

# UNIVENTURES PLC

No. 240/2023  
8 December 2023

## CORPORATES

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

**Last Review Date:** 19/12/22

### 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 larger business scale and more diversified investments following the acquisitions of power and commercial refrigerator businesses in 2021 as well as consulting/project management business in 2023. The rating also incorporates the high contribution from the stable power business. However, the rating is constrained by the fluctuating residential property and zinc oxide businesses as well as UV’s relatively high financial leverage.

## KEY RATING CONSIDERATIONS

### Expanded business scale with diversified portfolio

UV’s several acquisitions in recent years have significantly enlarged and diversified its business operations. The company acquired a 60% interest in Patana Intercool Co., Ltd. (PIC) in October 2021 and a 100% interest in Eastern Cogeneration Co., Ltd. (E-COGEN) through Univenture BGP Co., Ltd. (UVBGP) in December 2021 (UV holds a 55% interest in UVBGP while B. Grimm Power PLC (BGRIM) holds the rest). Recently, the company increased its holdings in Stonehenge Inter PLC (STI) to 38.12% from 26.12%.

Before these acquisitions, UV’s revenue and earnings before interest, taxes, depreciation, and amortization (EBITDA) for fiscal year (FY) 2021 were only at around THB3.3 billion and THB0.2 billion, respectively, while its asset size was around THB17 billion. Following the acquisitions, UV’s revenue expanded more than fivefold to THB15.2-THB16.7 billion while its EBITDA grew more than eightfold to THB1.9-THB2.5 billion during FY2022-FY2023. Its asset base also increased by more than twofold to THB40-THB41 billion during FY2022-FY2023.

Looking forward, we expect UV’s revenue and EBITDA to range between THB16.5 billion-THB17.5 billion and THB2.5 billion-THB3.0 billion, respectively. Revenue from the power business will remain the key source of revenue, accounting for 50%-55% of the total consolidated revenue, followed by property development at 14%-20%, consulting/project management at 10%-13%, and zinc oxide at 7%-9%. EBITDA from the power business should account for around 60%-65% of total EBITDA over the next couple of years, followed by consulting/project management business (9%-12%), property development (8%-13%), with the remaining businesses accounting for the rest.

### High contribution from stable power business

In our view, the acquisition of power businesses benefits UV not only in terms of business diversity but also the stability of UV’s revenue and cash flow. The more reliable and stable earnings from the power business than UV’s other businesses are secured by long-term power purchase agreements (PPAs) with the Electricity Generating Authority of Thailand (EGAT). Around 70%-80% of revenues from the power business are backed by 25-year PPAs with EGAT, which is a highly creditworthy counterparty. The remaining life of the PPAs is around 18 years.

The PPA with EGAT helps mitigate market risk. The embedded take-or-pay obligation requires EGAT to dispatch at least 80% of the contracted capacity, based on plant operating hours. The built-in pass-through mechanism of fuel

costs and exchange rates specified in the PPA also stabilizes the earnings rendered under this PPA.

Also, after the major overhaul of its power plants, the combined net generation is expected to grow to around 407 megawatts (MW) from 360 MW. The contracted capacity with EGAT will remain unchanged at 270 MW. The additional capacity will support the electricity sold to industrial users (IUs) in full. Hence, we expect the revenue from electricity sold to IUs to grow during FY2024-FY2026.

### **Benefits from diversification**

UV's overall performance in FY2023 fell short of our expectations. The softer-than-expected operating performance of UV was mainly due to the weakened performance of the property development, zinc oxide, and commercial refrigerator businesses. The property development business was impacted by slower housing demand and high competition. The zinc oxide business suffered a significant inventory loss following a sharp decline in zinc price. The commercial refrigerator business was pressured by high raw material costs, heightened competition, and loss of a key customer. However, the improved operating performance of the power business buoyed by the lower natural gas price and more favorable fuel adjustment charge (Ft) as well as the consolidation of STI since January 2023 helped offset the weak performance of UV's other businesses. UV's reported revenue growth by around 10% in FY2023 while its EBITDA and funds from operations (FFO) also expanded by 27% and 6%, respectively.

Going ahead, we expect the company to continue benefiting from its diversification efforts. Besides the stable revenue and cash flow from the power business, we expect the STI consolidation to enhance UV's overall margins given its satisfactory gross profit margin as well as less volatile revenue and cashflow compared with property development and zinc oxide businesses. The overall gross profit margin of UV is expected to slightly increase to around 17%-19% over the forecast period from 15% in FY2023 while the EBITDA margin is forecast to hover around 15%-17%.

