TRIS RATING
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RATCH GROUP PLC

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CORPORATES

Company Rating:	AA+
Issue Ratings:	
Senior unsecured	AA+
Outlook:	Stable

Last Review Date: 09/08/23

Company Rating History:

Date	Rating	Outlook/Alert
05/08/21	AA+	Stable
10/04/15	AAA	Stable
25/04/13	AA+	Stable
09/02/11	AA	Stable
15/06/05	AA-	Stable
12/07/04	A+	Stable
26/06/03	A+	-

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RATIONALE

TRIS Rating affirms the company rating on RATCH Group PLC (RATCH) and the ratings on RATCH’s senior unsecured debentures at “AA+” with a “stable” rating outlook. The “AA+” ratings incorporate a two-notch uplift from RATCH’s stand-alone credit profile (SACP) of “aa-”, reflecting our view of RATCH as a strategically important subsidiary of the Electricity Generating Authority of Thailand (EGAT, rated “AAA/Stable”).

The SACP continues to reflect RATCH’s position as one of the leading private power producers in Thailand, its diversified power portfolio, and predictable cash generation backed by power purchase agreements (PPAs) with EGAT. The SACP is, however, constrained by the company’s increasing reliance on dividend income from associated companies, increasing exposure in overseas investments, and the rise in financial leverage from the substantial acquisitions made during 2022-2024.

KEY RATING CONSIDERATIONS

Leading private power producer in Thailand

RATCH is a leading power producer in Thailand, with a large equity operating capacity (capacity in proportion to its ownership in operating power plants) of around 9.0 gigawatts (GW) as of June 2024. RATCH’s power portfolio is diversified across different sites and varied types of power generation. Of the total operating capacity, about 70% was covered by PPAs with either EGAT or the Provincial Electricity Authority (PEA, rated “AAA/Stable”), suggesting a minimal counterparty risk. The PPAs with EGAT have provided stability of earnings as they include pricing formulas structured on a pay-if-available basis, significantly mitigating market risk. The EGAT PPAs also have mechanisms for passing fuel costs through to EGAT. PPAs with PEA are on a non-firm basis.

Significant exposure in Australia

RATCH has grown its overseas presence in several countries, including Australia, Vietnam, Indonesia, and Laos, selling electricity to the respective state utilities, as well as industrial customers.

RATCH’s power portfolio in Australia comes in second in terms of capacity. The company owns gas-fired power plants, solar farms, and wind farms, with total capacity of 1,581 megawatts (MW) as of June 2024. The majority of RATCH’s revenues in Australia are generated under direct PPAs with local utility entities and industrial customers.

Revenue from RATCH’s power plants in Australia is expected to keep increasing, reaching THB8-THB9 billion by 2026, from about THB7 billion expected in 2024. We anticipate that this growth will largely come from expansion of its wind farm and battery projects.

Ongoing investments to offset retiring RATCHGEN

We expect RATCH’s earnings contribution from Ratchaburi Electricity Generating Co., Ltd. (RATCHGEN) to continue to decline during 2024-2026 as availability payments taper off as scheduled during the final periods of PPAs. The PPAs of RATCHGEN’s two thermal power units will expire in 2025, while the PPAs of the three combined-cycle blocks will expire in 2027.

Meanwhile, RATCH still holds EGAT PPAs for its power plants under the Small Power Producer (SPP) scheme, with an aggregate contracted capacity of 210 MW.

RATCH has completed a series of investments to fill the gap following the retirement of its major earnings contributor. The company also has several projects under construction and development. Notable projects in the pipeline include the Hin Kong Combined-cycle Power Project Block 2 in Ratchaburi Province (51% owned by RATCH), the 362-MW expansion in the Lincoln Gap Wind Farms with battery storage in Australia, and renewable projects in the Philippines with 550 MW in total capacity attributable to RATCH. In addition, RATCH has invested in several infrastructure projects and expanded into non-power businesses. Still, we expect power investments to remain the centerpiece of RATCH's business strategy.

RATCH aims to achieve carbon neutrality by 2050, aligning with national targets and stakeholder expectations. By 2030, the company plans to have 30% of its portfolio in renewable energy, increasing to 40% by 2035. This target is supported by key investments, such as the recent acquisition of Nexif Energy's substantial renewable energy portfolio.

Strong earnings in 2023

In 2023, RATCH's EBITDA increased by 13% to THB14.2 billion, due in large part to a rise in interest income and a full-year realization of benefits from the power portfolio of NEXIF Energy, acquired in December 2022. The acquired portfolio comprises a gas-fired power plant and renewable power plants, adding 450 MW of attributable capacity in operation. The contribution from NEXIF Energy helped mitigate a THB1 billion decline in EBITDA from RATCHGEN.

