TRIS RATING
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TTCL PLC

No. 114/2025
11 July 2025

CORPORATES

Company Rating: BB+
Outlook: Negative

Last Review Date: 04/12/24

Company Rating History:

Date	Rating	Outlook/Alert
06/12/23	BBB-	Stable
30/11/22	BB+	Positive
15/03/19	BB+	Stable
11/10/18	BBB-	Stable
29/12/17	BBB	Stable
28/03/14	BBB+	Stable

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RATIONALE

TRIS Rating downgrades the company rating on TTCL PLC (TTCL) to “BB+” from “BBB-” and revises the company’s outlook to “negative” from “stable”. The rating downgrade reflects the company’s weaker-than-expected operating performance resulting from significant cost overruns in major projects and a declining backlog.

The “negative” outlook reflects the possibility that TTCL’s performance could decline further, as the company may face delays in the awarding of new projects due to the current economic slowdown and ongoing trade tensions. Moreover, TTCL faces cost overrun risks due to the termination of its construction contract for BSGF Co., Ltd. (BSGF)’s Sustainable Fuel Development Project, as the company is still in dispute with the project owner over additional costs.

The rating continues to reflect the company’s acceptable track record in industrial engineering, procurement, and construction (EPC) projects, steady dividend income from its investment in a power plant in Myanmar, as well as its exposure to the cyclical engineering and construction business.

KEY RATING CONSIDERATIONS

Performance falls short of targets

TTCL’s operating performance in 2024 through the first quarter of 2025 (1Q25) fell short of TRIS Rating’s expectations. Despite achieving revenue targets in 2024, the company reported a net loss of THB537 million. The drop in profitability was primarily driven by cost overruns on certain petrochemical and power projects, caused by construction delays and higher-than-expected materials and equipment costs.

In addition, TTCL’s investment in the black-pellet business is still in its early stages. The company is expected to require additional time to refine its products to align with customer requirements. Production is projected to increase gradually, reaching approximately 25% capacity in 2025 and ramping up to 50% by 2027. Consequently, revenue and earnings contributions from this business are expected to remain modest over the next two to three years.

As a result, the company’s overall gross profit margin dropped significantly, achieving just 2.2% in 2024, down from 7%-9% in 2022-2023. In 1Q25, although the gross profit margin improved to 10.7%, the company booked a provision for doubtful accounts of THB188 million related to a power plant construction project. This led to a net loss of THB92 million for the period. Consequently, TTCL’s EBITDA turned slightly negative at around THB60 million in both 2024 and 1Q25, a sharp decline from THB622 million reported in 2023.

Lagging backlog may impact future revenues

TTCL’s backlog is eroding. As of March 2025, TTCL’s backlog stood at THB5.3 billion, down from nearly THB20 billion in 2023. Most of the current backlog will be recognized as revenue within this year. The company secured new contracts worth only THB3.0 billion in 2024, and THB1.6 billion in the first half of 2025, which is substantially lower than its previous target of THB18 billion. This shortfall is primarily due to the postponement of several potential EPC project bids amid concerns over the economic slowdown and ongoing trade tensions.

Looking forward, we project TTCL's annual revenue to be THB6.5-THB7.5 billion in 2025-2026, before increasing to THB9.0 billion in 2027, based on the current backlog. We expect the company to secure new construction contracts worth THB5 billion in 2025 and around THB10-THB12 billion annually during 2026-2027. The company's gross profit margin is projected to hover around 7% over the forecast period. Its EBITDA margin is also expected to improve, increasing to 5% in 2027 from 2% in 2025. However, a failure to secure new construction contracts or any further decline in the company's profit margin may lead to additional adverse rating actions.

Potential losses from contract termination

TRIS Rating assesses those potential losses stemming from the termination of the construction contract for the Sustainable Fuel Development Project, owned by BSGF, could significantly impact TTCL's financial risk profile. As of March 2025, the company had accounts receivable and unbilled receivables totaling THB685 million related to the project that remained unpaid. If the company is unable to collect these amounts in a timely manner, it may need to set aside significant provisions for doubtful accounts.

Additionally, if the company holds substantial accounts payable related to this project, the need to settle these obligations with suppliers without reimbursement from the project owner could substantially weaken TTCL's capital structure and credit profile.

Acceptable track record in the industrial segment

TTCL is a major EPC contractor in Thailand, specializing in the petrochemical and energy sectors. Its expertise in EPC works differentiates it from other general contractors in the country. However, compared to international EPC firms, TTCL operates on a smaller scale. As a result, the company strategically targets medium-scale projects in which it can maintain a cost advantage over larger global competitors. The company also provides feasibility study services, which often pave the way for higher-value EPC contracts, even though they are relatively small in scale.

TTCL's major clients include leading corporations such as PTT Group, Bangchak Group, and Siam Cement Group. The company has previously secured several contracts from these companies. However, the current oversupply of petrochemical products in the global market, driven by significant facility expansions in China coupled with sluggish demand growth, has prompted project owners in Thailand to postpone their projects. In response, TTCL intends to pursue additional international projects. Nevertheless, competition abroad is more intense and presents higher risks.

