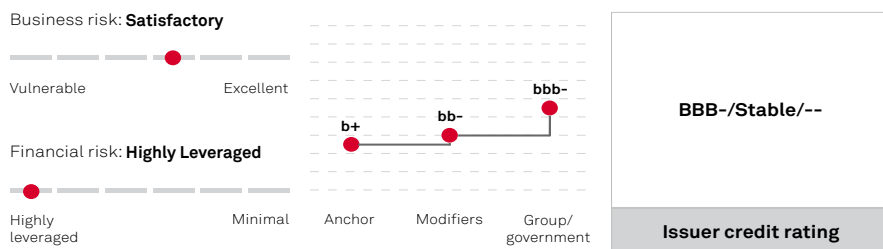


Ratch Group Public Co. Ltd.

December 2, 2024

Ratings Score Snapshot



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Credit Highlights

Overview

Key strengths

Strong power purchase agreements (PPAs) support cash flow stability.

Solid market position in Thailand's power sector.

Shareholder support from the Electricity Generating Authority of Thailand (EGAT).

Key risks

Elevated leverage from acquisition appetite, growth investments, and materially higher debt tolerance than before.

Increasing exposure to debt and earnings from equity affiliates could lead to off-balance-sheet debt and a higher reliance on dividend income.

Some earnings volatility from investments related to non-energy infrastructure.

Ratch Group Public Co. Ltd.'s leverage will remain elevated due to debt-funded growth spending.

In our view, the company's heightened spending in the past three years indicates an increased risk appetite and a structural shift in its debt tolerance. The company still has healthy interest-servicing ability, despite its rising leverage. EBITDA interest coverage trending at 3.1x-3.5x indicates this. This contrasts with similar highly leveraged peers with ratios of 1.0x-1.5x. We believe this will preserve Ratch's credit quality as it executes growth plans.

Ratch will continue to expand its overseas renewables portfolio through Nexif Ratch Energy Investments Pte. (NREI), which it acquired in 2022. We project capital expenditure (capex) of Thai baht (THB) 3.0 billion-THB5.0 billion annually for under-construction and development

assets in Nexif Ratch Energy. Completion of these projects could boost the share of renewables in the company portfolio to about 30% post 2030, from about 18% currently.

We expect the ratio of adjusted debt to EBITDA for Ratch to temporarily rise to 6.4x in 2024, before it settles at 5.8x-6.2x from 2025 onwards. The ratio will be weaker in 2024 due to higher debt following the acquisition of a 36.26% stake in Paiton Energy Thermal Power Plant in Indonesia in April 2024. EBITDA for the year will only reflect dividend income from Paiton in the rest of the year.

We expect adjusted debt to EBITDA to narrow to 5.8x-6.2x from 2025 onwards. EBITDA will include steady annual dividend income of about THB2.0 billion-THB2.5 billion from Paiton, contributing to about 15% of Ratch's annual adjusted EBITDA on average over 2025-2026. This is because Paiton has a long-term PPA with PT Perusahaan Listrik Negara (Persero). The agreement which benefits from availability-based payments with full pass through of operating and fuel costs, protects Paiton from volume and fuel cost risks.

An increasing reliance on dividend income from associates and joint ventures (JVs) could create additional risks at Ratch. The company continues to increase minority investments in several projects, including Nexif Ratch Energy. This could expose it to off-balance-sheet debt because it accounts for these investments as equity investments.

Earnings from these investments could account for about 30% of Ratch's adjusted EBITDA on average over the next three years, up from 18% in 2023. Given a growing dependence on these investments, Ratch could have a higher propensity to support projects that it deems to be of strategic importance.

At this juncture, we see limited risk from these investment projects for Ratch's financial profile, with little likelihood of a need for extra support from the company. Ratch has a record of largely visible and stable dividend income. However, we may reassess our approach should there be a deterioration in the quality of dividends, or the likelihood of extraordinary support required from Ratch flowing to these minority investments increases.

Favorable PPAs with EGAT underpin cash flow stability but face renewal risks. Robust long-term PPAs with EGAT, which we view as a strong counterparty, protect Ratch from demand-volume and fuel-cost risks. This supported cash flow stability for the company amid surging fuel costs.

Ratch's earnings mix will change, with Nexif and Paiton each contributing 10%-15% to the company's adjusted EBITDA. This will partly mitigate the PPA renewal risks from the expiring contracts in relation to 1.47 gigawatts (GW) of capacity (16% of current equity operating capacity) expiring in 2025, and 2.17GW (24%) expiring in 2027. As such, PPAs with EGAT will contribute less than 40% from 2025 onwards, down from about 50% to 60% over the last two years.

Nonetheless, we believe Ratch continues to benefit from good earnings visibility. This is given Paiton's favorable contract terms and healthy operating performance, as well as the largely contracted nature of Nexif's operational portfolio. Ratch is also likely to contract its renewable projects in the construction or development stages with state-owned or other creditworthy counterparties.

Outlook

The stable rating outlook reflects our view that Ratch will maintain stable operations and cash flow, including dividend income, which will support higher leverage and growth spending over

the next two years. We also expect the company to manage its balance sheet as it expands, such that its debt-to-EBITDA ratio remains in the 6.0x-6.5x range over the next 12-24 months.

Downside scenario

We may lower the rating on Ratch if:

- The company's debt-to-EBITDA ratio increases to above 7.5x on a sustained basis and if its ability to service debt declines sharply such that its EBITDA interest coverage ratio falls sustainably below 3.0x. This could be a result of continued aggressive debt-funded expansion without a commensurate increase in earnings, falling availability payments, weaker dividend contributions, or a need to support equity investments; or
- Ratch's importance to its parent, EGAT, diminishes, evident through weaker integration or a reduction in EGAT's shareholding in the company. This could result in a lack of timely and sufficient financial support from EGAT and the Thai government to preserve Ratch's creditworthiness.

