

# SIAMESE ASSET PLC

No. 116/2021  
27 July 2021

## CORPORATES

**Company Rating:** BB+  
**Outlook:** Stable

**Last Review Date:** 14/07/20

### Company Rating History:

Date	Rating	Outlook/Alert
14/07/20	BB+	Stable

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## RATIONALE

TRIS Rating affirms the company rating on Siamese Asset PLC (SA) at “BB+” with a “stable” rating outlook. The rating reflects SA’s evolving brand recognition in the condominium segment and improving capital structure after listing on the Stock Exchange of Thailand (SET) in December 2020. The ratings also take into consideration the company’s limited track record, product segment concentration, and the effects of the prolonged Coronavirus Disease 2019 (COVID-19) pandemic, which could lead to weakening demand for residential properties.

## KEY RATING CONSIDERATIONS

### Limited track record with evolving brand recognition in the condominium segment

In TRIS Rating’s view, SA’s market position in the condominium segment is improving over time. Its brand recognition in the middle- to high-end condominium segments is evolving. The company develops condominiums under the “Blossom”, “Siamese”, “Siamese Exclusive”, and “The Collection” brands. SA’s revenues and profitability have improved over the past three years. Revenues grew to THB3.6 billion in 2020, from THB3.5 billion in 2019 and THB2.1 billion in 2018. However, SA’s revenue base remains small compared with other rated developers as the company has completed relatively few projects each year.

In order to differentiate itself from other developers and pursue its growth strategy, SA plans to develop more mixed-use projects, which have both residential and commercial properties in the same project. In addition, the company plans to develop more branded residences, which have hotel service tie-ins with the residential projects in order to capture demand from both homebuyers and investors. However, this concept is still in its initial stage, and the success of the strategy remains to be seen.

### Backlog shrinking due to high cancellation rates in several projects

Amid sluggish demand for condominiums and successive waves of COVID-19, SA’s net presales in 2020 tumbled to negative THB64 million, down from THB5.1-THB5.3 billion per annum during 2018-2019. Presales in the first quarter of 2021 were negative THB0.9 billion, down from THB0.7 billion in the same period last year due to a large number of backlog cancellations resulting from the delays of environmental impact assessment (EIA) approvals for the “Siamese Exclusive Ratchada” projects.

Under our base-case forecast, we expect SA’s revenue to range from THB2.7-THB2.9 billion per annum during 2021-2022 and increase to THB4.7 billion in 2023. We project its earnings before interest, taxes, depreciation, and amortization (EBITDA) to be THB0.5-THB0.6 billion per annum over the next two years and increase to THB1.1 billion in 2023. The company should be able to maintain its EBITDA margin at around 20% during 2021-2023.

As of March 2021, the value of SA’s condominium backlog stood at THB5 billion. The backlog is expected to be recognized as revenue of around THB1 billion in the remainder of 2021, THB1 billion in 2023, THB2.7 billion in 2024, and the rest in 2025. SA will have to focus on sales of its existing completed projects in order to achieve its revenue targets, especially in 2022. At the end of March 2021, SA had almost THB7.5 billion of completed units available for

sale.

### Concentrated product portfolio

SA's portfolio is quite concentrated in terms of locations, product types, and price range. More than 95% of its products are high-rise condominiums, with prices ranging from THB80,000-THB300,000 per square meter (sq.m.). Its projects are located mostly in the Sukhumvit, Rama 9, and Ramindra areas. Generally, high-rise condominium projects have a relatively high project value and require a longer development period than low-rise condominiums or landed properties. We view the company's concentration in a limited number of high-rise condominium projects as a negative factor to its business and financial risk profiles, since failure in any single project could materially hurt the overall performance of the company.

At the end of March 2021, the company had 10 condominium projects and one single detached house (SDH) project, with remaining units available for sale worth THB20.2 billion. Its largest project, "Siamese Rama 9", worth around THB8.6 billion, was 43% sold as of March 2021 while its most exclusive project, "The Collection", worth around THB5.2 billion and the "Siamese Exclusive Ratchada" worth around THB3.6 billion, are still awaiting EIA approvals. Since SA's revenue largely depends on a few completed projects each year, a disruption in any single project could have a significant impact on its earnings.

