

SANSIRI PLC

No. 96/2021

22 November 2021

CORPORATES

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

Last Review Date: 05/11/21

Company Rating History:

Date	Rating	Outlook/Alert
30/04/21	BBB+	Stable
01/04/20	BBB+	Negative
12/05/14	BBB+	Stable
10/05/13	BBB+	Positive
05/02/10	BBB+	Stable
19/03/09	BBB	Positive
12/07/04	BBB	Stable
08/10/03	BBB	-

Contacts:

Jutamas Bunyawanichkul

jutamas@trisrating.com

Auyporn Vachirakanjanaporn

auyporn@trisrating.com

Hattayanee Pitakpatapee

hattayanee@trisrating.com

Tulyawat Chatkam

tulyawatc@trisrating.com

Suchada Pantu, Ph.D.

suchada@trisrating.com



WWW.TRISRATING.COM

RATIONALE

TRIS Rating affirms the company rating on Sansiri PLC (SIRI) and the ratings on SIRI's existing senior unsecured debentures at "BBB+", with a "stable" rating outlook. We also affirm the ratings on SIRI's subordinated capital debentures (hybrid debentures) at "BBB-". At the same time, we assign the rating of "BBB+" to SIRI's proposed issue of up to THB2 billion in senior unsecured debentures. The proceeds from the new debentures will be used for debt repayment and working capital.

The ratings on SIRI and its debentures reflect the company's diverse product portfolio, its strong competitive position in both landed property and condominium segments, and its relatively high financial leverage. The ratings also incorporate our concerns over the drawn-out Coronavirus Disease 2019 (COVID-19) pandemic, which is likely to continue to pressure the demand for residential properties and the profitability of developers for an extended period. However, SIRI's well-diversified product portfolio and well-recognized brands should give the company the flexibility to adjust its portfolio to meet customer demand and retain its market position.

SIRI's net presales during the first nine months of 2021 contracted by 12% year-on-year (y-o-y) to THB20.1 billion. SIRI reported total operating revenue of THB22.1 billion, a 16% y-o-y drop, in the first nine months of 2021 since the company had lower promotional campaigns after giving aggressive promotion in last year. We view SIRI's operation and earnings during the remainder of 2021 through 2022 will be partly affected by the ongoing pandemic. However, SIRI's operating results should be in accordance with our expectation.

Our base-case scenario expects SIRI's total operating revenue to be in the THB29-THB32 billion per annum range during 2021-2023. Revenue from residential property sales remains the key contributor, accounting for around 90% of SIRI's total operating revenue. We project SIRI's earnings before interest, taxes, depreciation, and amortization (EBITDA) to range from THB6.0-THB6.6 billion annually and EBITDA margin to hover around 20%. EBITDA in the first nine months of 2021 was THB5.1 billion, around 23% of total operating revenues. SIRI's net profit during the first nine months of 2021 was THB1.7 billion or 8% of total operating revenue. We expect SIRI to keep its net profit margin at around 7%-8% of total operating revenue over the forecast period.

As of September 2021, SIRI had 58 existing landed property projects and 22 condominium projects (including seven condominium projects under joint ventures (JVs)), with total unsold value of THB57 billion (including built and unbuilt units). Landed property projects constituted 56% of the total remaining value, while condominium projects accounted for the rest. SIRI's backlog as of September 2021 stood at THB20 billion, comprising THB16.3 billion in backlog of its own projects and THB3.7 billion in backlog under JVs. We expect SIRI to deliver backlog worth THB4.9 billion in the fourth quarter of 2021, THB10.8 billion in 2022, THB4 billion in 2023, and the rest in 2024.

We foresee SIRI's financial leverage to remain high over the forecast period as the company plans to launch more of its own condominium projects than JV projects and enlarge landed property portfolio. We also forecast the company to fund land and construction costs for its industrial estate for rent project

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.

under JV with 70% debt and 30% equity throughout the development period. With unfavorable sentiment in both domestic and global economy, we view that SIRI should be more cautious in its ongoing business expansion in residential property development and other investments. We expect SIRI to keep its debt to capitalization ratio below 66% and the ratio of its funds from operations (FFO) to total debt in the 5%-10% range in order to maintain its ratings at the current levels.