Upside scenario

We could raise the rating if we believe Ratch is committed to deleveraging, with its debt-to-EBITDA ratio improving to below 4.5x on a sustainable basis. This could happen if the company prudently manages its growth spending with sizable cash flow generation and demonstrates a record of maintaining a more conservative capital structure and financial policy.

Our Base-Case Scenario

Assumptions

- Ratch's revenue growth over our forecast period does not depend on Thailand's GDP growth because its revenue is largely driven by availability payments and capacity additions.
- Revenue in 2024 to fall to THB39 billion, from THB46 billion in 2023, due to lower energy payments amid normalizing fuel prices. Revenue to rebound to above THB45 billion from 2025.
- EBITDA, adjusted for the principal repayment of financial leases and dividends from JVs, of THB13.6 billion in 2024, increasing to THB14.6 billion-THB15.0 billion over 2025-2026.
- Capital spending of THB3.5 billion in 2024 mainly for the Hin Kong power plant in Thailand, maintenance capex and some growth capex at various equity affiliates. Capex of THB8.0 billion-THB8.5 billion in 2025-2026 mainly for the development of under-construction assets in the Nexif renewable energy portfolio.
- Acquisition of the Paiton stake for THB22.7 billion completed in April 2024.
- Dividend payout of THB3.3 billion-THB3.9 billion annually over 2024-2026.

Key metrics

Ratch Group Public Co. Ltd.--Forecast summary

Period ending	Dec-31-2022	Dec-31-2023	Dec-31-2024	Dec-31-2025	Dec-31-2026
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Ratch Group Public Co. Ltd.--Forecast summary

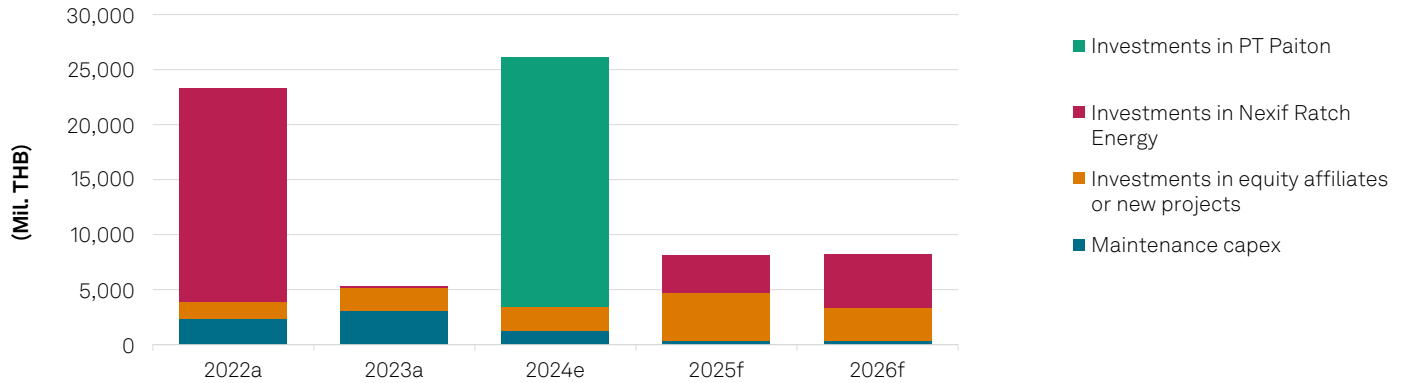
(Mil. THB)	2022a	2023a	2024e	2025f	2026f
Revenue	77,778	45,623	38,790	46,219	45,064
EBITDA (reported)	5,749	7,145	7,120	8,172	7,487
Plus/(less): Dividends received from equity affiliates	2,784	2,125	4,305	4,347	4,863
Plus/(less): Other	3,328	2,249	2,174	2,525	2,260
EBITDA	11,861	11,519	13,559	15,044	14,610
Less: Cash interest paid	(3,200)	(3,961)	(4,250)	(4,412)	(4,381)
Less: Cash taxes paid	(893)	(144)	(558)	(495)	(432)
Funds from operations (FFO)	7,768	7,413	8,791	10,137	9,797
Capital expenditure (capex)	23,256	5,301	26,180	8,123	8,263
Free operating cash flow (FOCF)	(15,822)	5,179	(17,676)	1,781	1,519
Dividends	4,061	4,061	3,835	3,310	3,864
Discretionary cash flow (DCF)	(19,884)	1,118	(21,511)	(1,529)	(2,344)
Debt (reported)	95,611	86,419	95,779	92,886	95,501
Plus: Lease liabilities debt	3,365	3,551	3,551	3,551	3,551
Less: Accessible cash and liquid Investments	(26,250)	(21,048)	(12,353)	(9,067)	(9,067)
Debt	72,725	68,922	86,978	87,370	89,985
Cash and short-term investments (reported)	37,500	30,069	17,647	12,954	12,954
Adjusted ratios					
Debt/EBITDA (x)	6.1	6.0	6.4	5.8	6.2
FFO/debt (%)	10.7	10.8	10.1	11.6	10.9
EBITDA interest coverage (x)	4.0	2.6	3.2	3.4	3.3
EBITDA margin (%)	15.3	25.2	35.1	32.5	32.4

All figures are adjusted by S&P Global Ratings, unless stated as reported. a--Actual. e--Estimate. f--Forecast. THB--Thai baht.

Elevated capital spending will keep Ratch's leverage high. After a spike in capital spending of THB26.2 billion in 2024 with the completion of Paiton acquisition, we project the annual capex to moderate THB8.0 billion-THB8.5 billion from 2025 onwards. This would include investments to expand Nexif's renewable portfolio, various small and mid-sized investments in equity affiliates. Our forecasts also include growth spending of about THB3 billion in new projects annually from 2025, partly in non-power businesses. These elevated spending will continue to result in negative discretionary cash flow generation for Ratch.

We have not incorporated potential earnings from new growth projects. This is given the limited visibility of the nature of these investments and their earnings profile. In our view, Ratch has some flexibility in growth spending, which is dependent on market opportunities. The company will also evaluate them in line with its investment criteria.

