

# UNIVENTURES PLC

No. 241/2024  
27 December 2024

## CORPORATES

**Company Rating:** BBB+  
**Outlook:** Stable

**Last Review Date:** 08/12/23

### Company Rating History:

Date	Rating	Outlook/Alert
20/12/21	BBB+	Stable
24/09/19	BBB	Stable
01/03/19	BBB+	Alert Negative
08/09/16	BBB+	Stable
01/12/14	BBB	Positive
10/09/13	BBB	Stable
11/09/12	BBB	Alert Developing
17/10/08	BBB	Stable
13/06/07	BBB	Alert Developing
03/11/05	BBB	Stable

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## RATIONALE

TRIS Rating affirms the company rating on Univentures PLC (UV) at “BBB+” with a “stable” outlook. The rating reflects UV’s diversified portfolio, encompassing power, real estate development, construction/project management, as well as goods sales. The rating also acknowledges the significant and reliable contribution from the power business. However, the rating is constrained by the company’s relatively high financial leverage, intense competition across its operating industries, and the inherent volatility of its residential property and zinc oxide businesses.

## KEY RATING CONSIDERATIONS

### Diversified portfolio

UV’s recent acquisitions have broadened and diversified its businesses. In addition to the property development and zinc oxide businesses, the company currently holds a 55% stake in two gas-fired power plants through its joint venture (JV), Univenture BGP Co., Ltd. (UVBGP), a 60% stake in Patana Intercool Co., Ltd. (PIC), which manufactures and distributes commercial refrigerators, and a 38.12% stake in Stonehenge Inter PLC (STI), a construction/project management company.

These investments have significantly increased UV’s revenue and EBITDA. Annual revenue rose to THB15-THB17 billion, and EBITDA grew to THB1.9-THB2.5 billion during fiscal year (FY)2022-FY2024, compared with the THB3-THB4 billion revenue and THB0.2-THB0.5 billion EBITDA during FY2020-FY2021. Around 50%-55% of total revenues come from the power business, 20%-30% from goods and services, and 15%-20% from condominium sales.

### Improved power business partly offsets weaker results in other businesses

UV’s overall performance in FY2024 was slightly below our expectations. The weaker operating performance was mainly due to efforts to clear inventory through price reductions in the property development sector, and STI faced a decrease in gross margin due to project delays. Simultaneously, the zinc oxide and commercial refrigerator businesses encountered intense competition and the loss of key customers. However, the improved performance of the power business, buoyed by lower natural gas prices and more favorable fuel adjustment charges (Ft), helped offset the weak performance of other sectors. As a result, UV’s revenue was THB15.7 billion in FY2024, down by around 6% from FY2023, while EBITDA remained stable compared with the previous year.

Looking ahead, we expect UV’s operating performance to improve gradually. The company will continue to benefit from stable revenue and cash flow from the power business, and we expect improvements in STI’s gross profit margin to enhance UV’s overall margins. Given STI’s satisfactory gross profit margin plus less volatile revenue and cash flow compared with the property development and zinc oxide businesses, UV’s overall gross profit margin is projected to increase to around 18%-20% over the forecast period, from 16.5% in FY2024. The EBITDA margin is expected to remain steady at around 17%-19%.

### Power business to remain the key earnings driver over the next 2-3 years

UV’s annual revenue is projected to be THB15-THB16 billion, with EBITDA of THB2.7-THB2.9 billion over the next three years. The primary source of income

will be the power business, contributing 64%-68% of EBITDA, followed by property development business at 10%-12%, consulting/project management at 8%-9%, and other businesses making up the rest.

Earnings from the power business are supported by long-term power purchase agreements (PPAs) with the Electricity Generating Authority of Thailand (EGAT), ensuring reliable and stable income. Approximately 70%-80% of the power business revenues are secured by 25-year PPAs with EGAT, with minimal counterparty risk and contractual mechanisms to provide protection against market risk. The remaining duration of the PPAs is around 17 years.

UV's power plants currently have a combined net electricity generation capacity of around 407 megawatts (MW), up from the previous 360 MW following a major equipment overhaul and upgrade. The contracted capacity with EGAT remains unchanged at 270 MW, while electricity sold to industrial users (IU) was 89.7 MW in FY2024, up from 83.7 MW in FY2023. Thus, the additional capacity is anticipated to enhance electricity sales to IUs. We expect electricity sold to IUs to grow by 1%-3% per annum during FY2025-FY2027.

