avoid huge foreign-exchange losses.

High financial leverage because of sizable capital spending and JV exposures

The negative outlook on Ratch reflects our expectation of high financial leverage, including the pro rata share from its joint ventures (JVs) and associates, over the next two to three years. We expect Ratch to continue its growth strategy with a focus on renewable energy, while remaining open to opportunistic approaches. The future trajectory of the company's financial metrics will depend on the growth plan and capital expenditure requirements of its JVs and associates.

Over the past years, Ratch has deployed substantial capital spending to increase its capacity and diversify its business mix away from Thailand's power sector, which has weakened its financial metrics. Ratch's FFO/debt was 11.3% and 8% in 2023 and 2022, compared with a significantly higher 12%-18% over 2018-21. In April 2024, Ratch completed the transaction of acquiring an 36% equity stake in PT Paiton Energy (PE), which operates a 2,045 megawatt (MW) coal-based project in Indonesia. This project has long-term PPAs with [PLN \(PERSERO\) \(P.T.\)](#) (Baa2 stable), with a remaining PPA period of about 20 years. In December 2022, Ratch acquired Nexif Energy Joint Venture (NEJV), which owns a portfolio of battery energy storage, renewable, and gas-fired projects totaling 1,515.8 MW of attributable capacity. These projects are located in Australia, Thailand, Vietnam, and the Philippines, with PPAs with various off-takers, some of which have merchant exposure.

Moving forward, we expect Ratch will continue its growth strategy with a focus on renewable energy. As of October 2024, the company has disclosed 1,758MW capacity under construction and development, with 77% dedicated to green projects, including several solar, wind, hydro projects in Australia, Vietnam, and Philippines. Given Ratch's history of opportunistic growth, there is a potential for further capital expenditures or acquisitions.

We expect Ratch's metrics will improve gradually over time as its invested assets contribute to the company's cash flow. However, uncertainty about the timeline of improvement remains because of both the magnitude of its acquisitions to date and the likelihood of further capital spending. Specifically, we anticipate funds from operations (FFO)/debt to be in the range of 9%-12%, which hovers around the downgrade trigger of 10% FFO/debt. A sustained recovery of the financial metrics will be contingent upon the future growth plan.

Our financial metrics are based on a pro rata consolidation of Ratch's JVs. At the same time, we have factored in the collection of lease receivables in the company's FFO because it reflects the receipt of capacity payments.

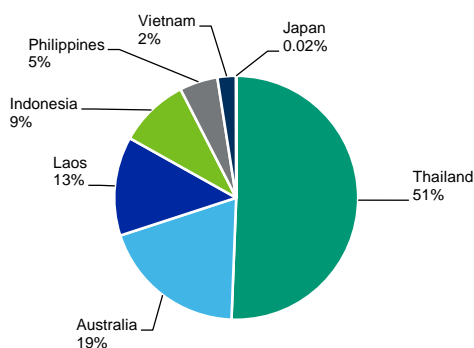
Incremental credit risks with expansion beyond core Thailand power operations

Ratch's diversification strategy to overseas markets will have increasing bearing on the company's credit profile as its operational power capacity in Thailand declines due to the expiry of key power contracts. Potential credit impacts may arise from execution risks, elevated regulatory risks, and increasing capital requirements and organizational complexity due to overseas expansion.

Ratch's strategy to grow its overseas portfolio will provide diversification benefits, but the increased exposure, especially to other developing countries such as Indonesia and Vietnam, will introduce uncertainties in its credit profile. Potential credit impacts may arise from execution risks, elevated regulatory risks, and increasing capital requirements and organizational complexity due to overseas expansion.

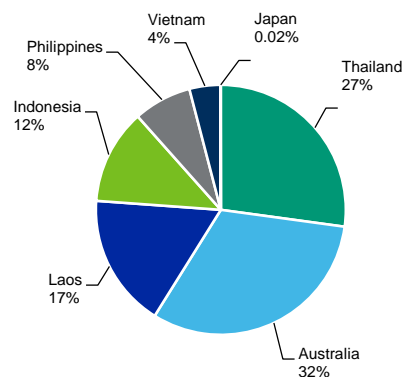
Coupled with an organic decline in its contracted power capacity in Thailand, Ratch's strategy to diversify away from its core Thailand-related power generation operations is transforming the company's business profile. This transformation will be further accelerated by 1.47GW and 2.17GW Ratchaburi Power Plants PPA expirations in 2025 and 2027 respectively. Consequently, Australia is expected to become the largest market for Ratch in 2027, followed by Thailand, in terms of installed capacity.