Ratch's capex is largely earmarked for growth investments over the next three years



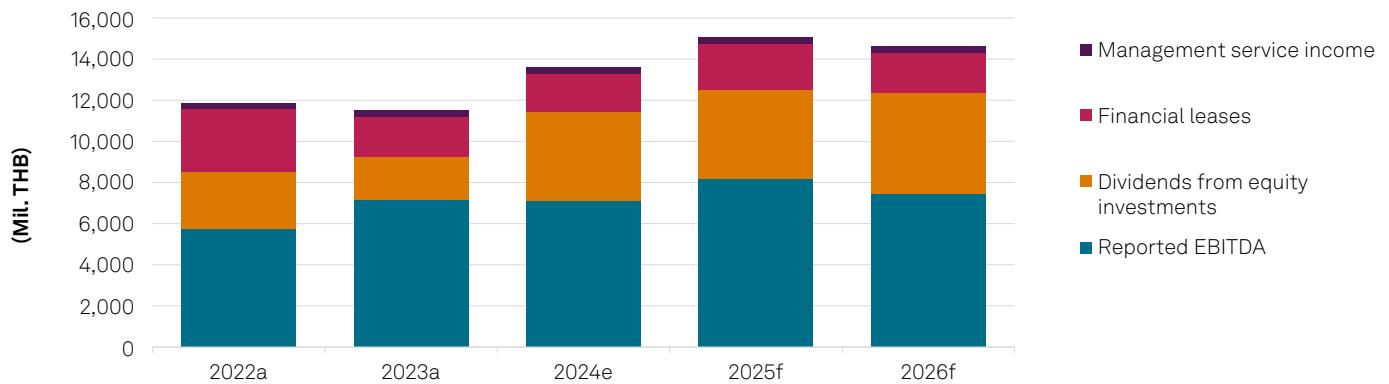
a--actual. e--estimate. f--forecast. Capex--capital expenditure. Paiton--PT Paiton Energy. THB--Thai baht. Source: S&P Global Ratings. Copyright © 2024 by Standard & Poor's Financial Services LLC. All rights reserved.

Steady dividend contributions to Ratch from equity affiliates will be key to the quality of EBITDA and earnings. We expect annual dividend income from equity affiliates of THB4.0 billion-THB5.0 billion from 2024.

This includes dividend income of THB2.0 billion-THB2.5 billion annually from Paiton from 2025, contributing about 15% to Ratch's adjusted EBITDA on average. Any decrease in dividend income from Paiton and other equity investments (possibly due to changes in capex and the debt payment schedule) could weigh on Ratch's cash flow.

That said, we believe Ratch has good diversity. The company's equity investments are spread across various countries, which should continue to support stable dividends and a stable earnings profile as the investments ramp up.

Ratch's adjusted EBITDA will be increasingly supported by dividend income from equity affiliates



a--actual. e--estimate. f--forecast. Mil.--millions. THB--Thai baht. Source: S&P Global Ratings.

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Ratch's adjusted EBITDA margin will improve over the next three years. We expect higher adjusted margins due to moderating fuel costs, lower availability payments from EGAT, and increasing dividend income from equity investments. Fuel costs are a passthrough component

under Ratch's PPAs with EGAT. EBITDA margins will likely improve to 32%-35% during 2024-2026, compared with 25% in 2023.

The availability payments will decline because return on initial capital investment is skewed toward the first half of the PPA tenor, according to a preset schedule. The latter part of the tenor mainly consists of reimbursing maintenance costs. Higher margins from Nexif's renewable assets and higher dividend income from 2024, following the inclusion of Paiton, will also improve margins.

Ratch's adjusted EBITDA will slightly decline in 2026 as availability payments from EGAT declines with the expiry of PPAs for 1.47GW capacity in 2025.

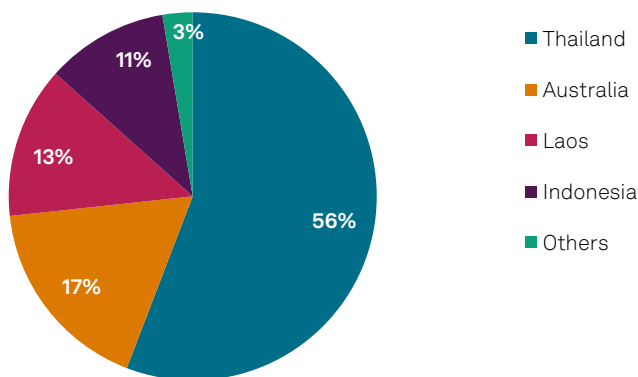
Company Description

Ratch is the second-largest power generator in Thailand after EGAT, with operations mainly in Thailand, Australia, and Laos. The company had total operational capacity of about 9,056 megawatts (MW) as of September 2024. This comprised 7,438 MW of conventional capacity and 1,618 MW of renewable capacity. Ratch completed its acquisition of a 36.3% stake in Paiton in April 2024.

EGAT owns 45% of Ratch.

Ratch has a geographically diversified portfolio

Breakdown of operational capacity



As of September 2024. Source: Company data, S&P Global Ratings.

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Peer Comparison

We view Cikarang Listrindo Tbk. PT and Sarawak Energy Bhd. (SEB) as Ratch's closest peers since they sell electricity under long-term PPA contracts to bulk users. Ratch's operations under the quasi-regulatory structure result in good cash flow stability. This is also the case for Cikarang.

Both Ratch and Cikarang benefit from robust contract terms and minimal price risk under their PPAs, which help to alleviate their exposure to fluctuations in fuel costs. SEB, on the other hand, does not benefit from a cost recovery mechanism and has limited pricing power. We believe SEB is exposed to socio-political pressures to keep electricity affordable.

Ratch benefits from better earnings quality than peers with a similar business risk profile, in our view. This is due to the company's strong PPA contracts and greater diversity as it pursues offshore expansion.

Cikarang bears the largest volume risk among the peers. This is because the company has the highest exposure to industrial users, at about 85% of its revenue. It also does not have take-or-pay clauses in its contracts.