### **Planned expansion of utility and power businesses**

Under its long-term business plan, UV intends to invest in projects related to power and clean energy, as well as utility projects. Over the next three years, the company plans to invest in a solar farm as part of the industrial estate project to support the customers of Frasers Property (Thailand) PLC (FPT) in the Bang Na area. This investment will be made through UVBGP. The project is expected to have a production capacity of 60 MW with an investment cost of THB2.4 billion, targeted to be completed by 2028.

Looking forward, the company has several potential projects in the pipeline, including a 105 MW solar power project in the industrial estate, a cooling plant with a capacity of 21,000 tonnes per hour, and solar power plants to serve industrial estate customers in various provinces. Additionally, the company plans to develop several solar farm projects with a total production capacity of 495 MW over the next three to four years. However, these projects require substantial investment. Therefore, the company plans to divest some non-core assets and/or raise new equity capital from the listing of certain companies in its portfolio.

### **Financial leverage remains high despite gradual declines**

UV's total debt peaked at THB22 billion in FY2022 and has gradually declined as the company has not made any further significant investments or acquisitions. The debt to EBITDA ratio decreased to 6.4 times in FY2024 from around 10 times in FY2022. Looking forward, UV's debt to EBITDA ratio is projected to fall further to around 5-6 times in FY2025-FY2027. The fund from operation (FFO) to debt ratio is expected to improve and stay in the 11%-12% range. Additionally, the company is required to keep its interest-bearing debt to equity ratio below 2.75 times to comply with the financial covenants on its bank loans. As of September 2024, this ratio was 1.26 times. We expect the company to remain in compliance with this covenant over the next 2-3 years.

Our base-case projection for FY2025-FY2027 includes UV's annual capital expenditure (CAPEX) of THB400-THB800 million, covering maintenance CAPEX and the investment in a 60 MW solar farm in the industrial estate project. The budget for land for residential property business is slated to be around THB1.2-THB1.5 billion per annum. We have not accounted for any major investments or acquisitions over the next three years.

### **Manageable liquidity**

We assess UV's liquidity to be manageable over the next 12 months. Its sources of liquidity as of September 2024 consisted of THB2.9 billion cash on hand (including pledged cash) and THB3.3 billion undrawn uncommitted credit facilities. Its FFO over the next 12 months is expected to be around THB1.8 billion. Debt repayments over the next 12 months will amount to THB8.2 billion comprising THB4.3 billion in short-term loans, THB2.0 billion in long-term loans, THB1.8 billion in shareholder loans, and THB64 million in lease liabilities. Aside from its sources of liquidity, UV plans to partially rollover its short-term loans. The company also aims to repay some debt using cash from the transfers of unencumbered condominium units worth more than THB4.1 billion.

### **Debt structure**

As of September 2024, UV's consolidated debt, excluding lease liabilities, amounted to THB17.6 billion. The company's priority debt, including secured debts at the company and total debts of its subsidiaries, was THB14.2 billion. The priority debt to total debt ratio was 81%, exceeding our 50% threshold. Thus, we consider UV's unsecured creditors as significantly disadvantaged to its priority debt holders with respect to the priority of claims against the company's assets.

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## BASE-CASE ASSUMPTIONS

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Here are our key base-case assumptions for UV's operations in FY2025-FY2027:

- Total operating revenue of around THB15-THB16 billion per annum.
- EBITDA margin to hover around 17%-19%.
- Condominium project launches worth THB5 billion per annum in FY2026-FY2027.
- Budget for land acquisition at THB1.2-THB1.5 billion per annum.
- CAPEX at THB400-THB800 million per annum.

## RATING OUTLOOK

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The "stable" outlook reflects our expectation that UV will be able to improve its operating performance as targeted. Despite its investment plans, UV's debt to EBITDA ratio should stay in the range of 5-7 times during FY2025-FY2027, while its EBITDA margin should range from 16%-18%.

## RATING SENSITIVITIES

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The rating and/or outlook on UV could be revised downward should its operating performance and/or financial profile significantly deteriorate from target levels, causing its debt to EBITDA ratio to stay above 7 times for an extended period. Conversely, the rating and/or outlook could be revised upward if the company can significantly enlarge its revenues and earnings, and its debt to EBITDA ratio remains below 4 times on a sustained basis.

## COMPANY OVERVIEW

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UV was founded in August 1980 to manufacture and distribute zinc oxide products. The company was listed on the Stock Exchange of Thailand (SET), in the petrochemical and chemical sector, in December 1988. UV shifted its business focus to property development and moved to the SET property development sector in September 2006. In mid-2007, Adelfos Co., Ltd. (Adelfos) acquired 51.6% of UV's shares and became the controlling shareholder. Adelfos is owned by members of the Sirivadhanabhakdi Family, which owns the TCC Group, a leading Thai conglomerate. As of September 2024, Adelfos held a 54% stake in UV while Siribhakditham Co., Ltd. held a further 12%. In total, the Sirivadhanabhakdi Family held a 66% stake in UV.

