

UNIQUE ENGINEERING AND CONSTRUCTION PLC

No. 123/2022

30 November 2022

CORPORATES

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

Last Review Date: 16/03/22

Company Rating History:

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

Contacts:

Rapeepol Mahapant

rapeepol@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 affirms the company rating on Unique Engineering and Construction PLC (UNIQ) at “BBB” and affirms 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 THB3 billion in senior unsecured debentures. The outlook remains “stable”. The proceeds from the new debentures are intended for debt repayment and/or funding working capital. The issue ratings being one notch below the company rating reflects the subordination of the senior unsecured debentures to the priority debt as UNIQ’s priority debt to total debt ratio as of September 2022 was 58%, exceeding the 50% threshold.

The ratings continue to reflect UNIQ’s competitive strengths in undertaking large public infrastructure projects and its hefty backlog helping secure revenue over the next few years. These strengths are weighed down by the company’s heavy reliance on a few large construction projects, as well as highly cyclical and intense competition in the engineering and construction (E&C) industry.

UNIQ has shown weakening operating performance recently. Its earnings before interest, taxes, depreciation, and amortization (EBITDA) for the first nine months of 2022 plummeted by 40.7% year-on-year (y-o-y) to THB641 million after a surge in raw material prices and labor costs. Moreover, large sums of outstanding unbilled receivables and account receivables kept working capital requirements high, pushing up its debt burden. As a result, the company’s debt to EBITDA ratio shot up to 12.8 times in the first nine months of 2022 from 7.1 times in 2021. However, UNIQ focuses on public sector projects, which generally pose a minimal payment risk. Leverage should drop significantly once the company receives payments from project owners.

We expect UNIQ to appropriately manage its liquidity. About half of the company’s debt comprised short-term project financing from banks, providing flexible debt repayment terms. Its record of delivering construction projects should enable it to rollover the short-term facilities. To manage liquidity, UNIQ recently sold its non-operating assets worth about THB2 billion in total, raising its cash balance to THB5.3 billion as of September of 2022. The proceeds from the new debentures should mainly be used to replace the debentures worth THB3 billion, coming due in February 2023.

RATING OUTLOOK

The “stable” outlook reflects our expectation that UNIQ will maintain its competitive edge in public work construction. Its profitability and leverage should improve, in line with our forecast.

RATING SENSITIVITIES

A rating downgrade could occur should there be a further deterioration in UNIQ’s financial profile. This could be caused by project delays, cost overruns, or inefficient working capital management, such that its debt to EBITDA ratio stays above 8 times on a sustained basis. In contrast, a rating upgrade could arise if its profitability and working capital management improves materially, resulting in a significant reduction in financial leverage.

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.

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:	
UNIQ232A: THB3,000 million senior unsecured debentures due 2023	BBB-
UNIQ257A: THB2,440.1 million senior unsecured debentures due 2025	BBB-
UNIQ262A: THB3,000 million senior unsecured debentures due 2026	BBB-
Up to THB3,000 million senior unsecured debentures due within 4 years	BBB-
Rating Outlook:	Stable

TRIS Rating Co., Ltd.

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

© Copyright 2022, 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