

RIGHT TUNNELLING PLC

No. 153/2025
17 September 2025

CORPORATES

Company Rating: BB+
Outlook: Negative

Last Review Date: 16/09/24

Company Rating History:

Date	Rating	Outlook/Alert
21/09/23	BB+	Stable
20/12/22	BBB-	Negative
01/02/22	BBB-	Stable

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RATIONALE

TRIS Rating revises the rating outlook on Right Tunnelling PLC (RT) to “negative” from “stable”. At the same time, we affirm the company rating on RT at “BB+”.

The “negative” outlook reflects the company’s weaker-than-expected operating performance, uncertainty regarding new project awards, and heightened refinancing risk given the substantial near-term debt obligations.

The rating continues to reflect the company’s established track record in tunnel and shaft works. However, it is constrained by the company’s high financial leverage, modest business scale, significant reliance on a few large construction projects, intense competition, and the cyclicity inherent in the engineering and construction (E&C) sector.

KEY RATING CONSIDERATIONS

Weaker-than-expected operating performance

RT’s operating performance in the first six months of 2025 (6M25) fell short of our prior projections. The company’s revenue declined by around 16% year-on-year (y-o-y) in 6M25 to around THB1.6 billion, the result of slower progress in its key projects, many of which are approaching completion. EBITDA also fell below our prior targets, at THB66 million in 6M25, achieving only 13% of our full-year target. This was mainly due to a weak gross profit margin, as the company incurred significant cost overruns and cost revisions on its key projects.

Looking ahead, we expect its annual revenue of THB3.3-THB3.4 billion, supported by existing backlog of THB4.3 billion as of June 2025. The company is expected to secure new projects worth THB3.5-THB3.8 billion annually during 2025-2027. Failure to secure new projects could materially weaken revenue visibility and cash flow generation.

The gross profit margin is projected to remain in the 11%-13% range, as key raw material prices such as steel and cement have stabilized, and most loss-making projects are nearly completed. EBITDA is projected to be THB300-THB400 million, with an EBITDA margin of 9%-12% over the forecast period.

Established expertise in tunnel and shaft works but modest scale and concentrated portfolio

RT specializes in tunnel and shaft works, slope protection, pipe jacking, and horizontal directional drilling (HDD). Its competitive advantage is supported by an experienced management team, strong technical expertise in engineering and geology, as well as adequate machinery and equipment. We expect RT to maintain its niche positioning in these areas.

Nonetheless, the company’s business scale remains modest relative to peers. Tunnel and shaft works typically represent only a small portion of large infrastructure projects, limiting RT’s potential to materially expand its revenue base. The company also faces intense competition, fluctuations in raw material prices, and the risk of cost overruns or project delays. Over the past three years, its EBITDA margin has been highly volatile, ranging from -7% to 13%.

RT’s performance is concentrated in a few large projects. In 6M25, its five largest projects contributed approximately 80% of total revenue and accounted for around 70% of backlog. This high concentration heightens the

company's vulnerability, as any major delay, cost overrun, or disruption could materially affect operations and financial results.

High financial leverage

RT's financial leverage is expected to remain elevated, driven by a net loss in 6M25 and a prolonged cash cycle. The extended cycle has reflected persistently high accounts receivable (A/R) and unbilled receivables over the past four years, sustaining working capital needs and increasing both debt and financial expenses.

The cash conversion cycle lengthened from 84 days in 2020 to 242 days in 2024 and 303 days in 6M25, resulting in negative net cash flow from operations since 2021. Adjusted debt rose to around THB2.5 billion in 6M25, up from THB990 million in 2021, pushing the interest-bearing debt (IBD) to equity ratio to 2.2 times, close to the bond covenant limit of 2.5 times. The debt to EBITDA also deteriorated in 6M25, rising to 8.9 times, from 5.8 times in 2023 and 5.1 times in 2024.