After the change of its major shareholder, UV increased its stake in Grand Unity Co., Ltd., UV's investment arm in the condominium segment. UV continued to expand its residential property portfolio to the landed property segment by acquiring a 50.64% stake in Golden Land Property Development PLC (GOLD) in late 2012 and buying a 100% stake in Krungthep Land PLC (KLAND) in 2014. In 2016, GOLD increased its capital via a private placement to Frasers Property Holdings (Thailand) Co., Ltd. (FPHT) in the amount of THB5 billion, diluting UV's stake in GOLD to 39.2%. At the beginning of August 2019, UV divested its stake in GOLD to Frasers Property (Thailand) PLC (FPT).

In January 2021, UV and BGrimm Power PLC (BGRIM) set up a JV, UVBGP, to invest in the power business. UV and BGRIM hold shares in UVBGP in the proportion of 55% and 45%, respectively. On 16 December 2021, the shareholders of UV approved the purchase of 100% of the shares of Eastern Cogeneration Co., Ltd. (E-COGEN) by UVBGP. The investment cost was around THB12.4 billion, including the assumption of THB17.1 billion of E-COGEN's debts. E-COGEN is a holding company, holding a 74.5% share of PPTC Co., Ltd. and a 100% stake in SSUT Co., Ltd. Both companies produce cogeneration power under the small power producer (SPP) scheme and have 25-year PPAs with EGAT and long-term contracts with IUs.

PPTC's cogeneration power plant is located in Lat Krabang Industrial Estate, Bangkok. It commenced operations in March 2016. The plant can produce up to 120 MW of electricity and 30 tonnes of steam per hour. PPTC has, to date, secured 90-MW PPAs with EGAT and purchases agreements with IUs for 37 MW of electricity and 12 tonnes of processed steam. SSUT owns two plants, with an aggregate capacity of 240 MW of electricity and 60 tonnes of steam per hour, located in Bang-Pu Industrial Estate, Samut Prakarn. SSUT achieved full operation of its two plants in December 2016. SSUT has secured 180-MW PPAs with EGAT and purchases agreements with IUs for 52 MW of electricity and 36 tonnes of processed steam.

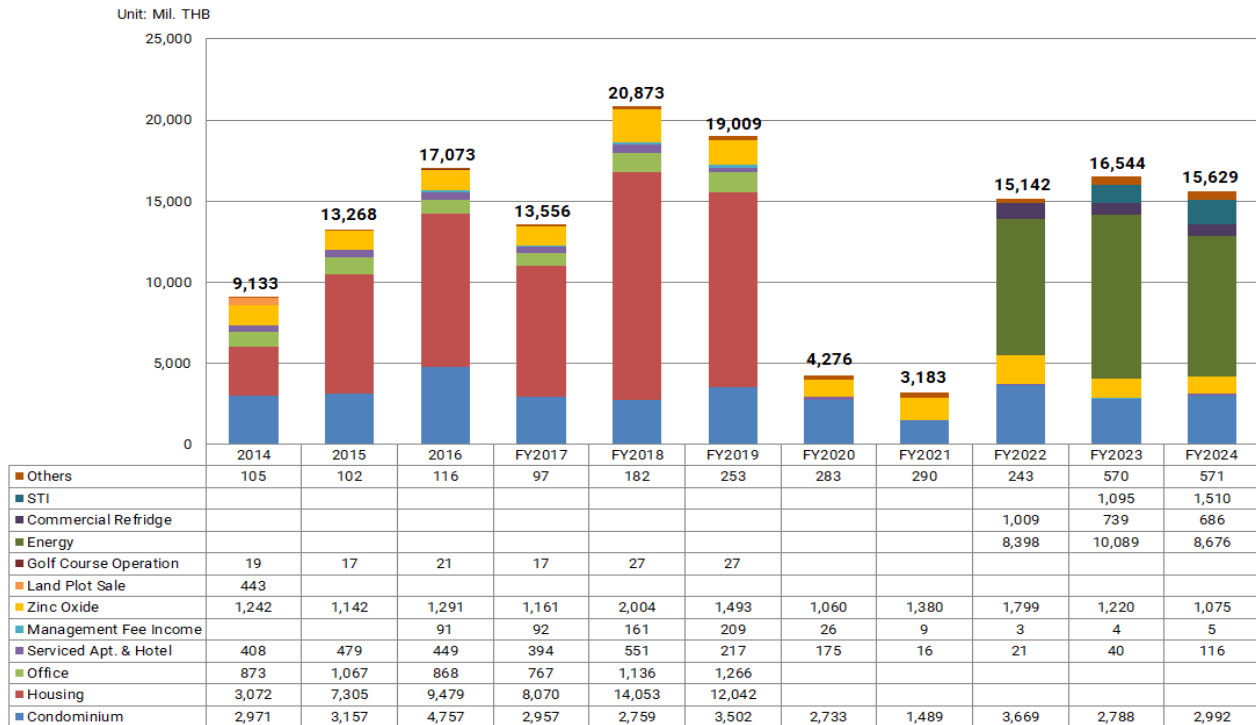
UV also purchased a 60% shareholding in PIC in October 2021. PIC is a manufacturer of commercial refrigerators for various businesses and industries. The investment cost was around THB560 million. Furthermore, UV, through its subsidiary, Univentures Capital Co., Ltd. (UVCAP), acquired an additional 12% share of STI with a total investment value of THB405 million in January 2023. With this acquisition, UV's total holding in STI rose to 38.12% from 26.12%. The investment changes the status of STI from an associated company to a subsidiary of UV given the degree of control over STI.