In addition, RATCH's SPPs staged stronger profitability, aided by the heightened fuel adjustment charge (Ft) amidst declined gas costs. RATCH's EBITDA in the first quarter of 2024 was THB3.4 billion, representing a decrease of just 6% year-on-year (y-o-y), mainly due to lower dividend income from joint ventures and associates. We expect dividend income to pick up in the second half of the year.

Further overseas diversification

In April 2024, RATCH completed the acquisition of a 36.26% stake in Paiton Energy for a total investment cost of USD591 million (or about THB21 billion). Paiton Energy is a 2,045-MW coal-fired power plant complex in Indonesia, holding PPAs with the state-owned PT Perusahaan Listrik Negara (Persero) (PLN), which will expire in 2042.

Paiton Energy added 742 MW to RATCH's power portfolio. We anticipate that the returns from this investment will be relatively predictable, as cash flows are protected by a take-or-pay and cost pass-through mechanism in the tariff structure. In addition, approximately 60% of the generating capacity is backed by a payment guarantee from the Government of Indonesia.

We view that this acquisition along with the acquisition of NEXIF Energy's power portfolio will benefit RATCH in terms of greater geographical diversification. The diversification strategy reduces the company's customer concentration risk, thereby increasing its exposure to counterparties in the power markets of Indonesia and the Philippines, as well as market risk in Australia's liberalized power market. Consequently, RATCH's business profile is expected to shift towards greater exposure to international power markets.

Increasing reliance on dividends from power investments

RATCH's earnings have a tendency to increasingly depend on dividend income from investments in joint ventures and associate companies, which are influenced by the performance and cash flow structures of the underlying projects. However, we believe RATCH's well-diversified portfolio should help stabilize its earnings during our forecast period. We project that dividends from equity investments will rise to approximately THB3.8-THB4.6 billion annually during 2024-2026, suggesting an increasing contribution to RATCH's EBITDA of about 35% by 2026.

As a result, we forecast RATCH's annual EBITDA for 2024-2026 to be in the range of THB12.5-THB13.5 billion, driven mainly by revenue growth from wind farms in Australia and dividend income from Paiton Energy. This growth is partially offset by the declining cash generation from RATCHGEN.

Investments to push up leverage

We forecast RATCH's debt to EBITDA ratio to increase to about 6-7 times during 2024-2026, from 4.3 times at the end of 2023. The increase is mainly attributed to the company's investment plans. We expect RATCH to spend about THB21-THB23 billion over 2024-2026 on maintenance, developments under NEXIF Energy's power portfolio, and other potential projects. This spending is on top of about THB21 billion for the acquisition of Paiton Energy in April 2024. We expect RATCH's debt to capitalization ratio to rise to the range of 43%-47% in 2024-2026, up from 36.3% at the end of 2023.

Adequate liquidity

We assess RATCH's liquidity as adequate to service debt obligations and to finance committed investments over the following 12 months.

As of March 2024, RATCH's sources of liquidity comprised approximately THB36 billion in cash and cash equivalents plus around THB35 billion in undrawn credit facilities. We forecast RATCH's funds from operations (FFO) over the following 12 months to be about THB7-THB8 billion. We expect the combined liquidity sources to sufficiently meet all funding requirements for the following 12 months. RATCH has maturing debt obligations totaling THB25 billion over the same period, which the company has secured additional credit facilities of THB23 billion for refinancing. Additionally, the company also has committed to capital expenditures and equity investments of THB30-THB33 billion, including the completed Paiton Energy Project.

Debt structure

As of March 2024, RATCH's consolidated debt was THB96.6 billion. RATCH's priority debt consisted of THB34.1 billion in secured debts, plus about THB4.6 billion in unsecured debts owed by its subsidiaries. The priority debt to total debt ratio was about 40% at the end of March 2024. We expect the company to keep the ratio below 50% over the next three years.

Strategically important subsidiary of EGAT

EGAT has been a major shareholder of RATCH since it was founded in 2000, holding a 45% stake in the company. We view RATCH as a strategically important subsidiary of EGAT, based on the shareholding structure and the composition of the board of directors. We believe EGAT has a dominant influence in setting RATCH's business directions via the company's board of directors. About half of RATCH's directors and all its investment committee members are representatives of EGAT. We believe EGAT will maintain its interest in RATCH in the foreseeable future.

BASE-CASE ASSUMPTIONS

Key assumptions in TRIS Rating's base-case forecast during 2024-2026 are as follows:

- Availability factor of about 85%-90% for RATCHGEN's power plants.
- Lincoln Gap 3 Wind Farm to begin commercial operation in early 2026.
- Dividends received from equity investments of around THB3.8 billion in 2024, increasing to THB4.0-THB4.6 billion per year during 2025-2026.
- Total investment of about THB42-THB44 billion, inclusive of the acquisition of the Paiton Energy Project completed in April 2024.

