TRIS RATING
A Strategic Partner of S&P Global

CreditUpdate เครดิตวาระ
New Issue Report

UNIQUE ENGINEERING AND CONSTRUCTION PLC

No. 86/2018
27 December 2018

CORPORATES

Company Rating: BBB+

Issue Rating:
Senior unsecured BBB

Outlook: Stable

Last Review Date: 25/06/18

Company Rating History:

Date	Rating	Outlook/Alert
25/06/18	BBB+	Stable

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RATIONALE

TRIS Rating affirms the company rating on Unique Engineering and Construction PLC (UNIQ) at "BBB+". At the same time, TRIS Rating assigns the rating on UNIQ's proposed issue of up to Bt5,000 million in senior unsecured debentures at "BBB". The one notch lower than the company rating reflects the ratio of the company's secured debt to total assets higher than a threshold level of 20%, under TRIS Rating's criteria. The proceeds from the new debentures will be used as working capital and for debt repayment.

The ratings reflect UNIQ's hefty project backlog, solid profitability, and growing track record of undertaking large-scale infrastructure projects. These strengths are partially offset by business concentration risks, a recent rise in financial leverage, as well as the cyclicality of and stiff competition in the engineering and construction (E&C) industry.

UNIQ's operating performance in the first nine months of 2018 was in line with TRIS Rating's forecast. Total operating revenues were flat at about Bt9 billion. The operating margin (operating income before depreciation and amortization as a percentage of sales) remained robust, staying at 23.3%. Under TRIS Rating's forecast, UNIQ's total operating revenues will reach Bt17 billion in 2020 from Bt12 billion in 2018, boosted by its sizable backlog of Bt34 billion. The operating margin could drop slightly from the current level as UNIQ will earn a low margin for the remaining work on the Red Line (Bang-Sue Rangsit) project.

Debt has risen recently as UNIQ acquired larger projects. The debt to capitalization ratio climbed to 52% as of September 2018, from 23.1% as of 2012. TRIS Rating projects the leverage ratio will stay around 50% over the next three years. Funds from operations (FFO) should range between Bt1.4-Bt2 billion per annum. This should be sufficient to cover the Bt500-Bt900 million in the long-term debt coming due in the years ahead.

A key financial covenant in UNIQ's debentures requires the net debt to equity ratio to stay below 3.5 times. The ratio, as of September 2018, was 1.1 times. Thus, the company was in compliance with this key financial covenant.

RATING OUTLOOK

The "stable" outlook reflects our expectation that UNIQ will maintain its competitive edge in public sector projects. In addition, UNIQ's profit margin will remain robust. Leverage is expected to hold around the current level.

RATING SENSITIVITIES

The rating upgrade could emerge if UNIQ can significantly enhance its revenue base, broaden the end markets it serves, while keeping profits robust and leverage under control. In contrast, UNIQ's ratings and/or outlook could be revised downward if the financial profile deteriorates substantially, possibly due to project delays or cost overruns or inefficient working capital management, slashing the operating margin below 12% or pushing the debt to capitalization ratio over 60%.

RELATED CRITERIA

- Key Financial Ratios and Adjustments, 5 September 2018
- Rating Methodology – Corporate, 31 October 2007

Unique Engineering and Construction PLC (UNIQ)

Company Rating:	BBB+
Issue Rating:	
Up to Bt5,000 million senior unsecured debentures due within 5 years	BBB
Rating Outlook:	Stable

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