Relatively stable dividend income from power investment

TTCL's 43% stake in Toyo Thai Power Myanmar Co., Ltd. (TTPMC), which owns a 120-megawatt (MW) gas-fired power plant in Myanmar (the Ahlone Project), provides relatively stable dividend income, helping mitigate the company's exposure to the cyclical construction industry. TTPMC's operating performance has remained resilient over the past several years, despite political unrest and currency restrictions in Myanmar. Due to the electricity shortage in the country, the Electric Power Generation Enterprise (EPGE) pays for electricity in US dollars and on time. However, earlier this year, a reduction in gas supplies led to lower-than-normal electricity output levels. Gas supplies are expected to return to normal for the remainder of the year.

Given that the Ahlone Project is now debt-free, its annual dividend contribution is projected to increase to around THB140-THB160 million. Our base case does not factor in the planned investment for the expansion phase of the Ahlone Project. We do not foresee the expansion project proceeding in the near term due to the substantial investment costs involved and concerns among potential creditors and investors regarding the ongoing political unrest in Myanmar.

Rising financial leverage

TTCL's financial leverage is rising. As of March 2025, the company's debt to capitalization ratio increased to 40.5%, up from 31.8% in 2023 and 0.7% in 2022. The rise is primarily attributed to higher working capital requirements for ongoing construction projects and the significant loss incurred by the company in 2024.

Looking ahead, we forecast TTCL's debt to capitalization ratio to range from 45%-50% during 2025-2027, as the company does not plan any major capital expenditures (CAPEX). Our base case assumes annual CAPEX of around THB100-THB150 million. Given the company's weak operating cash flow, the fund from operations (FFO) to debt ratio is projected to remain negative at 3%-4% in 2025, before improving to 11% by 2027. The debt to EBITDA ratio is projected to decrease to 5 times by 2027, down from more than 10 times in 2025-2026, provided the company successfully secures new contracts as planned.

A key financial covenant on its debentures requires the company to maintain its interest-bearing debt to equity ratio below 3 times. As of March 2025, the ratio was 1.4 times. We believe the company will remain in compliance with the covenant over the forecast period.

Liquidity is expected to remain sufficient in the next 12 months

We expect TTCL's liquidity to remain sufficient in the next 12 months. As of March 2025, the company had THB2.1 billion in cash on hand. Debts coming due in the next 12 months total THB1.6 billion, comprising THB1.0 billion in short-term loans and financial leases, and THB0.6 billion in debentures. The company's cash on hand is expected to cover its funding needs over the next 12 months. However, any further increase in working capital financing or delays in securing new projects may result in a rapid deterioration in the company's liquidity position.

Debt structure

As of March 2025, TTCL's consolidated debt, excluding lease liabilities, stood at THB3.5 billion. Within this amount, THB57 million was classified as priority debt, which included secured debt held by TTCL and all borrowings undertaken by its subsidiaries. The ratio of priority debt to total debt was 2%.

BASE-CASE ASSUMPTIONS

- TTCL to secure new EPC contracts worth THB5 billion in 2025, and THB10-THB12 billion yearly in 2026-2027.
- Construction gross margin is projected to be around 7% during 2025-2027.
- EBITDA margin to be in the 2%-5% range.
- CAPEX of THB100-THB150 million annually over the next three years.

RATING OUTLOOK

The "negative" outlook reflects concerns that TTCL's operating performance may continue to deteriorate, as its current project backlog provides revenue visibility for only about one year. Revenue in 2026-2027 will depend largely on successful bidding for new projects expected in late 2025. Additionally, TTCL faces cost overrun risks associated with the termination of the Sustainable Fuel Development Project.

RATING SENSITIVITIES

The outlook could be revised to "stable" if the company secures new EPC contracts worth at least THB10-THB12 billion per annum during 2025-2027 and improves its FFO to debt ratio to a level above 5%. Conversely, the rating and/or outlook could be revised downward if TTCL fails to secure enough contracts to sustain operating cash flow or incurs major losses from the BSFG dispute.

COMPANY OVERVIEW

TTCL is an EPC contractor based in Thailand. The company was established in 1985 as a joint venture between Italian-Thai Development PLC (ITD) and Toyo Engineering Corporation (TEC), a Japanese EPC firm. TTCL was listed on the Stock Exchange of Thailand (SET) in 2009. The company is positioned as an integrated EPC contractor for industrial plants, including refineries and plants which produce petrochemicals, chemicals, fertilizer, oil and gas, and electrical power.

TEC gradually reduced its stake in TTCL to 10% from 22% during 2015-2017. In February 2018, TEC sold off its remaining shares in the company. As of March 2025, TTCL's major shareholders included Mr. Hironobu Iriya, a key member of the company's top management, who held 5.5% of the total shares outstanding, and Global Business Management Co., Ltd., an entity established by TTCL's management, which held a 6.3% stake.