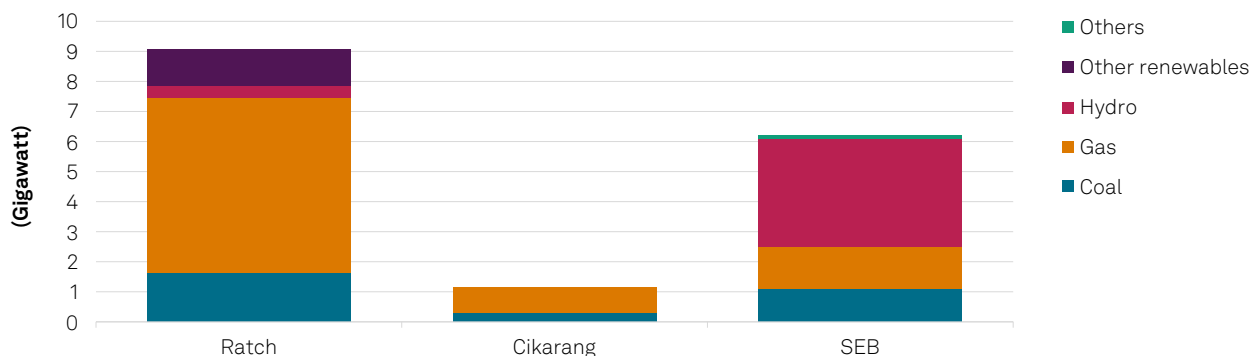
In comparison, Ratch's favorable PPA terms protect the company from volume risks, although a part of its renewable capacity in Australia faces resource risk and variable volumes, as well as merchant price risk. Although SEB's PPAs with industrial customers contain take-or-pay mechanisms, we consider SEB to be more exposed to cash flow risks because the state government controls domestic electricity tariffs as a socio-economic policy tool. Being independent power producers, Ratch and Cikarang can exercise their pricing power.

Ratch has a larger scale and better diversity than Cikarang (1,144 MW) and SEB (about 6,100 MW). Ratch has established operations in overseas markets such as Australia, Indonesia, and Laos. The peers mainly concentrate their operations in their domestic markets.

Ratch also has better asset diversity than regional peers. The company has exposure to both fossil fuels (around 82% of total capacity) and renewables (around 18%). Cikarang only has exposure to coal and natural gas, while SEB is considerably less diverse with predominantly hydropower capacity.

Ratch has better scale and diversity than its peers

By installed capacity



As of Dec. 31, 2023. Cikarang--Cikarang Litrindo Tbk. PT. SEB--Sarawak Energy Bhd. Source: Company data.

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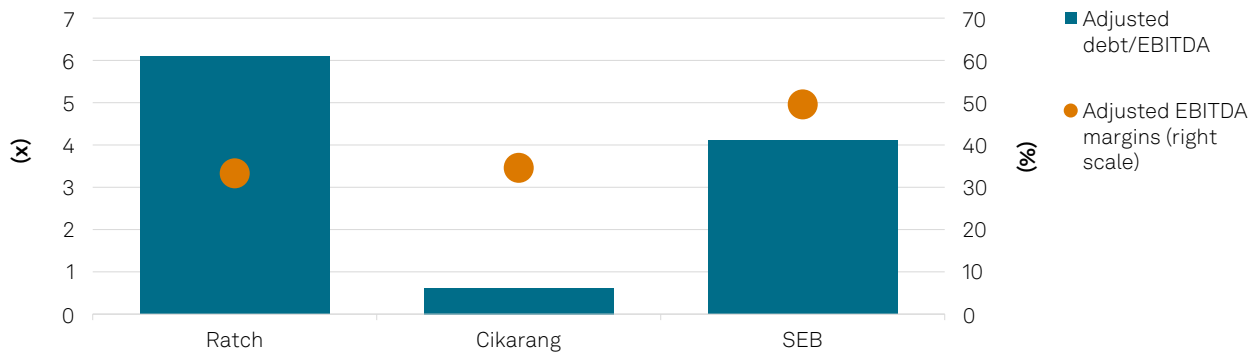
Ratch has lower profitability than its peers. We expect the company to improve its EBITDA margin to 32%-35% from 2024, slightly below the margins of Cikarang (consistently above 35%). SEB has a higher margin of more than 50% because of its lower generation cost as a hydro player and cost benefits from vertical integration, despite low and ad-hoc tariffs.

Ratch's earnings are also exposed to volatility in dividend income from minority investments since the investees pay the dividends only after meeting debt obligations at the project level.

Both Ratch and SEB have higher leverage due to continued growth spending and high capex. In contrast, Cikarang has lower leverage due to moderate capex needs, despite the potential for elevated shareholder distributions.

Comparison of Ratch's margins and leverage with peers

Average of the next three financial years



Cikarang--Cikarang Listrindo Tbk. PT.. SEB--Sarawak Energy Bhd. Source: S&P Global Ratings.

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Ratch Group Public Co. Ltd.--Peer Comparisons

	Ratch Group Public Co. Ltd.	Cikarang Listrindo PT.	Sarawak Energy Bhd.
Foreign currency issuer credit rating	BBB-/Stable/--	BB+/Positive/--	A-/Stable/--
Local currency issuer credit rating	BBB-/Stable/--	BB+/Positive/--	A-/Stable/--
Period	Annual	Annual	Annual
Period ending	2023-12-31	2023-12-31	2023-12-31
Mil.	THB	THB	THB
Revenue	45,623	18,773	53,561
EBITDA	11,519	6,467	27,509
Funds from operations (FFO)	7,413	4,762	17,908
Interest	4,443	923	6,839
Cash interest paid	3,961	926	6,917
Operating cash flow (OCF)	10,479	5,324	22,430
Capital expenditure	5,301	1,036	17,633
Free operating cash flow (FOCF)	5,179	4,288	4,797
Discretionary cash flow (DCF)	1,118	1,715	3,613
Cash and short-term investments	30,069	14,454	56,221
Gross available cash	30,069	14,454	56,221
Debt	68,922	4,686	103,673
Equity	107,133	24,206	116,539
EBITDA margin (%)	25.2	34.4	51.4
Return on capital (%)	6.7	16.9	9.4
EBITDA interest coverage (x)	2.6	7.0	4.0
FFO cash interest coverage (x)	2.9	6.1	3.6
Debt/EBITDA (x)	6.0	0.7	3.8

Ratch Group Public Co. Ltd.--Peer Comparisons

FFO/debt (%)	10.8	101.6	17.3
OCF/debt (%)	15.2	113.6	21.6
FOCF/debt (%)	7.5	91.5	4.6
DCF/debt (%)	1.6	36.6	3.5

Business Risk

Ratch's good market position in Thailand's power sector supports its competitive position.

