

SAHA PATHANA INTER-HOLDING PLC

No. 101/2024
20 June 2024

CORPORATES

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

Last Review Date: 23/06/23

Company Rating History:

Date	Rating	Outlook/Alert
23/06/23	AA-	Stable
21/04/14	AA	Stable

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RATIONALE

TRIS Rating affirms the company rating on Saha Pathana Inter-Holding PLC (SPI) and the ratings on its senior unsecured debentures at “AA-”, with a “stable” outlook. The ratings continue to reflect SPI’s strong business profile, including its position as one of the holding companies of Saha Group as well as its well-diversified investment portfolio of consumer product companies within the Saha Group. The ratings also factor in the company’s strong business network, and ample financial flexibility from its holdings of marketable securities. However, since last year, the ratings have been weighed down by a long period of heightened financial leverage following its expansion in the real estate sector.

KEY RATING CONSIDERATIONS

Core holding company of Saha Group

SPI is the main holding company of the Saha Group, Thailand’s leading conglomerate in the consumer product industry. The group manufactures and distributes a wide range of consumer products with many leading brands across multiple market segments. These include Mama, Wacoal, Pao, Essence, Mistine, and many more. Saha Group has built a strong business network, encompassing end-to-end supply chains, from raw materials through to manufacturing and distribution.

SPI is also the operator of industrial parks belonging to the group, providing utilities and services for companies operating in its industrial parks.

Diverse portfolio of investments

As of March 2024, SPI had investments worth about THB56 billion in the equities of 169 companies, mostly within the Saha Group. Its investment portfolio covers various industrial segments, including food and beverage, garments, cosmetics, and other consumer products. In 2023, dividends from the food and beverage companies contributed 37% of SPI’s total dividend receipts, while dividends from automotive part and electronic, consumer product, garment, and cosmetics companies accounted for 28%, 12%, 10%, and 5%, respectively.

The Saha Group typically co-invests with partners and has established long-term relationships with various Thai and international business allies. Such joint investments reduce SPI’s initial funding burden and help ensure continual support from its partners. The wide range of business alliances also mitigates the risk of over-reliance on a specific partner.

Improving operating performance

SPI’s cash generation underwent improvement during 2022-2023. This was supported by strong dividend from its well-diversified investment portfolio and proceeds from land sales in its industrial parks. Its EBITDA reached THB2.6 billion in 2023, compared with THB2.2 billion in 2022.

SPI’s dividend receipts rose significantly in 2023, reaching THB1.7 billion, a remarkable increase of 74% compared with 2022. This growth resulted from the rebound of private consumption in 2022-2023—which positively impacted the performance of SPI’s investments in the consumer product sector, particularly the food and beverage sector—and from the special dividend income from its investment in a company within automotive part and electronic industries in 2023.

Looking ahead, SPI's diversified investment portfolio remains a key factor in ensuring the stability of its future dividend receipts. We project SPI's dividend receipts to total THB1.85 billion to THB1.95 billion annually in 2024-2026. This increase is supported by our assumption that its investments in the food and beverage, automotive part and electronic, garment, and consumer product sectors will remain strong, along with domestic consumption in 2023-2024.

Land sales also support cash flow

In 2023, SPI recorded THB872 million in gains from sales of industrial land in Saha Group Industrial Park in Kabinburi to Zhen Ding Technology Holding Limited (ZDT) Group. The transaction was a part of an SPI partnership with ZDT, a Taiwanese major player in the printed circuit board business. This strategic partnership also includes SPI investing in a 9% stake in ZDT's subsidiary in Thailand, requiring about THB225 million in capital injections from SPI over 2023-2024.

We believe SPI will explore further monetization opportunities within its industrial land portfolio, potentially through the sale of additional land plots in Sriracha, Lamphun, and Kabinburi. We expect this strategic partnership with ZDT to facilitate further inbound investments in SPI's industrial park, particularly from ZDT's business partners along the supply chain. In our base-case forecast, we project gains from industrial land sales during 2024-2026 to total around THB1,500 million.