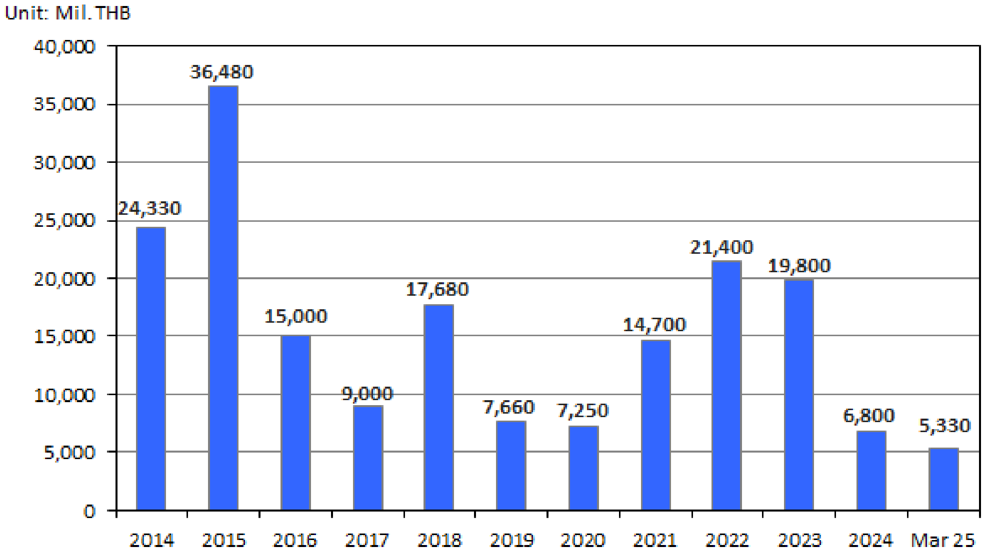
TTCL has a strategy to expand into the power business, a move that has helped the company secure EPC contracts and earn steady revenue streams. The company's investments in power projects enable it to generate steady sources of income from multi-year power purchase agreements. Since 2010, TTCL has invested in several power projects and has undertaken all the EPC work for these investments, which include natural gas-fired, biogas, and solar power plants. TTCL's major power asset is the Ahlone Project, a 120-MW gas-fired power plant in Myanmar.

TTCL has recorded substantial overdue payments and cost overruns in several projects. As a result, the company set aside hefty allowances for doubtful accounts in 2018 and 2019, which caused a serious deterioration in its capital structure. To prevent any further deterioration, TTCL decided to divest its power-generating assets, including a significant portion of its shareholding in TTPMC, the owner of the Ahlone Project. The proceeds from the divestiture were used to pay down debt and maintain liquidity. Currently, the company's stake in TTPMC is 43%.

In 2023, the company started construction of a black-pellet plant in Lampang Province. The production capacity of the plant is 75,000 metric tons per year and the investment cost is around THB1.3 billion. Commercial production and revenue recognition for this project are scheduled to begin in 2025.

KEY OPERATING PERFORMANCE

Table 1: Backlog at Year End



Source: TTCL

Table 2: Construction Revenue Breakdown by Location

Unit: %

Location	2018	2019	2020	2021	2022	2023	2024	Jan-Mar 2025
Domestic	48.5	62.9	47.9	45.2	46.5	78.9	84.7	85.7
Overseas	51.5	37.1	52.1	54.8	53.5	21.1	15.3	14.3
Total	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**
Revenue (mil. THB)	**8,328**	**10,497**	**6,869**	**6,347**	**11,273**	**16,965**	**17,922**	**2,189**

Source: TTCL

FINANCIAL STATISTICS AND KEY FINANCIAL RATIOS*

Unit: Mil. THB

	Jan-Mar 2025		------------Year Ended 31 December ---------- 2024	2023	2022	2021
Total operating revenues	2,277		17,986	17,065	11,370	6,410
Earnings before interest and taxes (EBIT)	(46)		(239)	601	834	126
Earnings before interest, taxes, depreciation, and amortization (EBITDA)	(57)		(60)	622	838	69
Funds from operations (FFO)	(216)		(355)	387	575	(92)
Adjusted interest expense	134		271	206	199	143
Capital expenditures	91		282	1,043	181	61
Total assets	17,947		19,080	18,901	17,903	13,645
Adjusted debt	1,816		1,438	1,530	20	2,760
Adjusted equity	2,662		2,762	3,288	2,961	2,686
Adjusted Ratios						
EBITDA margin (%)	(2.5)		(0.3)	3.6	7.4	1.1
Pretax return on permanent capital (%)	(6.1)	**	(3.4)	9.0	13.5	2.0
EBITDA interest coverage (times)	(0.4)		(0.2)	3.0	4.2	0.5
Debt to EBITDA (times)	(6.3)	**	(24.1)	2.5	0.0	40.1
FFO to debt (%)	(36.2)	**	(24.7)	25.3	2,933.6	(3.3)
Debt to capitalization (%)	40.5		34.2	31.7	0.7	50.7

* *Consolidated financial statements*
** *Annualized with trailing 12 months*

RELATED CRITERIA

- Issue Rating Criteria, 26 December 2024
- Corporate Rating Methodology, 15 July 2022
- Key Financial Ratios and Adjustments for Corporate Issuers, 11 January 2022

TTCL PLC (TTCL)

Company Rating:	BB+
Rating Outlook:	Negative

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