### **Financial leverage: declining but higher than expected**

UV's financial leverage increased significantly in FY2022 following its series of acquisitions during FY2022-FY2023, especially of E-COGEN. The acquisition cost of THB12.4 billion was funded by THB6.4 billion equity from UV and BGRIM, and THB6 billion bank loans. Also, UVBGP had to assume THB9.0 billion debts of E-COGEN's subsidiaries. UV's adjusted net debt peaked at around THB19 billion in FY2022. It has declined gradually since then and is predicted to continue doing so provided there are no further significant investments or acquisitions. Its adjusted net debt to EBITDA ratio decreased to 7.4 times in FY2023 from around 10 times in FY2022 due to the improved EBITDA mainly from the power business and lower debt.

Looking forward, we expect UV's adjusted net debt to EBITDA ratio to further decrease to around 5-6 times in FY2024-FY2026. We further expect FFO to adjusted debt ratio to improve and stay in the 10%-12% range. This assumes that there will be no major investments or acquisitions in the next 2-3 years. Our base-case projection assumes UV will spend THB400-THB600 million annually during FY2024-FY2026 for its capital expenditure (CAPEX). The budget for land will be around THB1.0-THB1.2 billion per annum during FY2024-FY2026.

UV is required to keep its total liabilities to total equity ratio (excluding deferred income) below 2 times to comply with the financial covenants on its bank loans and debentures. As of September 2023, this ratio was 1.75 times. We expect the company to comply with this covenant over the next 12-18 months. However, UV's total debt, as per our priority debt calculation, was around THB20.1 billion. UV's priority debt, including secured debts at the company and total debt at the subsidiaries, was around THB15.3 billion. This translates to a priority debt to total debt ratio of 81%. Therefore, we consider the company's unsecured creditors to be significantly disadvantaged with respect to claims against the company's assets.

### **Manageable liquidity**

We assess UV's liquidity to be manageable over the next 12 months. Its source of liquidity as of September 2023 consisted of THB3.5 billion cash on hand (including pledged cash) and THB3.2 billion undrawn uncommitted credit facilities. Its FFOs over the next 12 months are expected to be around THB1.7 billion. UV's debt repayment over the next 12 months will amount to THB8.4 billion comprising THB4.8 billion short-term loans, THB2.3 billion long-term loans, THB1.2 billion shareholder loans, and THB78 million lease liabilities. Aside from its sources of liquidity, UV plans to partially rollover its short-term loans. The company will also repay some debt using cash from the transfers of unencumbered condominium units worth more than THB4.6 billion.

### **BASE-CASE ASSUMPTIONS**

- Total operating revenue to grow to THB16.8-THB17.3 billion per annum during FY2024-FY2026.
- EBITDA margin to hover around 16%-17% during FY2024-FY2026.
- UV to launch new condominium projects worth THB3.0 billion in FY2025 and THB4.0 billion in FY2026.
- Budget for land acquisition at THB1.0-THB1.2 billion per annum during FY2024-FY2026.
- CAPEX at THB400-THB600 million per annum during FY2024-FY2026.

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## RATING OUTLOOK

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The “stable” outlook reflects our expectation that UV will be able to improve its operating performance as targeted. UV’s debt to EBITDA ratio should gradually decline and stay in the 5-7 times range during FY2024-FY2026 while its EBITDA margin should range between 15%-17%.

## 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 drops 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 November 2023, Adelfos held a 54% stake in UV while Siribhakhitham 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 BGRIM set up a joint venture, 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 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 industrial users.