RATING OUTLOOK

The "stable" outlook reflects our expectation that RATCH will maintain its status as a strategically important subsidiary of EGAT. We also expect RATCH to generate satisfactory returns from its investments to offset the declining contribution from RATCHGEN. Additionally, we expect that its debt to EBITDA ratio will generally remain below 7 times.

RATING SENSITIVITIES

A downward revision to the rating on EGAT, or a change in our view of RATCH's strategic relevance to EGAT, or a material change in the SACP could impact the ratings on RATCH.

We are unlikely to raise the SACP over the next 12-18 months. Conversely, downward pressure on the SACP could develop following further significant increases in financial leverage, weaker-than-expected returns on investments, or delays in major ongoing projects. The company's growing exposure in highly competitive markets could also weaken the SACP. A downgrade of the ratings on RATCH would be triggered by an SACP of "a" level or below.

COMPANY OVERVIEW

RATCH is a holding company focusing its investment on power and infrastructure projects. The company was established in 2000 to purchase the "Ratchaburi Power Plant" from EGAT and was listed on the Stock Exchange of Thailand (SET) in the same year. EGAT remains the company's major shareholder with a 45% stake.

RATCH is a leading power producer in Thailand. As of June 2024, the company's aggregate equity capacity of power projects was 11.0 GW. About 9.0 GW was in operation, while 2.0 GW was under planning, development, or construction. Of the total operating capacity, about 65% was covered by PPAs with either the EGAT or the PEA, and about 11% with PLN—the Indonesian state electricity company. About 14% of total capacity from gas-fired power plants, solar farms, and wind farms is contracted under PPAs with utility companies in Australia. The remainder of the company's capacity primarily comes from its overseas power plants, which primarily operate under contracts with major utility entities in their respective countries. These include contracts with Electricite Du Laos (EDL) and Vietnam Electricity (EVN).

RATCH has expanded its investment scope into infrastructure projects since 2017. As of June 2024, RATCH held 10% stakes in two mass rapid transit projects in Bangkok—the Pink Line and the Yellow Line. RATCH also held a 40% stake in a water supply project in Laos, a 51% stake in an underground optic fiber network project in Thailand, a 35% interest in the infrastructure for the “Things on Net Project” in Thailand, a 15% shareholding in Bangkok Aviation Fuel Services PLC (BAFS), and a 10% shareholding in Principal Capital PLC (PRINC). Currently, investments in infrastructure projects constitute less than 5% of RATCH’s total assets.

RATCH acquired a 36% stake in the 2.0-GW Paiton Energy Power Plant Complex in Indonesia in April 2024, adding about 742 MW in equity capacity to its conventional-fuel portfolio. The company also acquired NEXIF Energy’s 1.5-GW power portfolio in December 2022, comprising mostly renewable projects in Australia, the Philippines, Thailand, and Vietnam.

Table 1: RATCH’s Power Portfolio as of 30 Jun 2024

Project Name	Plant Type	Project Capacity (MW)	RATCH Holding (%)	RATCH Capacity (MW)	PPA Term (Year)	Expiry Year
Projects in operation						
1. RATCHGEN	Thermal/CCGT	3,645	100.0	3,645	25	2025, 2027
2. RPCL	CCGT	1,490	25.0	373	25	2033
3. NN2	Hydro	615	25.0	154	25+2	2038
4. Hongsa	Thermal (lignite-fired)	1,878	40.0	751	25	2040
5. Solarta	Solar power	42	49.0	21	5	2021,2022 (Auto-renewal)
6. Solar Power	Solar power	22	40.0	9	5	2022 (Auto-renewal)
7. Huay Bong 2	Wind-turbine	104	20.0	21	5	2023 (Auto-renewal)
8. Huay Bong 3	Wind-turbine	104	20.0	21	5	2022 (Auto-renewal)
9. RW Cogen	Cogeneration	235	40.0	94	25	2039, 2040
10. Songkla Biomass	Thermal (biomass)	10	40.0	4	5	2036
11. NNEG	Cogeneration	202	40.0	80	25	2041
12. Berkprai	Cogeneration	99	35.0	35	25	2044
13. RATCH Cogen	Cogeneration	151	100.0	151	25	2038
14. Xe Pian-Xe Namnoy	Hydro	410	25.0	103	27	2046
15. EDL-Gen	Mostly hydro	1,977	10.1	200	n.a.	n.a.
16. RAC	Gas, wind, solar	1,645	100.0	1,581	Merchant, 3-25	2023-2037
17. Asahan-1	Hydro	180	47.9	86	30	2040
18. Thang Long	Thermal (coal-fired)	620	22.1	137	25	2043
19. BAFS solar in Japan	Solar power	13	15.5	2	n.a.	n.a
20. Ratch Pathana Energy	Cogen/biomass/solar	182	51.7	94	25/ 5	2024 (Cogen)
21. RATCH Energy Rayong	Cogeneration	98	100.0	98	25	2047
22. Riau	CCGT	296	49.0	145	20	2042
23. Song Giang 2	Hydro	37	46.1	17	20	2034
24. Coc San Hydro	Hydro	30	58.5	17	20	2036
25. Minh Luong HPP	Hydro	30	49.0	15	20	2034
26. Hin Kong Block 1	CCGT	770	51.0	393	25	2024
27. Ecowin	Wind	30	51.0	15	20	2024
28. Paiton Energy	Thermal (coal-fired)	2,045	36.3	742	43/30	1999/2012
29.BAFT Solar Farm	Solar power	36	15.5	6	various	various
Sub Total		***16,995***		***9,007***		
Projects under development or under acquisition						Expected COD
1. Nexif Ben Tre	Wind-turbine	80	75.0	60	20	2024
2. R E N Korat	Cogeneration	30	40.0	12	n.a.	2024
3. Hin Kong Block 2	CCGT	770	51.0	393	25	2025
4. NNEG (exp. 2)	Cogeneration	30	40.0	12	n.a.	2024
5. Xekong 4A 4B	Hydro	355	60.0	213		2033
6. Sibundong Hydro	Hydro	74	50.0	37		2029
7. Solarist Thungfai	Solar	27	51.7	14.0		2027

