

UNIQUE ENGINEERING AND CONSTRUCTION PLC

No. 49/2024
14 June 2024

CORPORATES

Company Rating:	BBB
Issue Ratings:	
Senior unsecured	BBB-
Outlook:	Negative

Last Review Date: 04/04/24

Company Rating History:

Date	Rating	Outlook/Alert
12/04/23	BBB	Negative
16/03/22	BBB	Stable
01/04/21	BBB+	Negative
25/06/18	BBB+	Stable

Contacts:

Bundit Pommata

bundit@trisrating.com

Auyporn Vachirakanjanaporn

auyporn@trisrating.com

Parat Mahuttano

parat@trisrating.com

Suchada Pantu, Ph.D.

suchada@trisrating.com



WWW.TRISRATING.COM

RATIONALE

TRIS Rating assigns a rating of “BBB-” to Unique Engineering and Construction PLC (UNIQ)’s proposed issue of up to THB1.6 billion senior unsecured debentures. Proceeds from the new debentures will be used for UNIQ’s debt repayment, working capital, and business expansion. At the same time, we affirm the company rating on UNIQ at “BBB” and the ratings on UNIQ’s existing senior unsecured debentures at “BBB-”, with a “negative” rating outlook.

The issue ratings, being one notch below the company rating, reflect the subordination of UNIQ’s senior unsecured debentures, given that most of its debts are secured debts. As of 31 March 2024, UNIQ’s priority debt to total debt ratio was 64%, exceeding the 50% threshold outlined in TRIS Rating’s “Issue Rating Criteria”.

The ratings continue to reflect its competitive strengths in undertaking large public infrastructure projects and its substantial backlog. However, they are tempered by elevated financial leverage resulting from increased accounts receivable (A/R) and unbilled receivables, the cyclical nature of the engineering and construction (E&C) industry, and significant reliance on a few large construction projects.

The “negative” outlook reflects the challenges the company is facing in substantially reducing its working capital, particularly in A/R and unbilled receivables, and reducing its debts as targeted.

For the first three months of 2024 (3M2024), UNIQ reported total operating revenue of THB2.6 billion, in line with our projection. Its profitability in 3M2024 was superior to our projection, with EBITDA of THB590 million or an EBITDA margin of 23%, reflecting the improving cost control and lowering raw material costs.

However, the company’s financial leverage remained high. The debt to EBITDA ratio hit around 8.1 times in 3M2024, significantly higher than historical levels of 2-4 times. This was mainly due to the significant amount of debt to fund its increasing A/R and unbilled receivables. At the end of 2023, A/R and unbilled receivables increased to THB29.5 billion, up from below THB17 billion in 2018. This led to a corresponding increase in debt to THB23.6 billion in 2023, from below THB10 billion in 2018.

Looking ahead, UNIQ’s financial leverage will primarily depend on its ability to reduce the outstanding balances of A/R and unbilled receivables. UNIQ’s A/R and unbilled receivables largely relate to government projects, with frequent delays in disbursement of the fiscal budget. With the 2024 fiscal budget bill already approved and ready to be disbursed, we anticipate the company’s A/R and unbilled receivables to fall to around THB19-THB23 billion, with turnover days of A/R and unbilled receivables of around 600-800 days during 2024-2026. Also, we expect the company’s debt to EBITDA ratio to drop below 8 times.

UNIQ’s liquidity is tight but manageable. The company faces significant debt obligations maturing over the next 12 months. These include THB14.7 billion short-term loans, primarily in promissory notes (P/N), THB1.6 billion debentures, THB117 million lease liabilities, and THB43 million long-term loans.

CreditUpdate, reviews ratings of companies or debt issues that have already been rated by TRIS Rating. The CreditUpdate occurs when new debt instruments are issued or if significant events have taken place that may impact a company’s current ratings or when current ratings are cancelled. The CreditUpdate announces whether a rating has been “upgraded,” “downgraded,” “affirmed” or “cancelled.” The update includes information to supplement the previously published ratings.

Credit Updates are part of TRIS Rating’s monitoring process. TRIS Rating monitors every rating it assigns until either the debt instrument matures or the rating contract ends. To keep the public informed of changing situations, TRIS Rating periodically issues announcements about the credit ratings it monitors.

Repayment of short-term loans is rather flexible, as banks typically extend or roll over the loan tenor to align with project timelines. These loans will be repaid from proceeds received from project owners. UNIQ expects to cover the maturing long-term loans with its funds from operations (FFO). We expect the repayment of debentures to be partially funded through new debenture issuance and cash on hand. As of the end of March 2024, the company had THB3.1 billion in cash on hand and an undrawn corporate loan facility of around THB0.8 billion. Also, the company had undrawn project loan facilities of around THB17 billion, which can be used to support its construction works.

RATING OUTLOOK

The "negative" outlook reflects the challenges the company is facing to significantly reduce its working capital, especially A/R and unbilled receivables, accelerate its cash collection, and reduce its debts as forecast. Failure to significantly reduce A/R and unbilled receivables in the next six to 12 months may lead to a rating downgrade.

RATING SENSITIVITIES

The ratings on UNIQ could be revised downward if its operating performance and/or financial profile deteriorate beyond our expectations, and its debt to EBITDA ratio remains persistently above 8 times with no signs of improvement. Conversely, the company's outlook could be revised to "stable" if it achieves its targeted operating results, significantly reduces A/R and unbilled receivables, and successfully improves its financial position, resulting in a debt to EBITDA ratio well below 8 times.

RELATED CRITERIA

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

Unique Engineering and Construction PLC (UNIQ)

Company Rating:	BBB
Issue Ratings:	
UNIQ248A: THB839.3 million senior unsecured debentures due 2024	BBB-
UNIQ257A: THB2,440.1 million senior unsecured debentures due 2025	BBB-
UNIQ262A: THB3,000 million senior unsecured debentures due 2026	BBB-
UNIQ267A: THB1,441.5 million senior unsecured debentures due 2026	BBB-
Up to THB1,600 million senior unsecured debentures due within 3 years	BBB-
Rating Outlook:	Negative

TRIS Rating Co., Ltd.

Silom Complex Building, 24th Floor, 191 Silom Road, Bangkok 10500, Thailand Tel: +66 2 098 3000

© Copyright 2024, TRIS Rating Co., Ltd. All rights reserved. Any unauthorized use, disclosure, copying, republication, further transmission, dissemination, redistribution or storing for subsequent use for any purpose, in whole or Any unauthorized use, disclosure, copying, republication, further transmission, dissemination, redistribution, or storing for subsequent use for any purpose, in whole or in part, in any form or manner or by any means whatsoever, by any person, of the credit rating reports or information is prohibited, without the prior written permission of TRIS Rating Co., Ltd. The credit rating is not a statement of fact or a recommendation to buy, sell or hold any debt instruments. It is an expression of opinion regarding credit risks for that instrument or particular company. The opinion expressed in the credit rating does not represent investment or other advice and should therefore not be construed as such. Any rating and information contained in any report written or published by TRIS Rating has been prepared without taking into account any recipient's particular financial needs, circumstances, knowledge and objectives. Therefore, a recipient should assess the appropriateness of such information before making an investment decision based on this information. Information used for the rating has been obtained by TRIS Rating from the company and other sources believed to be reliable. Therefore, TRIS Rating does not guarantee the accuracy, adequacy, or completeness of any such information and will accept no liability for any loss or damage arising from any inaccuracy, inadequacy or incompleteness. Also, TRIS Rating is not responsible for any errors or omissions, the result obtained from, or any actions taken in reliance upon such information. All methodologies used can be found at www.trisrating.com/rating-information/rating-criteria