### Improved financial profile after IPO

SA's leverage level improved after it raised THB777 million from an initial public offering (IPO) in December 2020. The debt to capitalization ratio was 59% at the end of 2020, down from 72%-79% during 2017-2019. The ratio was 59.3% at the end of March 2021. Going forward, we expect the leverage to rise since the company plans to launch more condominium and landed property projects. For 2021, the company has set its budget for land acquisition of THB1-THB1.2 billion and aims to launch new residential projects worth around THB8.1 billion, comprising two condominium projects worth THB6.1 billion and one SDH worth THB2 billion.

Under our base-case forecast, we expect SA's debt to capitalization ratio to stay at around 65%, with the ratio of funds from operations (FFO) to debt to stay at 3%-6%, over the next three years. According to the covenants on its loan obligations, SA is obliged to keep its interest-bearing debt (IBD) to equity ratio below 3 times. At the end of March 2021, its IBD to equity ratio was 1.37 times. SA's priority debt to total debt ratio was 95%. Its priority debt included THB5.8 billion in secured debt. Since SA's priority debt ratio was higher than 50%, we consider SA's unsecured creditors are significantly disadvantaged to its priority debt holders.

### Tight but manageable liquidity

We assess SA's liquidity as tight, but it should be manageable over the next 12 months. Debts due over the next 12 months amount to THB2.2 billion, comprising THB107 million in short-term loans, THB1.4 billion in project loans, and THB767 million in debentures. Sources of funds comprised cash on hand of THB278 million and undrawn committed credit facilities of around THB550 million at the end of March 2021. TRIS Rating forecasts SA's FFO over the next 12 months to be THB150-THB170 million. We expect the project loans to be repaid with cash from the transfers of residential units, and some of the maturing debentures to be refinanced with new debenture issuances.

### BASE-CASE ASSUMPTIONS

These are the key assumptions in TRIS Rating's base-case forecast for SA's operations during 2021-2023:

- SA to launch new residential projects worth THB8.1 billion in 2021 and around THB4 billion per annum during 2022-2023.
- Revenue is forecast at THB2.7-THB4.7 billion per annum during 2021-2023.
- Land acquisition budget of around THB1-THB1.2 billion per year.

### RATING OUTLOOK

The "stable" outlook reflects TRIS Rating's expectations that SA will deliver its condominium units in the backlog as scheduled and maintain its operating performance and its financial profile as targeted. We expect the company's EBITDA margin to hold at around 20%. However, as SA plans to invest in both condominium projects and recurring-income assets, we expect SA's debt to capitalization ratio to stay at around 65% over the next three years.

### RATING SENSITIVITIES

TRIS Rating could revise SA's rating or outlook upward if the company increases its revenue base and cash flow, as well as lowering its debt to capitalization ratio to around 60% on a sustained basis. On the other hand, we would revise the rating and/or outlook downward should SA's operating performance and its financial leverage deteriorate significantly from our

base-case level.

## COMPANY OVERVIEW

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SA was established in 2010 by Mr. Kajonsit Singsansern to develop residential property projects in Bangkok. Mr. Singsansern holds the position of managing director and has also been the major shareholder since the company's inception. The company was listed on the SET in December 2020. After the IPO, Mr. Singsansern continued to be SA's largest shareholder, holding a 45.7% stake in the company as of April 2021.