Exhibit 5

Capacity by country as of October 2024

Source: Company

Exhibit 6

Capacity by country in 2027 (upon Ratchaburi Power Plants PPA expirations and commissioning of new power capacity)

Source: Company

Incremental business risks could also come from its exposure to nonpower businesses. Ratch has participated in a few nonpower projects, such as the MRT Pink Line project and the MRT Yellow Line project, and an underground fiber-optic network project in Thailand. However, the impact is partly mitigated by the fact that the non-power business typically accounts for less than 5% of EBITDA and management's direction to focus on the core power business going forward.

The funding structure of Ratch's investments will continue to be an important factor in gauging its impact on the rating. Sizable debt exposures at its JVs has strained the company's adjusted credit metrics, which incorporate its pro rata share in the JVs, and have affected the recovery trajectory of its financial metrics. The recovery of its metrics will be further delayed if its new investment plan necessitates aggressive debt funding or significantly increases its business risk profile.

Ratch intends to increase its operating generating capacity to 10 GW by 2025 via both organic and inorganic routes, such as M&A, mostly in overseas markets. Ratch had 1.8 GW of generation capacity under construction and development as of October 2024, which will help the company achieve its target, not accounting for some decommissioning of capacity in Thailand over the next 4 years.

We expect Ratch's business portfolio to demonstrate an increase in geographic diversification over time and its Thai operations to continue to support its credit quality. Although its power operations in Thailand will remain important to the company, and we continue to factor its stable operations in Thailand into its rating, the company's business profile is transforming with the continued execution of its strategy.

As of October 2024, Australia was Ratch's second-largest market, accounting for 19% of its capacity. Laos is the next largest market at 13% of Ratch's capacity. The new projects in Laos are exposed to higher regulatory risk than projects in Thailand and Australia because the political, regulatory and economic environment in Laos is less developed. Any changes in the legal system in Laos that impact Ratch's project company's operations and ability to service its liabilities will constitute a political force majeure event. In such a scenario, Ratch's project company can terminate its contract and is entitled to compensation from the Government of Laos under the

concession agreements and EGAT's PPA. However, Ratch's exposure to Laos and its large capital spending obligations are mitigated by the fact that it has set up JVs with partners and local governments.

Cash flow predictability underpinned by long-term PPAs and secured fuel supply

Ratch's long-term PPAs and secure fuel supply will remain its key credit strengths. The PPAs are robustly structured to limit the impact of fluctuations in both fuel costs and foreign-exchange rates, as well as changes in demand and the company's debt-servicing ability. The unique characteristics embedded in PPAs differentiate the company from other unregulated power companies that we rate, which usually demonstrate high exposures to volatilities in wholesale prices.

Currently, most of its capacity is secured by EGAT under long-term PPAs, ranging between 4 and 25 years. The renewable PPAs can be automatically renewed every five years. In addition, 93.6% and 6.4% of capacity from the Hongsa thermal power plant has been contracted to EGAT and the state-owned Electricite du Laos, respectively, under 25-year PPAs, while Paiton's full capacity has been contracted with PLN. 1.47 GW of the company's PPAs of Ratchaburi Power Plants will expire in 2025 and another 2.17 GW in 2027. However, the loss of cash flow from these PPA expirations is expected to be offset by contributions from new IPPs, including Paiton and Hin Kong, when viewing Ratch as a pro rata consolidated entity with its JVs and associates.

For its fuel supply, Ratch has secured stable gas supplies to meet its obligations under the PPAs, through gas sales agreements with [PTT Public Company Limited](#) (Baa1 stable).

EGAT has a strong track record of meeting its PPA obligations. As a result, demand is assured and market competition is limited for Ratch's existing operations. Moreover, under energy payment provisions, the company is insulated from fluctuations in fuel input prices, which allows it to pass through any increases in fuel costs, as long as its plants meet the agreed heat rates.

Ratch's cash flow is supported by availability payments, which cover the fixed operational and maintenance costs and interest costs, plus an agreed return on equity. Availability payments are received irrespective of the dispatch of electricity, as long as the power plants are available at the agreed capacity. Given this feature of its PPAs, its financial performance was not significantly hurt by the coronavirus pandemic in 2020-21, and in 2022 when fuel prices rose substantially.

Ratch has a solid track record of maintaining high levels of availability, often exceeding plant-specific targets, and regularly meeting the targeted heat rates for its power projects.

