

UNIQUE ENGINEERING AND CONSTRUCTION PLC

No. 98/2021

2 December 2021

CORPORATES

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

Last Review Date: 20/09/21

Company Rating History:

Date	Rating	Outlook/Alert
01/04/21	BBB+	Negative
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+” and the ratings on UNIQ’s existing senior unsecured debentures at “BBB”. At the same time, TRIS Rating assigns the rating of “BBB” to UNIQ’s newly proposed issue of up to THB2 billion senior unsecured debentures. The proceeds from the new debentures are intended for debt repayment and/or funding working capital. We maintain the “negative” outlook to reflect our concerns over the significant deterioration in UNIQ’s performance and financial profile.

The ratings continue to reflect UNIQ’s competitive strengths and sound profitability. However, these strengths are weighed down by the company’s high business concentration of construction projects in backlog. The ratings also take into consideration the fierce competition in the engineering and construction (E&C) industry and potential delays in the biddings for public construction projects, which impede the revival of UNIQ’s operating performance.

The issue ratings being one notch below the company rating reflects the subordination of the senior unsecured debentures to the priority debt. As of September 2021, UNIQ’s total debt, excluding financial leases, was THB17.6 billion. Of the total, about THB11 billion was secured debt, or priority debt. In effect, the priority debt to total debt ratio was 63%, exceeding the 50% threshold, indicating that the unsecured creditors are significantly disadvantaged to the priority debt holders with respect to claims against the company’s assets, according to TRIS Rating’s “Issue Rating Criteria”.

UNIQ’s operating performance has been hurt by fiercely competitive bidding and difficulties in construction management during the height of Coronavirus Disease 2019 (COVID-19) outbreak. For the first nine months of 2021, its total operating revenue was nearly THB8 billion, an increase of 3.9% year-on-year (y-o-y). In contrast, the company’s earnings before interest, taxes, depreciation, and amortization (EBITDA) totaled THB1.6 billion, a 7.6% y-o-y decrease. UNIQ’s debt surged to THB18.2 billion as of September 2021 due to a sharp rise in working capital needs. The company was saddled with large sums of unbilled receivables and account receivables related to the double-track railways, the fourth contract of the Orange Line electric rail route, and the Red Line electric railway. We maintain our forecast that UNIQ’s debt to EBITDA ratio could stay above 6 times in 2021. The ratio could decline to about 5 times in 2022-2023 as earnings recover.

RATING OUTLOOK

The “negative” outlook reflects our expectation of a significant deterioration in UNIQ’s earnings and financial profile in 2021, before gradually improving in the following years as we expect the company will be able to secure new contracts. However, uncertainties from the prolonged pandemic, delays in public project biddings, and intense competition remain the key risks.

RATING SENSITIVITIES

A rating downgrade could occur if UNIQ’s financial profile materially deteriorates below our expectations. This could be due to project delays, cost

overruns, or inefficient working capital management, such that the company's debt to EBITDA ratio remains above 5 times with no clear sign of improvement. Lower-than-expected amounts of new contracts could also weigh significantly on the ratings. In contrast, the rating outlook could be revised to "stable" if working capital management and profitability are in line with our expectations and UNIQ can secure new construction contracts as targeted.

RELATED CRITERIA

- Issue Rating Criteria, 15 June 2021
- Rating Methodology – Corporate, 26 July 2019
- Key Financial Ratios and Adjustments, 5 September 2018

Unique Engineering and Construction PLC (UNIQ)

Company Rating:	BBB+
Issue Ratings:	
UNIQ222A: THB2,000 million senior unsecured debentures due 2022	BBB
UNIQ232A: THB3,000 million senior unsecured debentures due 2023	BBB
UNIQ257A: THB2,440.1 million senior unsecured debentures due 2025	BBB
Up to THB2,000 million senior unsecured debentures due within 4 years	BBB
Rating Outlook:	Negative

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