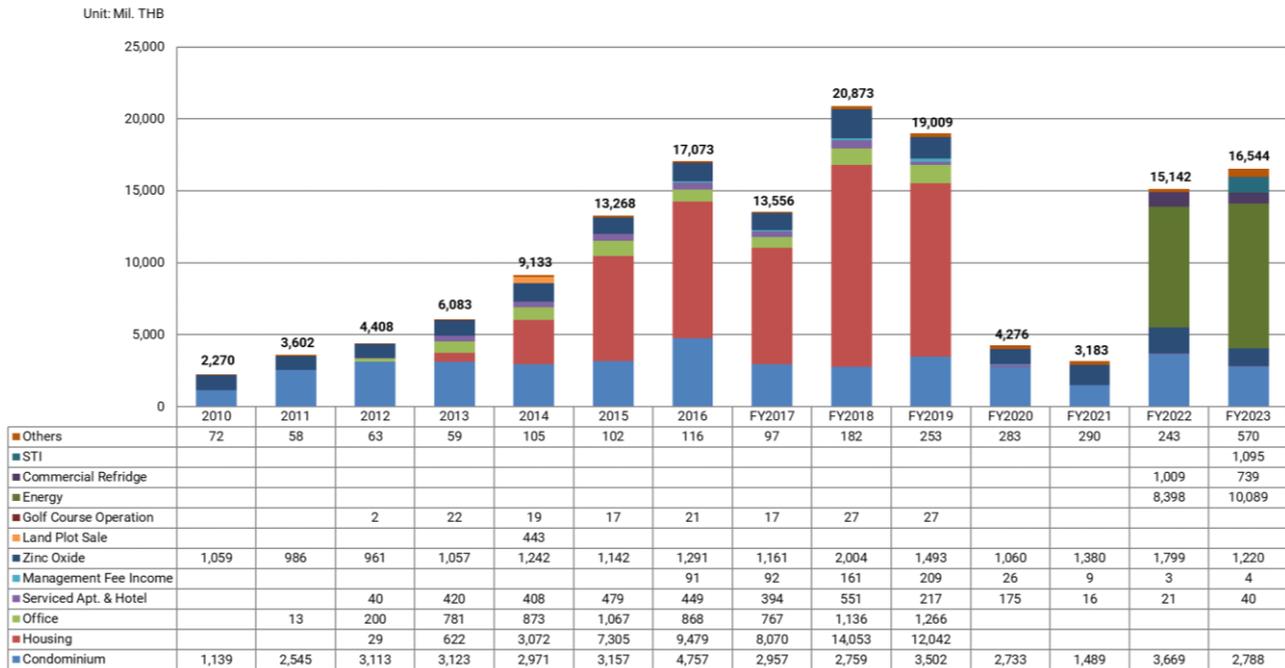
PPTC’s cogeneration power plant is located in Latkrabang Industrial Estate, Bangkok. It commenced operations in March 2016. The plant can produce up to 120 MW of electricity and 30 tonnes of steam per hour. PPTC has, to date, secured 90-MW PPAs with EGAT and purchase agreements with industrial users 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 Province. SSUT achieved full operation of its two plants in December 2016. SSUT has secured 180-MW PPAs with EGAT and purchase agreements with industrial users 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), additionally acquired 12% shares of STI with total value investment of THB405 million in January 2023. With this acquisition, total UV holding stake in STI increased to 38.12% from 26.12%. The investment changes the status of STI from an associated company to a subsidiary of UV given the 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	----- Year Ended 30 December -----				
		Oct-Sep 2023	Jan-Sep* 2022	Dec 2021	Dec 2020	Dec 2019
<b>Combined Contract Capacity</b>						
- EGAT	MW	270	270	270	270	270
- IU (Power)	MW	90	90	90	71	66
- IU (Steam)	Ton/Hour	49	49	49	48	20
<b>Availability Factors</b>						
- PPTC	%	82%	88%	98%	98%	88%
- SSUT	%	97%	91%	96%	93%	99%
<b>Combined Volume Sold</b>						
- Electricity Sold (EGAT)	GWh	1,722	1,312	1,828	1,760	1,850
- Electricity Sold (IU)	GWh	511	421	549	404	369
- Steam Sold (IU)	GWhe	63	52	72	60	44
<b>Heat Rate</b>						
- PPTC	BTU/KWh	7,691	7,664	7,657	7,597	7,836
- SSUT	BTU/KWh	7,594	7,614	7,655	7,808	7,789

\* 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 -----				
	FY2023	FY2022	FY2021	FY2020	FY2019
Total operating revenues	16,725	15,245	3,280	4,317	19,207
Earnings before interest and taxes (EBIT)	1,300	1,077	63	340	2,778
Earnings before interest, taxes, depreciation, and amortization (EBITDA)	2,451	1,942	242	502	3,741
Funds from operations (FFO)	1,406	1,087	61	255	2,026
Adjusted interest expense	1,004	775	175	197	682
Real estate development investments	8,411	9,671	10,814	9,909	10,230
Total assets	41,019	39,852	16,950	19,764	19,529
Adjusted debt	18,156	19,362	3,089	2,166	129
Adjusted equity	14,906	13,553	10,496	10,883	11,152
<b>Adjusted Ratios</b>					
EBITDA margin (%)	14.65	12.74	7.37	11.62	19.48
Pretax return on permanent capital (%)	3.59	4.16	0.40	2.16	10.19
EBITDA interest coverage (times)	2.44	2.51	1.38	2.55	5.48
Debt to EBITDA (times)	7.41	9.97	12.77	4.32	0.03
FFO to debt (%)	7.75	5.61	1.99	11.79	1,574.26
Debt to capitalization (%)	54.92	58.83	22.74	16.60	1.14

\* 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

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**Univentures PLC (UV)**

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

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**TRIS Rating Co., Ltd.**

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