ESG considerations

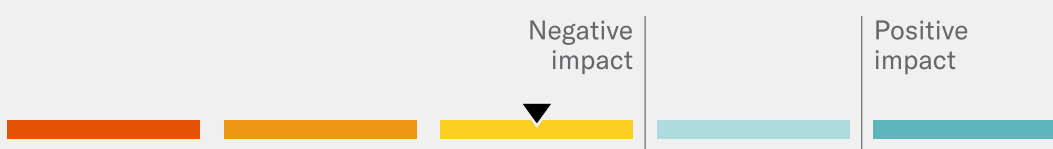
Ratch Group Public Company Limited's ESG credit impact score is CIS-3

Exhibit 7

ESG credit impact score

CIS-3

Score



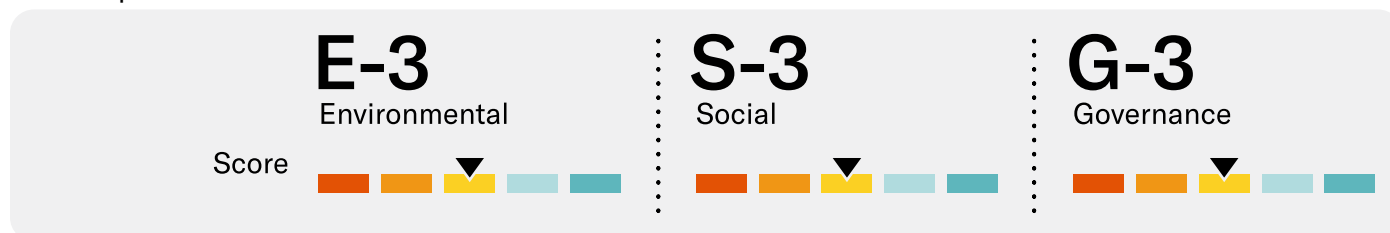
ESG considerations have a limited impact on the current rating, with potential for greater negative impact over time.

Source: Moody's Ratings

Ratch Group Public Company Limited's (Ratch) **CIS-3** indicates that ESG considerations have a limited impact on the current rating with potential for greater negative impact over time. The score reflects our revised view on governance risks. Electricity Generating Authority of Thailand's (EGAT) support partly but does not wholly mitigate Ratch's exposure to ESG considerations.

Exhibit 8

ESG issuer profile scores



Source: Moody's Ratings

Environmental

Ratch's **E-3** reflects its exposure to carbon transition because of thermal fleets in its generation portfolio, partly mitigated by the company's strategy to increase its renewable generation capacity. It also considers physical climate risks potentially stemming from extreme weather conditions.

Social

Ratch's **S-3** primarily reflects the higher risk of demographics and societal trends owing to a risk that public concern over environmental or social issues could lead to adverse regulatory political intervention.

Governance

Ratch's **G-3** reflects its demonstrated commitment to its diversification and growth strategy. Such a commitment has resulted in a discernible shift towards a more accommodating financial policy and a persistent increase in its financial leverage. Ratch also continues to demonstrate appetite to invest in non-core businesses such as transportation. The score also takes into consideration the increasingly complex organizational structure, as Ratch pursues growth using the joint venture structure for its investments.

ESG Issuer Profile Scores and Credit Impact Scores for the rated entity/transaction are available on Moody's.com. In order to view the latest scores, please click [here](#) to go to the landing page for the entity/transaction on MDC and view the ESG Scores section.

Liquidity analysis

Ratch will have inadequate liquidity over next 12 months and will need to raise external financing to support capex and acquisitions. As of September 2024, its cash sources comprised cash holdings of THB9.9 billion. We expect its annual operating cash flow to be around THB6 billion - THB9 billion over the next 12 months. However, we expect the company's projected cash outlay for the next 12 months to include capital spending of around THB9 billion - THB13 billion, debt repayment requirements of THB17 billion - THB18 billion and dividend payments.

However, its solid access to domestic funding markets, its status as a subsidiary of EGAT and the likelihood of support from EGAT when needed will temper the liquidity risk.

Methodology and scorecard

When mapped to our Unregulated Utilities and Unregulated Power Companies rating methodology, Ratch's business profile is closer to that of an unregulated power company because its business is governed by PPAs, based on bilateral negotiations with off-takers. The company's scorecard-indicated outcome is Ba1-Baa3 based on forward-looking metrics, which incorporate the pro rata JV adjustments. The difference between its scorecard-indicated outcome and standalone credit quality can be explained by the current negative rating outlook, while the gap between the BCA and the final rating reflects our expectation of parental support in times of need. The final issuer rating of Baa1 is within the scorecard-indicated range under our JDA, based on the high likelihood of support and its very high default dependence on the Thailand government.