We expect the company to remain one of the largest power producers in Thailand, after EGAT. It will likely continue to account for about 10% of the country's total generation capacity.

We believe Ratch will maintain its market position because Thailand's power market is mature. This makes fast growth difficult, given high barriers to entry in the domestic market for independent power producers and high reserve margins.

EGAT is the dominant player with a stand-alone capacity of 16,261 MW (as of Sept. 30, 2024). The company has approximately 35% of generation capacity and is the sole operator of the transmission network in Thailand.

Other independent power producers in the country have lower operational capacity than Ratch, which had domestic operational capacity of about 5,056 MW as of Sept. 30, 2024. The number will increase to 5,460 MW by 2025 with the company's completion of its Hin Kong power plant and expansion of its existing Nava Nakhon plant.

However, Gulf Energy Development Public Co. Ltd.'s domestic capacity could reach about 7,955 MW by 2025 with the completion of under-construction and development assets. Setting up new large thermal capacity will remain challenging in Thailand due to environmental and social pressures.

Ratch benefits from high revenue visibility but faces PPA renewal risk in Thailand. Despite increasing dividend income from equity affiliates, favorable long-term PPAs with EGAT will continue to form at least 30% of the company's adjusted EBITDA annually over the next two to three years. Tariffs under these PPAs encompass both availability and energy payments, protecting Ratch from demand-volume and fuel-cost risks. This enhances earnings stability by allowing it to earn quasi-regulated returns.

In our view, Ratch's declining availability payments and renewal risk of expiring PPAs are the key risks to its cash flow visibility. The company faces PPA renewal risk, given that around 16% of its current equity operating capacity (about 1,470 MW) is due for renewal by 2025, and another 24% (about 2,170 MW) is due in 2027.

EGAT has allowed some PPAs to expire during renewal in view of the high reserve margins in Thailand. That said, Ratch has secured new PPAs with EGAT, including 25-year PPAs for both its Nexif Ratch Energy Rayong power plant (commissioned in 2022) and 51%-owned Hin Kong power plant, which the company will commission over 2024-2025.

We expect Ratch's strong links with EGAT to offer it a competitive advantage in renewing and securing new PPAs with EGAT. Moreover, Ratch's growing investments in overseas power plants will partly offset its PPA renewal risk and support cash flow visibility. These plants have contracted most of their capacity to state-owned utilities or corporate offtakers.

Improving diversity from rising overseas investments supports Ratch's earnings quality. The company's acquisition of Nexif in 2022 and acquisition of a stake in Paiton in 2024 has increased earnings contributions from Australia and Indonesia, respectively. The bulk of Nexif's operational portfolio is in Australia and Ratch continues to enjoy stable earnings contribution from its wholly owned Australian business, Ratch Australia Corp.

Ratch's Australia operations will account for more than 40% of the company's adjusted EBITDA on average over the next three years, up from about 30% in 2022. This will support good earnings visibility due to favorable contract terms such as fixed tariffs and offtake volumes, although about 15% of the company's Australia capacity is exposed to the merchant market. Ratch has a policy of contracting at least 80% of its portfolio, which provides earnings stability.

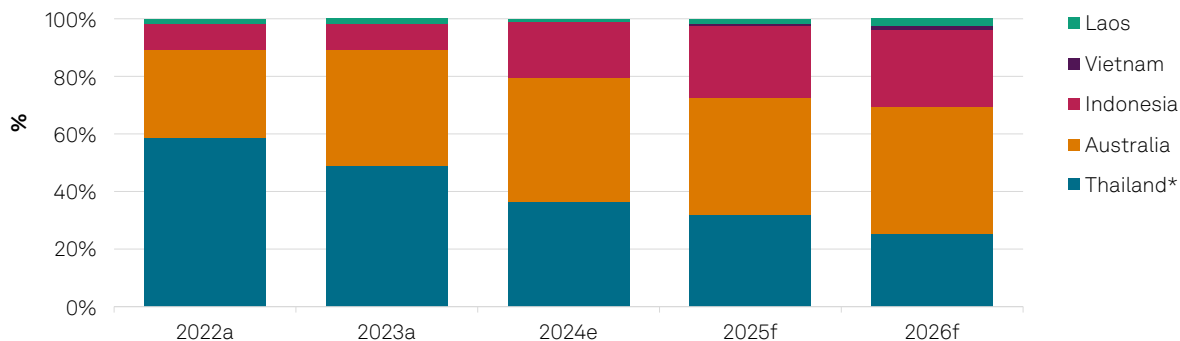
Ratch's committed offshore expansion plans will steadily improve its geographic diversification. That said, overseas expansion could also expose the company to higher regulatory risks in countries such as Indonesia, Vietnam, and Laos than the stable regulatory environment in Thailand.

Still, we expect favorable PPAs that support long-term cash flow visibility and stability to mitigate such risks. For instance, Paiton benefits from long-term PPAs with Perusahaan Perseroan (Persero) PT Perusahaan Listrik Negara (BBB/Stable/--). These PPAs provide availability-based payments with full passthrough of operating and fuel costs, protecting Paiton from volume and fuel cost risks.