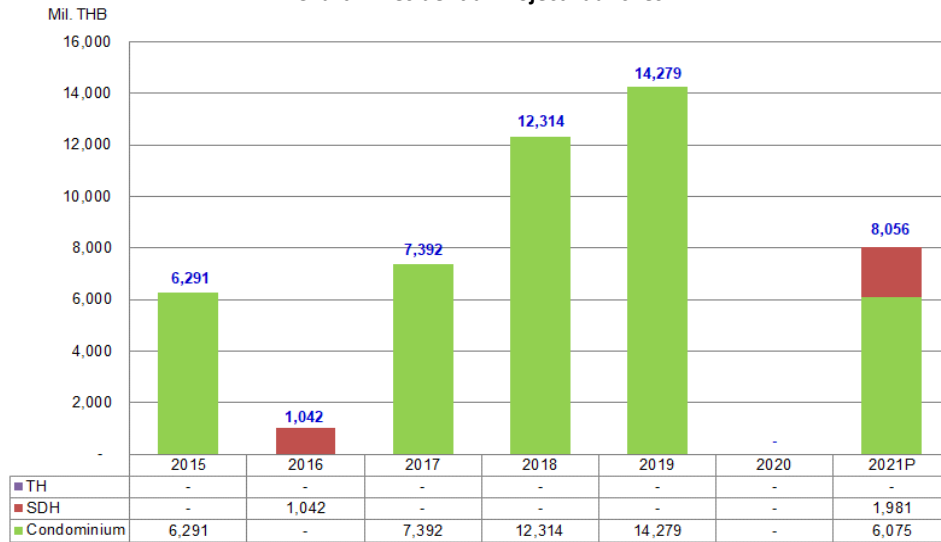
SA focuses on the middle- to high-end condominium segments. Its product portfolio covers a price range of THB3-THB14 million per unit. SA's condominium projects are located near mass transit line stations in the Sukhumvit road and Rama 9-Ratchada areas. SA also has land in the Ramindra area to develop landed property projects.

SA's condominium brands include: "Blossom", "Siamese", "Siamese Exclusive", and "The Collection". "The Collection" is a high-end condominium brand with selling prices of THB230,000-THB300,000 per sq.m. The "Siamese Exclusive" brand has selling prices of THB150,000-THB230,000 per sq.m. The "Siamese" brand sets prices at THB100,000-THB150,000 per sq.m. and the "Blossom" brand was introduced to capture the middle-income segment, with selling prices from THB80,000-THB100,000 per sq.m. Most of the condominium projects are located in Bangkok. The company's SDH brand "Siamese KIN" carries a price range of THB5-THB22 million per unit.

SA intends to expand its business to generate more recurring income. The company plans to retain ownership of some units in its condominium projects situated in good locations to develop as hotels, serviced residences, or commercial spaces for rent. SA has also bought land and a building under construction named "Above 39" on Sukhumvit 39 to redesign and renovate for development as a hotel or serviced residence. However, due to concerns over the negative impacts of the COVID-19 pandemic, SA may postpone investments in its recurring income projects.

