

Media Release:

# Ratings On CTCL Corp. And ECOVE Environment Corp. Placed On CreditWatch Negative On Receivable Collection Risk

April 22, 2025

## Rating Action Overview

- **CTCL Corp.** has disclosed that U.S. based Global Clean Energy Holdings, Inc. (GCEH), who has filed for restructuring under U.S. regulations, will repay in annual installments new Taiwan dollar (NT\$) 19.6 billion in receivables owed to CTCL by Bakersfield Renewable Fuels (BKRf). GCEH is the parent of BKRf.
- We believe CTCL might not fully recover the receivables which could keep CTCL's debt materially above our previous forecast, while impairment losses could significantly affect the company's EBITDA and credit metrics. However, the precise impact of this event on CTCL's credit metrics remains uncertain, pending the outcome of bankruptcy filings and the company's remedy actions.
- We placed our 'twA' long-term and 'twA-1' short-term rating on CTCL and its core subsidiary, **ECOVE Environment Corp.**, on CreditWatch with negative implications. We aim to resolve the CreditWatch placement once we have sufficient clarity on the impact of the event and the company's remedial actions on its credit metrics.

## Rating Action Rationale

**The CreditWatch placement with negative implication reflects the potential worsening impact of the bankruptcy of its US-based client on CTCL's debt leverage.** CTCL has approximately NT\$19.6 billion in accounts receivable associated with the BKRf project and has secured these receivables with mechanic lien on project assets to limit potential credit losses. However, the recovery prospects remain highly uncertain without further clarity on the project value. In addition, it could take years for CTCL to recover any or all receivables pending the conclusion of the relevant legal process and GCEH's final restructuring arrangement.

CTCL's inability to recover the receivables could materially push up its debt beyond our previous forecast. Additionally, recognizing impairment on these receivables could negatively affect CTCL's EBITDA and weaken its ratio of debt to EBITDA over the next two to three years. This could in turn deplete CTCL's financial headroom for the ratings and increase downgrade pressure if CTCL does not take sufficient measures to mitigate the potential financial impact. The measures could include reduced cash dividends, a capital injection, or the disposal of non-core investments. Under

### PRIMARY CREDIT ANALYST

**Irene Lai**  
Taipei  
+886-2-2175-6825  
irene.lai  
@spglobal.com  
irene.lai  
@taiwanratings.com.tw

### SECONDARY CONTACT

**Amelia Wu**  
Taipei  
+886-2-2175-6813  
amelia.wu  
@spglobal.com  
amelia.wu  
@taiwanratings.com.tw

our previous assumption for CTCL, we forecast significant capital expenditure on renewable energy and environmental service projects will increase the company's ratio of debt to EBITDA to close to 3x over 2026-2027.

**The CreditWatch placement for our ratings on ECOVE reflects our view of the company's core subsidiary status with CTCL group.** We continue to assess ECOVE as a core member of CTCL group and we equalize the ratings on ECOVE with our assessment of the CTCL's group credit profile of 'twa'. ECOVE accounts for a high percentage of the group's operating income, at over 40% on average for the past few years. ECOVE's stable performance in environmental services plays an important role supporting CTCL's performance stability. This is because the parent's project-based engineering, procurement, and construction business carries relatively high volatility and counterparty risk, as demonstrated by this bankruptcy related event.

## CreditWatch

We aim to resolve this CreditWatch placement when we receive enough clarity on the potential impact of the event and the company's likely remedy actions on its debt leverage and cash flow. This is particularly associated with the likely outcome of GCEH's restructuring plan, whose legal proceedings could see closure in August 2025 at the earliest. Additionally, we will confirm CTCL's risk management policies and internal control measures to mitigate such counterparty risk and the impact on the company's business risk profile.

## Related Criteria & Research

### Related Criteria

- Criteria | Corporates | General: Sector-Specific Corporate Methodology - April 04, 2024
- Criteria | Corporates | General: Corporate Methodology - January 07, 2024
- Criteria | Corporates | General: Methodology: Management And Governance Credit Factors For Corporate Entities - January 07, 2024
- General Criteria: National And Regional Scale Credit Ratings Methodology - June 08, 2023
- General Criteria: Environmental, Social, And Governance Principles In Credit Ratings - October 10, 2021
- General Criteria: Group Rating Methodology - July 01, 2019
- Criteria | Corporates | General: Corporate Methodology: Ratios And Adjustments - April 01, 2019
- Criteria | Corporates | General: Methodology And Assumptions: Liquidity Descriptors For Global Corporate Issuers - December 16, 2014
- General Criteria: Country Risk Assessment Methodology And Assumptions - November 19, 2013
- General Criteria: Methodology: Industry Risk - November 19, 2013
- General Criteria: Principles Of Credit Ratings - February 16, 2011

### Related Research

- Taiwan Ratings' Ratings Definitions - November 11, 2021

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## Ratings List

CreditWatch Action

	To	From
<b>CTCI Corp.</b>		
Issuer Credit Rating	twA/Watch Neg/twA-1	twA/Stable/twA-1
<b>ECOVE Environment Corp.</b>		
Issuer Credit Rating	twA/Watch Neg/twA-1	twA/Stable/twA-1

Certain terms used in this report, particularly certain adjectives used to express our view on rating relevant factors, have specific meanings ascribed to them in our criteria, and should therefore be read in conjunction with such criteria. Please see Ratings Criteria at [www.taiwanratings.com](http://www.taiwanratings.com) for further information. Complete ratings information is available to subscribers of Rating Research Service at [rrs.taiwanratings.com.tw](http://rrs.taiwanratings.com.tw). All ratings affected by this rating action can be found on Taiwan Ratings' public website at [www.taiwanratings.com](http://www.taiwanratings.com).

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