In Vietnam, Ratch also has long-term PPAs with the state-owned utility, Vietnam Electricity. Ratch also typically prefers to hold equity stakes in projects in countries with less-established regulatory framework and will form strategic partnerships with experienced international or local investors to manage these risks.

Ratch's overseas expansion will further improve geographic diversification

% of adjusted EBITDA contribution by country



*Includes dividend income from equity affiliates that have PPAs with EGAT. a--actual. e--estimate. f--forecast. PPAs--Power purchase agreements. Source: S&P Global Ratings.

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Ratch's diversification into non-energy infrastructure-related sectors could pose some risks

to earnings and cash flow stability. The company has invested in infrastructure projects, including telecommunications, healthcare, and transportation projects, in Thailand. It plans to make additional investments in these sectors, which it expects to form up to 10% of the company's revenue eventually. These investments may have different cash flow and risk profiles from availability-based power assets. Some execution risks exist, given Ratch's lack of expertise and track record of operating projects outside the power sector.

Ratch's strategy of collaborating with experienced partners with good technical capabilities and investing through minority stakes could partially mitigate the execution risks. Moreover, EBITDA contribution from these investments will be limited, at less than 5% annually over the next five years. We believe the company will prudently evaluate investments based on their earnings profiles and payback periods.

Financial Risk

Ratch's leverage will remain high over the next three years as it continues to pursue growth investments. We expect the company to fund these largely with debt. The increase in spending will outpace earnings growth because Ratch will also spend on assets under construction and development that do not immediately generate cash flow.

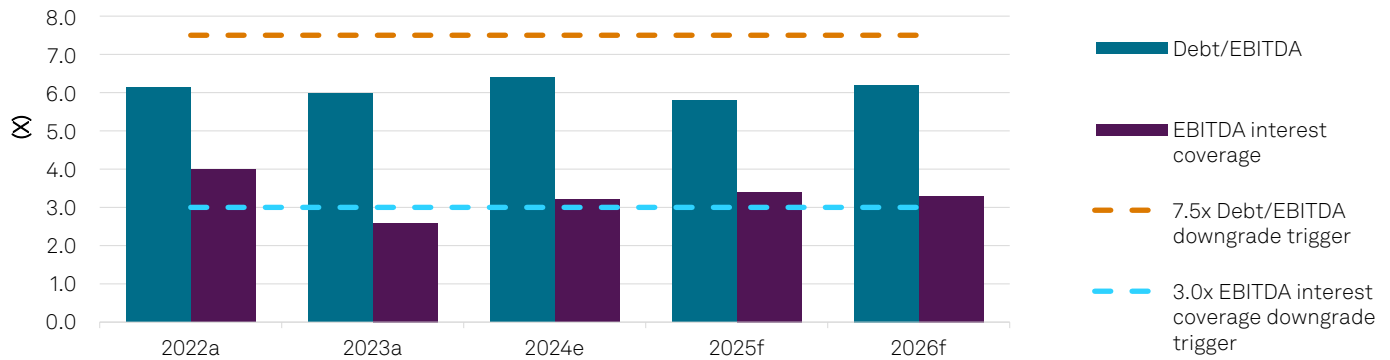
In view of the heavy capex plans and the absence of any meaningful plans to deleverage, Ratch's debt-to-EBITDA ratio could stay at 5.8x-6.2x over 2025-2026, after a temporary rise in 2024 to 6.4x. We project negative free operating cash flow (including acquisitions) for 2024 due to the Paiton acquisition. This could persist if the company undertakes additional capex beyond our base case. We note the 36.3% stake acquisition in Paiton for THB22 billion was partly funded by debt and partly from the THB25 billion proceeds from its preferential public offering in 2022.

Furthermore, the debt-to-EBITDA and EBITDA interest coverage ratios of Ratch could come under pressure if the company undertakes additional spending on similar scale as its Nexif or Paiton acquisition, without any commensurate increase in earnings. However, it has some flexibility to control leverage, depending on the cash flow profile of its new investments, the pace of its capital spending, and its financial policy.

We do not consolidate the debt of associates and equity-accounted joint ventures because such debt is project financing and nonrecourse to the company. Also, the operational projects are largely de-risked, with little likelihood of a need for extra support from the sponsor. This is evident from Ratch's record of largely visible and stable dividends. However, we may revisit our assessment should there be a deterioration in the quality of dividends, or incidences of extraordinary support flowing to these minority investments.

Given Ratch's growing investments in equity affiliates, we will continually assess the effect on the company's financials by reviewing the ownership and standing of the co-shareholders, materiality and execution risks, and the reputational impact of an absence of support in the case of financial distress.

High debt funded spending will drive Ratch's leverage



a--actual e--estimate. f--forecast. Source: S&P Global Ratings.

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Ratch has currency risk from its debt denominated in foreign currencies, including the U.S. dollar, Australian dollar, and Japanese yen. Such debt formed about 58% of the company's reported debt as of June 30, 2024. However, the company has fully hedged its foreign-denominated debt via cross-currency swaps. Earnings from its Australia's operations also act as a natural hedge for its Australian dollar-denominated debt.

Debt maturities

Ratch Group Public Co. Ltd.--Debt Maturities*

Debt due in	Amount (Mil. THB)
Less than a year	26,075
Between 1-5 years	46,827
After 5 years	13,517
Total debt	86,419

*As of Dec. 31, 2023. THB--Thai baht.

Ratch Group Public Co. Ltd.--Financial Summary

Period ending	Dec-31-2018	Dec-31-2019	Dec-31-2020	Dec-31-2021	Dec-31-2022	Dec-31-2023
Reporting period	2018a	2019a	2020a	2021a	2022a	2023a
Display currency (mil.)	THB	THB	THB	THB	THB	THB
Revenues	43,175	39,724	37,552	39,902	77,778	45,623
EBITDA	10,227	10,296	9,958	9,647	11,861	11,519
Funds from operations (FFO)	7,860	8,159	8,191	7,711	7,768	7,413
Interest expense	1,337	1,428	1,551	1,868	2,977	4,443
Cash interest paid	1,354	1,402	1,409	1,715	3,200	3,961
Operating cash flow (OCF)	8,581	8,106	8,028	7,814	7,434	10,479
Capital expenditure	10,486	6,195	10,813	9,075	23,256	5,301

Ratch Group Public Co. Ltd.