8. Nexif Energy pipeline & Other projects	Wind/solar/battery	various	various	2024 and beyond
Sub Total		***1,366***	***1,810***	
Grand Total		**18,361**	**10,817**	

Source: RATCH

Table 2: RATCH's Infrastructure Portfolio as of 30 Jun 2024

Project / Company Name	Business Type	RATCH Holding (%)	RATCH's Investment (Mil. THB)	COD (e)
1. MRT Pink & Yellow Lines	Mass rapid transit	10.0	2,880	2023/2023e
2. Sandin Water Supply	Water supply	40.0	179	2018/2031e
3. Things on Net	IoT network and based station	35.0	180	In operation
4. Smart Infranet	Optic fiber network	51.0	280	In operation
5. Intercity Motorway (M6 & M81)	Transportation	10.0	185	2023e
6. Bangkok Aviation Fuel Service PLC	Aviation fuel service	15.5	2,712	In operation
7. Principal Capital PLC	Healthcare business	10.0	1,558	In operation
8. PRINC Sakhon Nakhon & Mukdaharn Hospitals	Healthcare business	25.0	150	Under construction
9. BCIL	Healthcare business	9.9	190	In operation
10. Hin Kong Power Holding	Natural gas import	51.0	770	Under development
Total			**9,084**	

Note: e = estimation
Source: RATCH

FINANCIAL STATISTICS AND KEY FINANCIAL RATIOS*

Unit: Mil. THB

		-----------Year Ended 31 December ---------			
	Jan-Mar 2024	2023	2022	2021	2020
Total operating revenues	10,065	46,933	78,262	40,525	38,047
Earnings before interest and taxes (EBIT)	2,297	9,856	9,062	9,291	7,692
Earnings before interest, taxes, depreciation, and amortization (EBITDA)	3,359	14,179	12,544	10,265	10,256
Funds from operations (FFO)	2,123	9,196	8,860	8,106	8,569
Adjusted interest expense	1,025	4,485	3,022	1,947	1,670
Capital expenditures	561	3,065	2,386	1,894	4,633
Total assets	230,412	213,479	229,578	157,015	112,132
Adjusted debt	63,037	61,016	62,490	52,250	35,461
Adjusted equity	113,683	107,133	107,403	79,278	60,522
Adjusted Ratios					
EBITDA margin (%)	33.4	30.2	16.0	25.3	27.0
Pretax return on permanent capital (%)	4.6 **	4.9	5.2	7.6	7.9
EBITDA interest coverage (times)	3.3	3.2	4.2	5.3	6.1
Debt to EBITDA (times)	4.5 **	4.3	5.0	5.1	3.5
FFO to debt (%)	14.1 **	15.1	14.2	15.5	24.2
Debt to capitalization (%)	35.7	36.3	36.8	39.7	36.9

* *Consolidated financial statements*
** *Annualized with trailing 12 months*

RELATED CRITERIA

- Group Rating Methodology, 7 September 2022
- Corporate Rating Methodology, 15 July 2022
- Key Financial Ratios and Adjustments for Corporate Issuers, 11 January 2022
- Issue Rating Criteria, 15 June 2021

RATCH Group PLC (RATCH)

Company Rating:	AA+
Issue Ratings:	
RATCH25NA: THB1,500 million senior unsecured debentures due 2025	AA+
RATCH30NA: THB1,500 million senior unsecured debentures due 2030	AA+
RATCH35NA: THB4,000 million senior unsecured debentures due 2035	AA+
Rating Outlook:	Stable

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