Currently, UV operates as a holding company with a diverse portfolio. Its current holdings comprise residential property, sales of goods and services (including zinc oxide, commercial refrigerators, and consulting/project management), a power

business, and other businesses. Around 50%-55% of total revenues come from the power business, while sales of goods and services contribute around 20%-30%, and condominium sales make up roughly 15%-20%.

**KEY OPERATING PERFORMANCE**

**Chart 1: Revenue Breakdown**



Source: UV

**Table 1: Power Plant Performance Statistics**

	Unit	Oct-Sep 2024	Oct-Sep 2023	Jan-Sep* 2022	Dec 2021	Dec 2020
Combined contract capacity						
- EGAT	MW	270	270	270	270	270
- IU (power)	MW	90	84	90	90	71
- IU (steam)	Ton/Hour	44	46	49	49	48
Availability factors						
- PPTC	%	98%	82%	88%	98%	98%
- SSUT	%	91%	97%	91%	96%	93%
Combined volume sold						
- Electricity sold (EGAT)	GWh	1,724	1,722	1,312	1,828	1,760
- Electricity sold (IU)	GWh	513	511	421	549	404
- Steam sold (IU)	GWhe	66	63	52	72	60
Heat rate						
- PPTC	BTU/KWh	7,563	7,691	7,664	7,657	7,597
- SSUT	BTU/KWh	7,700	7,594	7,614	7,655	7,808

\* Financial year end was changed from 31 December to 30 September. Data in 2022 comprises only nine months.

Source: UV

## FINANCIAL STATISTICS AND KEY FINANCIAL RATIOS\*

Unit: Mil. THB

	-----Year Ended 30 September -----				
	FY2024	FY2023	FY2022	FY2021	FY2020
Total operating revenues	15,741	16,725	15,245	3,280	4,317
Earnings before interest and taxes (EBIT)	1,304	1,300	1,077	63	340
Earnings before interest, taxes, depreciation, and amortization (EBITDA)	2,464	2,451	1,942	242	502
Funds from operations (FFO)	1,368	1,406	1,087	61	255
Adjusted interest expense	997	1,004	775	175	197
Real estate development investments	6,244	8,411	9,671	10,814	9,909
Total assets	38,666	41,060	39,852	16,950	19,764
Adjusted debt	15,879	18,083	19,362	3,089	2,166
Adjusted equity	14,738	14,906	13,553	10,496	10,883
<b>Adjusted Ratios</b>					
EBITDA margin (%)	15.7	14.7	12.7	7.4	11.6
Pretax return on permanent capital (%)	3.7	3.6	4.2	0.4	2.2
EBITDA interest coverage (times)	2.5	2.4	2.5	1.4	2.6
Debt to EBITDA (times)	6.4	7.4	10.0	12.8	4.3
FFO to debt (%)	8.6	7.8	5.6	2.0	11.8
Debt to capitalization (%)	51.9	54.8	58.8	22.7	16.6

\* Consolidated financial statements

## RELATED CRITERIA

- Homebuilders and Real Estate Developers Rating Methodology, 12 January 2023
- Corporate Rating Methodology, 15 July 2022
- Key Financial Ratios and Adjustments for Corporate Issuers, 11 January 2022

## Univentures PLC (UV)

<b>Company Rating:</b>	BBB+
<b>Rating Outlook:</b>	Stable

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