

SC ASSET CORPORATION PLC

No. 138/2023
15 December 2023

CORPORATES

Company Rating:	BBB+
Issue Ratings:	
Senior unsecured	BBB+
Outlook:	Stable

Last Review Date: 30/10/23

Company Rating History:

Date	Rating	Outlook/Alert
04/08/11	BBB+	Stable

Contacts:

Auyporn Vachirakanjanaporn
auyporn@trisrating.com

Bundit Pommata
bundit@trisrating.com

Jutamas Bunyawanichkul
jutamas_b@trisrating.com

Suchada Pantu, Ph.D.
suchada@trisrating.com



WWW.TRISRATING.COM

RATIONALE

TRIS Rating affirms the company rating on SC Asset Corporation PLC (SC) and the ratings on its outstanding senior unsecured debentures at “BBB+” with a “stable” rating outlook. At the same time, TRIS Rating assigns a rating of “BBB+” to SC’s proposed issue of up to THB2 billion senior unsecured debentures and an additional greenshoe portion of up to THB0.5 billion due within three years. The proceeds from the new debentures will be used to repay some of its existing loans and/or fund its working capital.

The ratings reflect SC’s strong position in the middle- to high-end segments of the residential property market, its continued revenue growth, and an anticipated rise in its financial leverage, resulting from more project launches and an expansion into recurring income assets. The ratings are weighed down by the cyclical nature of the residential property industry and our concerns over the imposition of more stringent loan-to-value (LTV) rules this year and interest rate hikes. These could negatively impact demand for housing and the funding costs of developers in the short to medium term.

SC’s operating performance in the first nine months of 2023 (9M2023) largely aligned with our expectations. The company has sustained gradual revenue growth over recent years, with 9M2023 revenue reaching THB15.8 billion, marking a 10% year-on-year (y-o-y) increase. The growth is primarily attributed to the transfer of two large condominium projects, SCOPE Lang Suan and 28 Chidlom. In 9M2023, revenue from the condominium segment surged to THB3 billion, marking a significant increase from THB1.4 billion in the same period last year. Conversely, revenue from landed property projects remained relatively stable y-o-y at THB11.9 billion. The remaining portion of revenue was derived from rental and service income.

As of September 2023, SC’s backlog for its own projects amounted to THB13.4 billion. Around THB7.9 billion will be recognized as revenue in 2023 with the remainder spread over the next three years. The backlog for condominium projects under joint ventures (JVs) stood at THB2.5 billion. Of this THB0.3 billion is slated for transfer in 2023, THB0.9 billion in 2024, and THB1.3 billion in 2025. Over the past three years, SC has consistently maintained its earnings before interest, taxes, depreciation, and amortization (EBITDA) margin within the 17%-19% range. This ratio was 18.5% in 9M2023. We expect the company to maintain good operating performance and sustain its EBITDA margin in this range over the next three years.

We evaluate SC’s financial leverage as relatively high. The debt to capitalization ratio at the end of September 2023 was 58.3%, up from 55.2% in 2022. We project the ratio to range from 55%-60% (including the proportion of the debt carried by JV projects) over the next three years. This is based on SC’s plan to launch new residential property projects worth THB30-THB43 billion annually and invest THB2.0-THB2.8 billion per year in recurring income assets over the same period. SC’s bank loans and debentures have a key financial covenant stipulating that the company must maintain its interest-bearing debt to equity ratio below 2 times. As of September 2023, the ratio was 1.45 times. Its priority debt to total debt ratio at the end of September 2023 was 31%.

We consider SC’s liquidity to be manageable for the upcoming 12 months. However, given its significant amount of short-term debt, the company will need

CreditUpdate, reviews ratings of companies or debt issues that have already been rated by TRIS Rating. The CreditUpdate occurs when new debt instruments are issued or if significant events have taken place that may impact a company’s current ratings or when current ratings are cancelled. The CreditUpdate announces whether a rating has been “upgraded,” “downgraded,” “affirmed” or “cancelled.” The update includes information to supplement the previously published ratings.

