

BRITANIA PLC

No. 101/2022
16 September 2022

CORPORATES

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

Last Review Date: 20/07/22

Company Rating History:

Date	Rating	Outlook/Alert
20/07/22	BBB	Stable

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RATIONALE

TRIS Rating affirms the company rating on Britania PLC (BRI) at “BBB” with a “stable” rating outlook. At the same time, TRIS Rating assigns the “BBB” rating to BRI’s proposed issue of up to THB3 billion in senior unsecured debentures due within three years. The company plans to use the proceeds from the debenture issuance to fund business expansion.

The rating incorporates a stand-alone credit profile (SACP) of BRI at “bbb-” and a rating uplift of one notch to reflect BRI’s status as a highly strategic subsidiary of Origin Property PLC (ORI, rated “BBB+/Stable” by TRIS Rating). Based on our assessment of ORI’s status as a highly strategic subsidiary of BRI, the company rating on BRI is enhanced to one notch below the company rating on ORI.

BRI’s SACP reflects the company’s evolving brand recognition as well as its growing revenue in the landed property market. These strengths are partly offset by the company’s short track record, limited product types, and high financial leverage. The rating also takes into consideration our concerns over Thailand’s relatively high household debt level and rising inflation rates which could impact the purchasing power of homebuyers in the short to medium term.

BRI’s revenues in the first half of 2022 grew by 54.5% year-on-year (y-o-y) to THB2.9 billion, achieving around 55% of our full-year forecast. However, its earnings before interest, taxes, depreciation, and amortization (EBITDA) margin in the first half of 2022 was 27.9%, significantly higher the 20%-24% range over the past three years and better than our forecast of 22.5%. BRI’s EBITDA and funds from operations (FFO) in the first half of 2022 were THB808 million and THB572 million, respectively, almost doubling from the same period last year. Backlog at the end of June 2022 stood at THB1.5 billion. The entire backlog is expected to be transferred within the remainder of 2022.

BRI’s debt to capitalization ratio stood at 45% at the end of June 2022, down from 53% at the end of 2021. However, based on its business plan to launch more projects, BRI’s debt to capitalization ratio could rise to 55%-57% over the next three years. A key financial covenant on BRI’s debentures requires the company to maintain its net interest-bearing debt to equity ratio below 2.5 times. As of June 2022, the ratio was 0.83 times. The company should have no problem complying with the covenants.

We expect BRI’s liquidity to be manageable over the next 12 months. BRI’s sources of funds comprised cash on hand of THB579 million at the end of June 2022. We forecast BRI’s FFO over the next 12 months will be THB1.0 billion. Debt due over the next 12 months includes THB1.3 billion project loans and THB2.5 billion short-term loans from ORI. We expect the project loans to be repaid with internally generated cash from the transfers of residential units. The short-term loans from ORI are in the form of unsecured loans and payable at call.

BRI’s priority debt to total debt ratio at the end of June 2022 was 38.4%, lower than our 50% threshold for the notching down of its senior unsecured debt rating.

RATING OUTLOOK

The “stable” outlook reflects our expectation that BRI will maintain its status as a highly strategic member of ORI. Despite its aggressive expansion plan, we

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expect BRI to maintain good operating performance and keep its debt to capitalization ratio below 60%, and its FFO to debt ratio to remain in the 10%-15% range over the next three years.

RATING SENSITIVITIES

Based on its assessed status as a highly strategic member of ORI, the company rating on BRI could be upgraded should the company rating on ORI be upgraded. In addition, the rating could be revised upward/downward should BRI's status to ORI change.

RELATED CRITERIA

- Group Rating Methodology, 7 September 2022
- Corporate Rating Methodology , 15 July 2022
- Key Financial Ratio and Adjustments for Corporate Issuers, 11 January 2022
- Issue Rating Criteria, 15 June 2021

Britania PLC (BRI)

Company Rating:	BBB
Issue Rating:	
Up to THB3,000 million senior unsecured debentures due within 3 years	BBB
Rating Outlook:	Stable

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