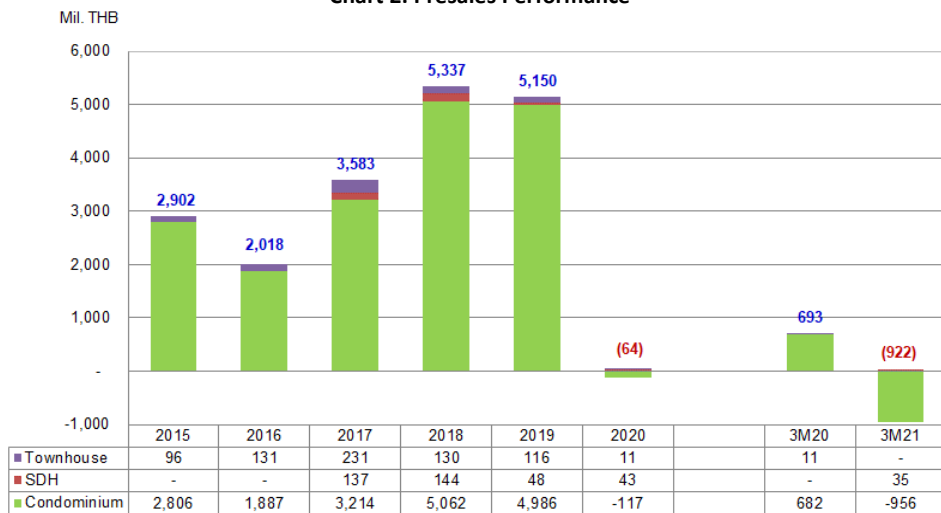
**KEY OPERATING PERFORMANCE**

**Chart 1: Residential Project Launches**



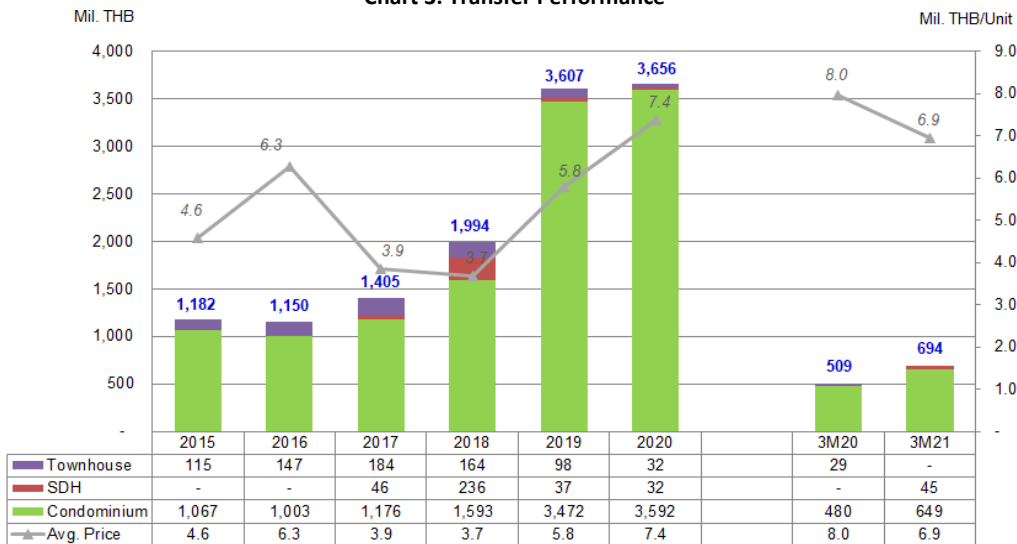
Source: SA

**Chart 2: Presales Performance**



Source: SA

**Chart 3: Transfer Performance**



Source: SA

**FINANCIAL STATISTICS AND KEY FINANCIAL RATIOS\***

Unit: Mil. THB

	Jan-Mar 2021	-----Year Ended 31 December -----			
		2020	2019	2018	2017
Total operating revenues	714	3,604	3,517	2,077	1,459
Earnings before interest and taxes (EBIT)	116	1,045	1,016	317	169
Earnings before interest, taxes, depreciation, and amortization (EBITDA)	135	1,115	1,062	343	198
Funds from operations (FFO)	35	585	536	(3)	(39)
Adjusted interest expense	83	352	361	304	213
Real estate development investments	8,259	8,241	9,286	9,492	6,413
Total assets	12,954	12,922	13,047	12,431	8,024
Adjusted debt	5,835	5,682	6,485	6,755	3,907
Adjusted equity	3,993	3,944	2,515	1,772	1,391
<b>Adjusted Ratios</b>					
EBITDA margin (%)	18.96	30.94	30.21	16.51	13.57
Pretax return on permanent capital (%)	10.02 **	10.71	11.16	4.37	3.35
EBITDA interest coverage (times)	1.64	3.17	2.94	1.13	0.93
Debt to EBITDA (times)	5.45 **	5.10	6.10	19.70	19.74
FFO to debt (%)	9.52 **	10.30	8.26	(0.05)	(1.00)
Debt to capitalization (%)	59.37	59.03	72.05	79.22	73.75

\* Consolidated financial statements

\*\* Annualized with trailing 12 months

**RELATED CRITERIA**

- Rating Methodology – Corporate, 26 July 2019
- Key Financial Ratios and Adjustments, 5 September 2018

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**Siamese Asset PLC (SA)**

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<b>Company Rating:</b>	BB+
<b>Rating Outlook:</b>	Stable

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**TRIS Rating Co., Ltd.**

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