Ratch Group Public Co. Ltd.--Financial Summary

Free operating cash flow (FOCF)	(1,904)	1,911	(2,785)	(1,261)	(15,822)	5,179
Discretionary cash flow (DCF)	(5,384)	(1,569)	(6,265)	(4,742)	(19,884)	1,118
Cash and short-term investments	13,924	9,369	8,614	9,861	37,500	30,069
Gross available cash	13,924	9,369	8,614	9,861	37,500	30,069
Debt	22,710	24,173	35,811	52,738	72,725	68,922
Common equity	59,936	59,414	60,522	77,810	107,403	107,133
Adjusted ratios						
EBITDA margin (%)	23.7	25.9	26.5	24.2	15.3	25.2
Return on capital (%)	15.4	11.5	12.3	10.5	7.8	6.7
EBITDA interest coverage (x)	7.6	7.2	6.4	5.2	4.0	2.6
FFO cash interest coverage (x)	6.8	6.8	6.8	5.5	3.4	2.9
Debt/EBITDA (x)	2.2	2.3	3.6	5.5	6.1	6.0
FFO/debt (%)	34.6	33.8	22.9	14.6	10.7	10.8
OCF/debt (%)	37.8	33.5	22.4	14.8	10.2	15.2
FOCF/debt (%)	(8.4)	7.9	(7.8)	(2.4)	(21.8)	7.5
DCF/debt (%)	(23.7)	(6.5)	(17.5)	(9.0)	(27.3)	1.6

Reconciliation Of Ratch Group Public Co. Ltd. Reported Amounts With S&P Global Adjusted Amounts (Mil. THB)

	Debt	Shareholder Equity	Revenue	EBITDA	Operating income	Interest expense	S&PGR adjusted EBITDA	Operating cash flow	Dividends	Capital expenditure
Financial year	Dec-31-2023									
Company reported amounts	86,419	97,997	43,675	7,145	2,883	4,443	11,519	10,745	4,061	3,065
Cash taxes paid	-	-	-	-	-	-	(144)	-	-	-
Cash interest paid	-	-	-	-	-	-	(3,961)	-	-	-
Lease liabilities	3,551	-	-	-	-	-	-	-	-	-
Accessible cash and liquid investments	(21,048)	-	-	-	-	-	-	-	-	-
Dividends from equity investments	-	-	-	2,125	-	-	-	-	-	-
Nonoperating income (expense)	-	-	-	-	6,973	-	-	-	-	-
Reclassification of interest and dividend cash flows	-	-	-	-	-	-	-	(265)	-	-
Noncontrolling/minority interest	-	9,136	-	-	-	-	-	-	-	-
Revenue: other	-	-	1,948	1,948	1,948	-	-	-	-	-
EBITDA: other	-	-	-	301	301	-	-	-	-	-
D&A: Impairment	-	-	-	-	197	-	-	-	-	-

Reconciliation Of Ratch Group Public Co. Ltd. Reported Amounts With S&P Global Adjusted Amounts (Mil. THB)

	Debt	Shareholder Equity	Revenue	EBITDA	Operating income	Interest expense	S&PGR adjusted EBITDA	Operating cash flow	Dividends	Capital expenditure
charges/ (reversals)										
EBIT: other	-	-	-	-	(301)	-	-	-	-	-
Capex: other	-	-	-	-	-	-	-	-	-	2,235
Total adjustments	(17,497)	9,136	1,948	4,374	9,118	-	(4,106)	(265)	-	2,235
S&P Global Ratings adjusted	Debt	Equity	Revenue	EBITDA	EBIT	Interest expense	Funds from Operations	Operating cash flow	Dividends	Capital expenditure
	68,922	107,133	45,623	11,519	12,000	4,443	7,413	10,479	4,061	5,301

Liquidity

We assess Ratch's liquidity as adequate because we expect the company's funding sources to cover uses by more than 1.2x over the 12 months ending June 30, 2025. The company has supportive banking relationships and good access to domestic and international debt markets, given its market position and indirect connection to the government through EGAT. We expect Ratch to maintain sufficient headroom under its covenants even if EBITDA declines by 15%.

Principal liquidity sources

- Cash and short-term investments of about THB15.7 billion as of June 30, 2024.
- Undrawn long-term committed facilities of about THB35.7 billion as of June 30, 2024.
- Cash flow from operations of about THB7.2 billion over the 12 months to June 30, 2025.
- Working capital inflow of THB 1.7 billion over the period

Principal liquidity uses

- Debt maturities of about THB19.4 billion over the 12 months to June 30, 2025.
- Consolidated capital spending, including investments in affiliates, of about THB3.6 billion over the period, which we view as committed spending.
- Dividend payments of about THB3.5 billion over the period.

Covenant Analysis

Requirements

Ratch Group Public Co. Ltd.--Covenant Analysis

	Covenant	Limit	Actual (as of June 30, 2024)
Private placement	Net debt/equity	<1.3x	0.94x

Source: Company disclosure.

Compliance expectations

Ratch remains in compliance with its financial covenants and maintains sufficient headroom above the requirements. We expect the company to maintain this cushion even if its EBITDA falls by more than 15%.

Environmental, Social, And Governance

Environmental factors are a moderately negative consideration in our credit rating analysis of Ratch. The company uses natural gas as the source for about 60% of its power generation. This is a bridge fuel as it transitions from fossil fuels to renewables.

However, Ratch's 36.3% stake in Paiton (741.5 MW equity capacity in a coal-fired plant in Indonesia) increased the company's exposure to coal to about 20% of overall equity operating capacity. This would delay its energy transition efforts.

Ratch has about 18% of capacity in renewables and aims to increase this to 30% by 2030. This could potentially improve the company's carbon exposure and fuel diversity. Majority long-term contracts without volume and fuel price risks will support this.