Exhibit 9

Rating factors

Ratch Group Public Company Limited

Unregulated Utilities and Unregulated Power Companies Industry Grid		2023		Moody's 12-18 Month Forward View	
Factor 1 : Scale (10%)	Measure	Score	Measure	Score	
a) Scale (USD Billion)	A	A	A	A	
Factor 2 : Business Profile (35%)					
a) Market Diversification	A	A	A	A	
b) Hedging and Integration Impact on Cash Flow Predictability	A	A	A	A	
c) Market Framework & Positioning	Baa	Baa	Baa	Baa	
d) Capital Requirements and Operational Performance	Baa	Baa	Baa	Baa	
e) Business Mix Impact on Cash Flow Predictability	n/a	n/a	n/a	n/a	
Factor 3 : Financial Policy (15%)					
a) Financial Policy	Ba	Ba	Ba	Ba	
Factor 4 : Leverage and Coverage (40%)					
a) CFO pre-WC + Interest / Interest (3 Year Avg)	3.5x	Ba	3x - 4x	Ba	
b) CFO pre-WC / Debt (3 Year Avg)	10.3%	B	9% - 12%	B - Ba	
c) RCF / Debt (3 Year Avg)	7.7%	B	7% - 10%	B - Ba	
Rating:					
a) Scorecard-indicated Outcome		Ba1		Ba1 - Baa3	
b) Actual BCA Assigned				baa3	
Government-Related Issuer	Factor				
a) Baseline Credit Assessment	baa3				
b) Government Local Currency Rating	Baa1				
c) Default Dependence	Very High				
d) Support	High				
e) Final Rating Outcome	Baa1				

All data based on adjusted financial data, which follow our Financial Statement Adjustments in the Analysis of Nonfinancial Corporations methodology. The metrics are after adjustments for lease receivables and based on a pro rata consolidation of Ratch's JVs and associates.

Moody's forecasts are Moody's opinion and do not represent the views of the issuer.

Source: Moody's Financial Metrics™ and Moody's Ratings forecasts

Appendix

Exhibit 10

Peer comparison

(in \$ millions)	Ratch Group Public Company Limited			Cikarang Litrindo (P.T.)			Pertamina Geothermal Energy		
	Baa1 Negative			Ba1 Positive			Baa3 Stable		
	FY Dec-21	FY Dec-22	FY Dec-23	FY Dec-21	FY Dec-22	FY Dec-23	FY Dec-21	FY Dec-22	FY Dec-23
Revenue	1,169	2,137	1,256	515	550	546	369	386	406
EBITDA	359	343	410	202	208	199	289	315	361
TOTAL ASSETS	4,758	6,629	6,254	1,359	1,362	1,324	2,391	2,469	2,952
Total Debt	1895.7x	2,866	2,645	559	556	510	974.4x	960	744
(CFO Pre-W/C + Interest) / Interest Expense	398.8%	2.8x	2.6x	6.1x	6.4x	5.6x	1119.7%	11.0x	7.6x
(CFO Pre-W/C) / Debt	8.8%	5.5%	8.0%	27.2%	28.8%	25.5%	22.1%	23.3%	32.9%
RCF / Debt	3.4%	1.7%	3.6%	15.8%	16.6%	10.9%	22.1%	20.2%	19.5%
Debt / Book Capitalization	43.0%	46.8%	44.5%	44.5%	44.1%	41.9%	44.1%	43.2%	27.4%

All data based on adjusted financial data, which follow our Financial Statement Adjustments in the Analysis of Nonfinancial Corporations methodology.

The metrics are before adjustments for lease receivables and pro rata consolidation of Ratch's JVs and associates.

Source: Moody's Financial Metrics™

Exhibit 11

Moody's-adjusted debt reconciliation

Ratch Group Public Company Limited

(in THB millions)	2020	2021	2022	2023
As reported debt	43,133.4	61,119.2	98,975.1	89,969.9
Pensions	225.5	266.7	293.0	325.9
Non-Standard Adjustments	1,920.7	1,938.8	-	-
Moody's-adjusted debt	45,279.6	63,324.7	99,268.2	90,295.8

All data based on adjusted financial data, which follow our Financial Statement Adjustments in the Analysis of Nonfinancial Corporations methodology.

The metrics are before adjustments for lease receivables and pro rata consolidation of Ratch's JVs and associates.

Source: Moody's Financial Metrics™

Exhibit 12

Moody's-adjusted EBITDA reconciliation

Ratch Group Public Company Limited

(in THB millions)	2020	2021	2022	2023
As reported EBITDA	9,699.0	12,018.4	12,626.8	15,044.0
Pensions	24.7	23.4	19.8	-
Unusuals	(304.5)	(576.8)	(661.1)	(792.7)
Moody's-adjusted debt	9,419.2	11,464.9	11,985.6	14,251.3

All data based on adjusted financial data, which follow our Financial Statement Adjustments in the Analysis of Nonfinancial Corporations methodology.

The metrics are before adjustments for lease receivables and pro rata consolidation of Ratch's JVs and associates.

Source: Moody's Financial Metrics™

Ratings

Exhibit 13

Category	Moody's Rating
RATCH GROUP PUBLIC COMPANY LIMITED	
Outlook	Negative
Issuer Rating	Baa1
Senior Unsecured MTN	(P)Baa1
RH INTERNATIONAL (SINGAPORE) CORP. PTE. LTD.	
Outlook	Negative
Bkd Senior Unsecured	Baa1

Source: Moody's Ratings

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