Credit Updates are part of TRIS Rating’s monitoring process. TRIS Rating monitors every rating it assigns until either the debt instrument matures or the rating contract ends. To keep the public informed of changing situations, TRIS Rating periodically issues announcements about the credit ratings it monitors.

to exercise careful management of liquidity. As of September 2023, the company's liquidity sources included cash on hand of THB1.9 billion and unused committed credit facilities of THB4.8 billion. We expect SC's funds from operations (FFO) to be in the THB2.0-THB2.2 billion range over the next 12 months. The company also has unencumbered land banks valued at around THB5.5-THB6.0 billion, which can be pledged as collateral for bank loans if needed.

SC has THB17.8 billion in maturing debts over the coming 12 months, comprising THB8.7 billion in short-term loans, THB5.5 billion in project loans, and THB3.6 billion in debentures. Short-term loans, primarily allocated for working capital and bridging loans for land purchases, are expected to be converted into project loans over time. The company's project loans will be repaid with cash received from the transfer of completed units to customers, while most of its maturing debentures will be refinanced with issuances of new debentures.

RATING OUTLOOK

The "stable" outlook reflects our expectation that SC will maintain its competitive position and financial profile in the medium term, with the FFO to debt ratio maintained at 5%-10%. Despite its aggressive expansion plan, we expect SC to keep its debt to capitalization ratio in the 55%-60% range over the next three years.

RATING SENSITIVITIES

We could revise SC's rating and/or outlook downward should its operating performance or financial profile deteriorate significantly from the current levels, causing its debt to capitalization ratio to rise above 60% and/or FFO to debt ratio to drop below 5% for a sustained period. Conversely, we could revise the ratings upward if its revenue base grows as targeted while the FFO to debt ratio improves to around 10%-15% and the debt to capitalization ratio stays around 50%-55% on a sustainable basis.

RELATED CRITERIA

- Homebuilders and Real Estate Developers Rating Methodology, 12 January 2023
- Corporate Rating Methodology, 15 July 2022
- Key Financial Ratios and Adjustments for Corporate Issuers, 11 January 2022
- Issue Rating Criteria, 15 June 2021

SC Asset Corporation PLC (SC)

Company Rating:	BBB+
Issue Ratings:	
SC257A: THB2,000 million senior unsecured debentures due 2025	BBB+
SC261A: THB920 million senior unsecured debentures due 2026	BBB+
SC267A: THB1,300 million senior unsecured debentures due 2026	BBB+
SC260A: THB1,500 million senior unsecured debentures due 2026	BBB+
SC271A: THB1,280 million senior unsecured debentures due 2027	BBB+
SC277A: THB700 million senior unsecured debentures due 2027	BBB+
Up to THB2,000 million senior unsecured debentures and additional greenshoe portion of up to THB500 million due within 3 years	BBB+
Rating Outlook:	Stable

TRIS Rating Co., Ltd.

Silom Complex Building, 24th Floor, 191 Silom Road, Bangkok 10500, Thailand Tel: +66 2 098 3000

© Copyright 2023, TRIS Rating Co., Ltd. All rights reserved. Any unauthorized use, disclosure, copying, republication, further transmission, dissemination, redistribution or storing for subsequent use for any purpose, in whole or in part, in any form or manner or by any means whatsoever, by any person, of the credit rating reports or information is prohibited, without the prior written permission of TRIS Rating Co., Ltd. The credit rating is not a statement of fact or a recommendation to buy, sell or hold any debt instruments. It is an expression of opinion regarding credit risks for that instrument or particular company. The opinion expressed in the credit rating does not represent investment or other advice and should therefore not be construed as such. Any rating and information contained in any report written or published by TRIS Rating has been prepared without taking into account any recipient's particular financial needs, circumstances, knowledge and objectives. Therefore, a recipient should assess the appropriateness of such information before making an investment decision based on this information. Information used for the rating has been obtained by TRIS Rating from the company and other sources believed to be reliable. Therefore, TRIS Rating does not guarantee the accuracy, adequacy, or completeness of any such information and will accept no liability for any loss or damage arising from any inaccuracy, inadequacy or incompleteness. Also, TRIS Rating is not responsible for any errors or omissions, the result obtained from, or any actions taken in reliance upon such information. All methodologies used can be found at www.trisrating.com/rating-information/rating-criteria