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# Case Study: Taeyoung Construction & Engineering

Taeyoung Engineering & Construction  
Initiates Debt Restructuring Program  
Amid Liquidity Crunch and Turbulence  
in South Korea's Property Market

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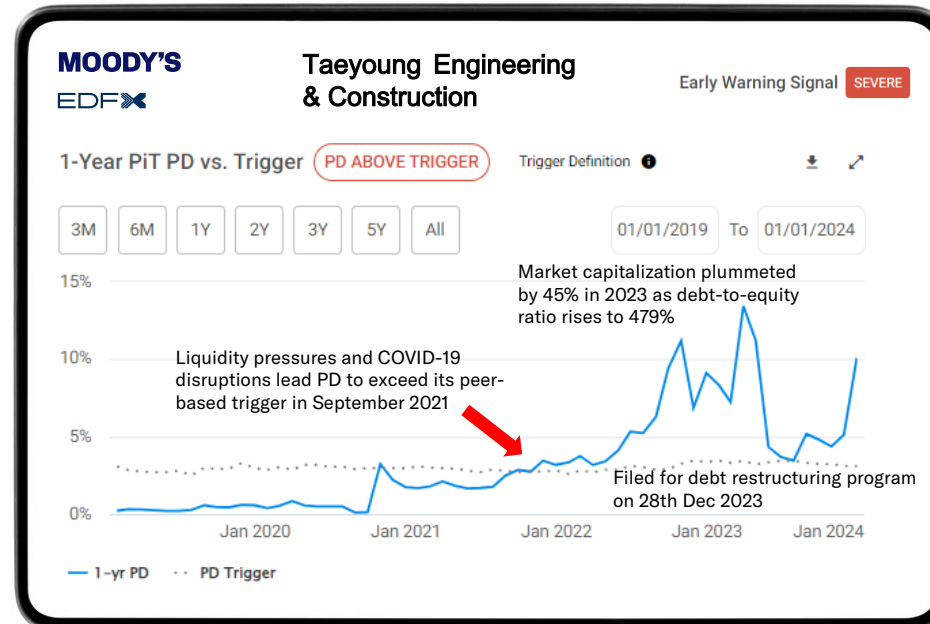
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## Analysis

A growing liquidity crisis, exacerbated by a downturn in the South Korea property market, led Taeyoung Engineering & Construction into a debt restructuring on December 28, 2023. Established in 1973, Taeyoung is one of the largest builders in South Korea, with operations in the civil, building, environment, and housing sectors. Despite its tenure, the company has recently had to contend with higher interest rates and rising construction costs. Taeyoung's business struggled, and the firm faced heightened liquidity risks. The EDF-X Early Warning System flagged Taeyoung as an elevated credit risk from as early as September 2021 when the company's PD breached its peer-group based trigger level.

Taeyoung was granted a Project Financing loan intended for the construction and profitable resale of apartments and office buildings. However, given the current unfavorable operating environment, nearly half of the proposed sites have yet to start development. Surging construction costs, compounded by industry-wide labour and materials shortages, further strained the company's financial position. As of the third quarter of 2023, Taeyoung reported a debt-to-equity ratio of 479%, the highest among large and medium-sized construction companies in South Korea. Market capitalization plummeted nearly 45% in 2023, accompanied by a decline of 66% in its share price.

Given its deteriorating liquidity, and few indications that construction, and the resulting cashflows, would soon resume, Taeyoung found itself unable to meet the obligations on its maturing Project Financing loan of 48 billion Won. With few options, the firm entered a debt-restructuring program with its creditors in late 2023.



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