SIRI's liquidity is relatively tight but should be manageable over the next 12 months. As of September 2021, SIRI's debts due over the next 12 months amounted to THB27.9 billion, comprising THB13.9 billion in debentures, THB5.9 billion in long-term project loans, THB5.4 billion in promissory notes (P/Ns), THB2.6 billion in short-term bills of exchange (B/Es), and THB0.1 billion in lease liability. Capital expenditures for other investments are set at around THB250 million in the next 12 months. Dividend payment is around 50% of net profit. At the end of September 2021, SIRI's sources of funds consisted of THB2.8 billion in cash and THB12.5 billion in committed credit facilities from banks, around THB2.5 billion of which could be drawn unconditionally and the remaining was available for construction. FFO over the next 12 months is forecast to be THB3.3 billion. SIRI usually refinances the matured debentures by new debenture issuance. Project loans are normally repaid with proceeds from the residential unit transfers. In addition, SIRI had unencumbered land banks at book value of THB13.4 billion and remaining finished units in its own debt-free projects with a selling price of THB4.2 billion, which can be pledged as collaterals for new loans (if needed).

As of September 2021, SIRI had total debt of THB67.4 billion (per priority debt consideration), including the priority debt of THB18.6 billion. SIRI's priority debt included secured debt at the parent company and its subsidiaries. As the ratio of its priority debt to total debt was 28% below the threshold of 50% according to TRIS Rating's "Issue Rating Criteria", we view that SIRI's unsecured creditors are not significantly disadvantaged with respect to claims against the company's assets.

RATING OUTLOOK

The "stable" outlook reflects our expectation that SIRI will be able to deliver its operating results and sustain its financial profile as targeted. We expect the company to keep its debt to capitalization ratio below 66% and its FFO to total debt ratio in the 5%-10% range over the forecast period. We also expect SIRI to retain its pretax return on permanent capital (ROPC) ratio above 5%.

RATING SENSITIVITIES

SIRI's ratings and/or outlook could be revised downward should the company's operating performance and/or financial position significantly deteriorate from our expectation. On the contrary, a credit upward revision could occur if SIRI's financial profile improves to the levels attained by its higher-rated peers, such that the debt to capitalization ratio stays below 55% and the FFO to total debt ratio increases to 10%-15% on a sustained basis.

RELATED CRITERIA

- Hybrid Securities Rating Criteria, 28 June 2021
- Issue Rating Criteria, 15 June 2021
- Rating Methodology – Corporate, 26 July 2019
- Key Financial Ratios and Adjustments, 5 September 2018

Sansiri PLC (SIRI)

Company Rating:	BBB+
Issue Ratings:	
SIRI21NA: THB2,000 million senior unsecured debentures due 2021	BBB+
SIRI222A: THB4,933.4 million senior unsecured debentures due 2022	BBB+
SIRI229A: THB2,000 million senior unsecured debentures due 2022	BBB+
SIRI229B: THB2,500 million senior unsecured debentures due 2022	BBB+
SIRI231A: THB4,000 million senior unsecured debentures due 2023	BBB+
SIRI236A: THB4,000 million senior unsecured debentures due 2023	BBB+
SIRI243A: THB500 million senior unsecured debentures due 2024	BBB+
SIRI240A: THB3,600 million senior unsecured debentures due 2024	BBB+
SIRI252A: THB6,000 million senior unsecured debentures due 2025	BBB+
SIRI20PA: THB3,000 million subordinated capital debentures (hybrid debentures)	BBB-
THB2,050 million subordinated capital debentures (hybrid debentures)	BBB-
Up to THB1,500 million senior unsecured debentures due within 5 years	BBB+
Up to THB2,000 million senior unsecured debentures due within 2 years 6 months	BBB+
Rating Outlook:	Stable

TRIS Rating Co., Ltd.

Silom Complex Building, 24th Floor, 191 Silom Road, Bangkok 10500, Thailand Tel: 02-098-3000

© Copyright 2021, 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