Financial leverage is expected to be maintained

SPI's financial leverage in 2023 continued to increase due to the expansion of investments, especially in the real estate sector. The company has focused on investing in Thanulux PLC's (TNL) equity and in the property development projects of the Saha Group, including the KingsSquare mixed-use complex and the KingBridge Tower office building. SPI also made substantial investments in Thailand Prime Property Freehold and Leasehold Real Estate Investment (TPRIME). Furthermore, SPI spent about THB943 million acquiring strategically located land plots for future development. Overall, its investments in equities and capital expenditures totaled around THB5.4 billion in 2023. Partially offsetting this, SPI received repayments from lending to Oxygen Assets Co., Ltd. of around THB2.3 billion, easing its leverage level. Its adjusted net debt reached THB16.4 billion in 2023, an increase of THB1.6 billion from 2022. Consequently, the company's debt to capitalization ratio rose to 26.51% in 2023, compared with 25.03% in 2022.

Our base-case forecast anticipates roughly THB3.6 billion in combined equity investments and capital expenditures over 2024-2026, net of proceeds from divesting existing equity holdings. The company's adjusted net debt is expected to stay in the THB15-THB16 billion range during 2024-2025. We project the debt to EBITDA ratio to remain in the 6.0- 6.5 times range in 2024-2026.

Priority debts

As of March 2024, SPI had no priority debt.

Manageable liquidity profile with high financial flexibility

We assess SPI's liquidity as manageable for the next 12 months. At the end of March 2024, the company's sources of liquidity comprised cash on hand and short-term investments totaling THB0.8 billion. SPI also has access to undrawn credit facilities totaling THB 4.5 billion. This includes a THB 2.5 billion short-term facility and a recently executed THB 2.0 billion term loan agreement. The liquidity source also includes funds from operations (FFO) over the following 12 months, which we forecast to be around THB1.8 billion.

Meanwhile, SPI's debt repayments scheduled over the next 12 months consist of THB2.3 billion in long-term obligations and THB6.5 billion in short-term obligations. We forecast the company to invest around THB1.7 billion in 2024—including capital expenditures and equity investments. We expect SPI to be able to roll over its short-term debts. In addition, SPI intends to extend the maturity of its short-term borrowings of THB6.5 billion by converting them into long-term debt instruments. We believe SPI has the capability to issue new debts to refinance its maturing debt and to fund its investment plan.

The company also has a sizable liquid investment portfolio available to support its financial flexibility. As of March 2024, the market values of SPI's holdings in 37 listed firms totaled THB45 billion. This represented a coverage ratio of marketable investments to adjusted net debt of about 2.5 times as of March 2024, a drop from 2.9 times as of March 2023.

BASE-CASE ASSUMPTIONS

- Total operating revenues of THB2.9 billion in 2024 and THB2.8-THB3.2 billion annually in 2025 and 2026.
- Gains from sales of investment properties to total around THB1,500 million during 2024-2026.
- Dividend receipts from financial assets and equity investments of THB1.85- THB1.95 billion annually in 2024-2026.
- Net investments to total THB3.6 billion between 2024-2026.
- Debt to capitalization ratio of 21%-24% between 2024-2026.

RATING OUTLOOK

The “stable” outlook reflects TRIS Rating’s expectation the company will continue to receive sizable upstream cash dividends. We also expect the company to manage its leverage position through asset monetization, and to maintain its financial flexibility from the substantial holding of marketable securities.

RATING SENSITIVITIES

SPI's credit profile is unlikely to experience an upgrade in the next 12-18 months. Downward pressure on the ratings however could arise if SPI’s financial profile deviates significantly from our expectations, such that the debt to EBITDA ratio continues to exceed 6.5 times. This could result from deterioration in the company’s operating performance, or any major debt-funded investments.