Looking forward, deleveraging will largely depend on the collection of outstanding unbilled receivables and A/R. While debt could decline once project payments are received, timing remains uncertain. Under our base-case scenario, the cash conversion cycle is projected to remain in the range of 250-290 days, with debt to EBITDA ratio staying at 6-9 times and IBD to equity ratio at 2.1-2.3 times over the next two to three years. Prolonged high leverage is likely to keep the rating under pressure until collections improve.

Weak liquidity

RT's liquidity is expected to remain weak over the next 12 months. As of June 2025, the company had debts maturing within the following year totaling around THB2.0 billion. These comprised short-term loans, mainly promissory notes (P/N), totaling THB1.1 billion, debentures of THB0.4 billion, long-term loans of THB0.4 billion, and lease liabilities of THB0.1 billion. In addition, the company is expected to require THB0.4-THB0.5 billion for capital expenditures (CAPEX) and working capital.

As of 30 June 2025, liquidity sources are limited, with only THB25 million in cash on hand, undrawn credit facilities of about THB5 million, and expected funds from operations (FFO) of approximately THB150 million. Given these constraints, refinancing risk remains a key concern. Repayment of short-term loans is expected to be relatively flexible, as banks typically extend or roll over tenors to align with project timelines. Debt servicing for both short- and long-term loans will largely rely on proceeds from project owners and FFO. RT also plans to refinance the THB0.4 billion debentures due in February 2026 through a combination of new bank loans and debenture issuance. However, debenture issuance could be challenging with the current risk-averse bond market sentiment. CAPEX and working capital needs will primarily be funded by project loans, with around THB722 million undrawn as of June 2025.

A key covenant on the company's debentures requires it to maintain an IBD to equity ratio below 2.5 times. As of June 2025, the ratio stood at 2.2 times, leaving limited headroom. In addition, the company's bank loan covenant requires a debt service coverage ratio (DSCR) of above 1.1 times. However, the ratio was just 0.3 times in 6M25, well below the required level. We expect RT to obtain covenant waivers from its lenders, particularly as the remaining outstanding loan subject to this covenant was only THB6 million as of June 2025.

Debt structure

At the end of June 2025, RT's total debt, as per our priority debt calculation, was approximately THB2.6 billion. RT's priority debt, including secured debts at the company and total debt at the subsidiaries, was about THB1.8 billion. This translates to a priority debt to total debt ratio of 69%. Thus, in our view, RT's unsecured creditors are significantly disadvantaged to its priority debt holders with respect to the priority of claims against the company's assets.

BASE-CASE ASSUMPTIONS

- RT to secure new construction contracts worth about THB3.5-THB3.8 billion per year during 2025-2027.
- Total operating revenue of THB3.3-THB3.4 billion per year during 2025-2027.
- EBITDA margin in the 9%-12% range during 2025-2027.
- CAPEX of around THB250-THB270 million per year during 2025-2027.

RATING OUTLOOK

The "negative" outlook reflects RT's weaker-than-expected operating performance, uncertainty over new project awards, and increased refinancing risk due to sizable near-term debt obligations.

RATING SENSITIVITIES

A credit upside on RT could materialize if the company's financial performance aligns with our expectations, resulting in the debt to EBITDA ratio falling below 7 times. Conversely, the rating could be downgraded if RT's operating performance or the financial profile deteriorates relative to our expectations. This may arise from project delays, cost overruns, or inefficient working capital management, causing the debt to EBITDA ratio to remain above 7 times for an extended period. In addition, the rating could be lowered if liquidity concerns emerge regarding bond repayments or other obligations.

COMPANY OVERVIEW

RT was founded in 2000 by Mr. Chawalit Tanomtin and listed on the Stock Exchange of Thailand (SET) in 2020. Mr. Chawalit Tanomtin remains the major shareholder, holding 14.4% of the company's shares as of May 2025. The company is a contractor specializing in geotechnical works, covering tunnel and shaft construction, dam construction, hydro power plants, pipe jacking, and horizontal directional drilling. RT is also engaged in slope protection and stabilization work, earth and rock excavation, and geological exploratory drilling services. Revenue from tunnel and shaft construction remains the key source of RT's revenue, accounting for 61% of total revenue during the first six months of 2025, followed by hydro power plant which contributed 18% of total revenue.