Environmental and social risks exist for some hydro projects, as seen in a joint-venture dam project in Laos. Although the financial impact of a break at this dam was insignificant, adverse public opinion or geopolitical resistance can affect Ratch's growth plans and execution capabilities.

Group Influence

Our ratings on Ratch benefit from a three-notch uplift from the stand-alone credit profile, based on our view of group support from EGAT.

We believe Ratch is strategically important within the EGAT group. EGAT maintains a 45% stake in Ratch and has a policy to keep at least 50% of total generating capacity in Thailand, including equity stakes in subsidiaries.

We believe Ratch benefits from indirect government support via its parent EGAT in times of financial distress, given its systemic importance in fulfilling power demand in Thailand. Ratch's key subsidiary Ratchaburi Electricity Generating Co. Ltd. supplies critical electricity to the western region of Thailand.

We believe EGAT will continue to support Ratch in its growth aspirations, as well as provide financial support, if needed. This is evident from EGAT's subscription to the company's equity issuance of THB25 billion in 2022, to help fund its sizable investments.

We believe Ratch is the preferred subsidiary of EGAT when it comes to overseas sourcing of power for Thailand on private projects. This is because of the company's experience and financial strength. EGAT's governor sits on Ratch's board and participates in the approval of such investments.

Nonetheless, we will continue to monitor the importance of Ratch to EGAT, given its expanding footprint outside Thailand.

Issue Ratings--Subordination Risk Analysis

Capital structure

As of June 30, 2024, Ratch's capital structure consisted of about THB97.8 billion of total debt. The company had US\$300 million (THB11.1 billion) of 4.5% senior unsecured notes due on March 27, 2028, and ¥15 billion (THB3.4 billion) of 2.72% senior unsecured bonds due on Aug. 24, 2026.

RH International (Singapore) Corp. Pte. Ltd., a wholly owned subsidiary of Ratch, issued both bonds, which Ratch irrevocably and unconditionally guarantees.

Analytical conclusions

We equalize the issue ratings on Ratch's guaranteed unsecured notes and bonds with the issuer credit rating on the company because the ratio of priority debt to total debt was 41% as of June 30, 2024. This is below our threshold of 50% for notching down the issue rating.

As Ratch's capital structure continues to evolve with its business growth, we will monitor for any subordination risks in its unsecured debt relative to other debt in the company's consolidated capital structure.

We do not include RH International (Singapore) Corp. Pte. Ltd.'s unsecured debt as part of the priority debt because we consider the debt to rank equally with that of the parent company, which guarantees the notes.

Rating Component Scores

Foreign currency issuer credit rating	BBB-/Stable/--
Local currency issuer credit rating	BBB-/Stable/--
Business risk	Satisfactory
Country risk	Intermediate
Industry risk	Moderately High
Competitive position	Satisfactory
Financial risk	Highly Leveraged
Cash flow/leverage	Highly Leveraged
Anchor	b+
Diversification/portfolio effect	Neutral (no impact)
Capital structure	Neutral (no impact)
Financial policy	Neutral (no impact)
Liquidity	Adequate (no impact)
Management and governance	Neutral (no impact)
Comparable rating analysis	Positive (+1 notch)
Stand-alone credit profile	bb-
Group credit profile	bbb+
Entity status within group	Strategically important (+3 notches)

Related Criteria

- Criteria | Corporates | General: Sector-Specific Corporate Methodology, April 4, 2024
- Criteria | Corporates | General: Corporate Methodology, Jan. 7, 2024
- Criteria | Corporates | General: Methodology: Management And Governance Credit Factors For Corporate Entities, Jan. 7, 2024
- General Criteria: Environmental, Social, And Governance Principles In Credit Ratings, Oct. 10, 2021
- General Criteria: Group Rating Methodology, July 1, 2019
- Criteria | Corporates | General: Corporate Methodology: Ratios And Adjustments, April 1, 2019
- Criteria | Corporates | General: Reflecting Subordination Risk In Corporate Issue Ratings, March 28, 2018
- General Criteria: Guarantee Criteria, Oct. 21, 2016
- General Criteria: Rating Government-Related Entities: Methodology And Assumptions, March 25, 2015
- Criteria | Corporates | General: Methodology And Assumptions: Liquidity Descriptors For Global Corporate Issuers, Dec. 16, 2014
- General Criteria: Country Risk Assessment Methodology And Assumptions, Nov. 19, 2013
- General Criteria: Methodology: Industry Risk, Nov. 19, 2013
- General Criteria: Principles Of Credit Ratings, Feb. 16, 2011
- General Criteria: Stand-Alone Credit Profiles: One Component Of A Rating, Oct. 1, 2010

Related Research

- South And Southeast Asia Infrastructure: All Clear For Takeoff, July 24, 2024
- Industry Credit Outlook Update Asia-Pacific: Utilities, July 18, 2024
- Asia-Pacific Energy Transition: Adapting to Looming Execution Risk, April 15, 2024
- Industry Credit Outlook 2024: Asia-Pacific Utilities, Jan. 10, 2024

Ratings Detail (as of December 01, 2024)*

Ratch Group Public Co. Ltd.

Issuer Credit Rating	BBB-/Stable/--
Senior Unsecured	BBB-

Issuer Credit Ratings History

16-Sep-2022	BBB-/Stable/--
23-Sep-2021	BBB/Stable/--
14-Dec-2020	BBB+/Negative/--

Related Entities

EGAT International Co. Ltd.

Issuer Credit Rating	BBB+/Stable/--
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Ratings Detail (as of December 01, 2024)*

RH International (Singapore) Corp. Pte. Ltd.

Senior Unsecured

BBB-

*Unless otherwise noted, all ratings in this report are global scale ratings. S&P Global Ratings credit ratings on the global scale are comparable across countries. S&P Global Ratings credit ratings on a national scale are relative to obligors or obligations within that specific country. Issue and debt ratings could include debt guaranteed by another entity, and rated debt that an entity guarantees.

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