COMPANY OVERVIEW

SPI was established in 1972 and listed on the Stock Exchange of Thailand (SET) in 1977. As of March 2024, the Chokwatana family was the company’s major shareholder with direct and indirect holdings totaling about 80%. SPI is a holding company with investments in 169 companies, mainly in the Saha Group. SPI usually co-invests with strategic partners to establish and operate production facilities for food and beverage, garment, cosmetics, and consumer product industries. SPI also operates four industrial parks and utilities, mainly serving its group affiliates. Saha Group is vertically integrated, from raw materials through end products, including sales and distribution. Saha Group’s investments are made jointly with several member companies, which ultimately constitute a major shareholding.

In 2023, revenues from the industrial park business accounted for 52% of SPI’s total revenues which include the share profit from associates and dividend incomes. Shared profits from associates comprised 39% of total revenues, while the dividend incomes made up 9%. In terms of cash flow, in 2023, the industrial park business contributed about 33% of EBITDA, while dividends received from affiliates accounted for 42%. Food and beverage companies were the largest dividend contributors, accounting for 25% of SPI’s EBITDA in 2023. Dividend contributions from the top five affiliates accounted for 76% of the dividends SPI received.

Apart from its main investment in distribution and manufacturing for staple consumer goods, SPI is expanding its portfolio in property-related investments. The company also invests in the property-financing sector through TNL, and the property development sector through the KingBridge and KingsQuare projects.

KEY OPERATING PERFORMANCE

Table 1: SPI's Dividend Contribution by Sectors in 2023

Dividend Contribution by Sectors	Dividend Receipt (Mil. THB)	Proportion
Foods & beverages	638	37%
Automotive parts & electronics	479	28%
Consumer products	199	12%
Garment	167	10%
Cosmetic	79	5%
Others	144	8%
SPI's total dividend receipts	1,706	100%

Source: SPI

FINANCIAL STATISTICS AND KEY FINANCIAL RATIOS*

Unit: Mil. THB

	Jan-Mar 2024	-----Year Ended 31 December -----			
		2023	2022	2021	2020
Total operating revenues***	694	3,021	4,448	2,731	2,887
Earnings before interest and taxes (EBIT)	742	3,986	3,102	2,859	2,482
Earnings before interest, taxes, depreciation, and amortization (EBITDA)	28	2,563	2,159	1,801	1,849
Funds from operations (FFO)	(104)	2,085	1,768	1,486	1,569
Adjusted interest expense	132	478	355	314	280
Capital expenditures	180	1,299	935	482	139
Total assets	66,358	65,254	61,719	55,432	54,718
Adjusted debt	17,370	16,765	14,838	11,796	9,824
Adjusted equity	47,107	46,468	44,449	42,253	39,091
Adjusted Ratios					
EBITDA margin (%)	68.51 **	84.85	48.55	65.92	64.04
Pretax return on permanent capital (%)	5.56 **	6.40	5.39	5.26	5.16
EBITDA interest coverage (times)	3.94 **	5.36	6.09	5.73	6.60
Debt to EBITDA (times)	8.73 **	6.54	6.87	6.55	5.31
FFO to debt (%)	8.54 **	12.43	11.91	12.59	15.97
Debt to capitalization (%)	26.94	26.51	25.03	21.82	20.08

* Consolidated financial statements

** Annualized from the trailing 12 months

*** Not including share of profit from investment in associates by equity method and dividend income; not including gain from sales of investment properties, from 2021 onwards.

RELATED CRITEREA

- Corporate Rating Methodology, 15 July 2022
- Key Financial Ratios and Adjustments for Corporate Issuers, 11 January 2022
- Issue Rating Criteria, 15 June 2021

Saha Pathana Inter-Holding PLC (SPI)

Company Rating:	AA-
Issue Ratings:	
SPI256A: THB1,000 million senior unsecured debentures due 2025	AA-
SPI276A: THB1,500 million senior unsecured debentures due 2027	AA-
SPI306A: THB1,000 million senior unsecured debentures due 2030	AA-
SPI326A: THB1,500 million senior unsecured debentures due 2032	AA-
Rating Outlook:	Stable

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