KEY OPERATING PERFORMANCE

Table 1: Revenue Breakdown by Type of Project

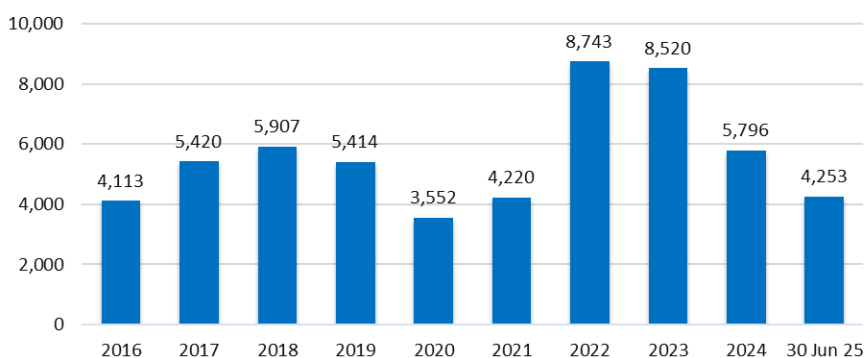
Unit: %

Type of Project	2017	2018	2019	2020	2021	2022	2023	2024	Jan-Jun 2025
Tunnel & shaft construction	33	65	61	59	51	32	54	64	61
Dam construction & irrigation system	7	1	2	8	20	33	19	17	8
Hydropower plant	41	16	4	1	-	-	5	10	18
Pipe jacking & horizontal directional drilling	13	11	11	12	15	15	8	6	4
Others	6	7	22	20	13	20	14	3	9
Total	100	100	100	100	100	100	100	100	100
Revenue from construction (Mil. THB)	2,442	1,861	2,305	2,823	2,466	2,025	3,113	3,597	1,534

Source: RT

Chart 1: Backlog

Unit: Mil. THB



Source: RT

FINANCIAL STATISTICS AND KEY FINANCIAL RATIOS*

Unit: Mil. THB

		-----Year Ended 31 December -----			
	Jan-Jun 2025	2024	2023	2022	2021
Total operating revenues	1,562	3,630	3,150	2,053	2,488
Earnings before interest and taxes (EBIT)	(21)	275	204	(302)	100
Earnings before interest, taxes, depreciation, and amortization (EBITDA)	66	460	392	(146)	255
Funds from operations (FFO)	(21)	282	226	(227)	198
Adjusted interest expense	87	177	155	77	54
Capital expenditures	34	100	141	84	32
Total assets	5,899	6,173	5,711	4,515	3,915
Adjusted debt	2,490	2,353	2,252	1,527	990
Adjusted equity	1,232	1,321	1,043	1,030	1,337
Adjusted Ratios					
EBITDA margin (%)	4.2	12.7	12.4	(7.1)	10.2
Pretax return on permanent capital (%)	2.5 **	6.9	6.1	(10.7)	3.8
EBITDA interest coverage (times)	0.8	2.6	2.5	(1.9)	4.7
Debt to EBITDA (times)	8.9 **	5.1	5.8	(10.5)	3.9
FFO to debt (%)	4.0 **	12.0	10.0	(14.9)	20.0
Debt to capitalization (%)	66.9	64.1	68.3	59.7	42.6

* Consolidated financial statements

** Adjusted with trailing 12 months

RELATED CRITERIA

- Corporate Rating Methodology, 15 July 2022
- Key Financial Ratios and Adjustments for Corporate Issuers, 11 January 2022

Right Tunnelling PLC (RT)

Company Rating:	BB+
Rating Outlook:	Negative

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