

SANSIRI PLC

No. 101/2024
11 December 2024

CORPORATES

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

Last Review Date: 14/05/24

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	-

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RATIONALE

TRIS Rating assigns a rating of “BBB+” to Sansiri PLC (SIRI)’s proposed issue of up to THB7 billion senior unsecured debentures due within four years. The proceeds from the new debentures are intended to be used for debt repayment and working capital. At the same time, we affirm the company rating on SIRI and the ratings on its 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-”.

The ratings on SIRI and its debentures reflect the company’s leading market presence in both the landed property and condominium segments, driven by renowned brands and a diversified product portfolio. Also, the company is expected to deliver strong operating results throughout the forecast period. However, the ratings are constrained by the company’s high financial leverage, stemming from aggressive investments in residential property and other businesses. The ratings take into consideration the negative effects of persistently high interest rates and rising household debt levels, which have adversely impacted purchasing power and elevated mortgage rejection rates for residential properties in the short to medium term.

The ratings on SIRI’s hybrid debentures are two notches below the company rating. This rating differential reflects the subordinated nature of the hybrid debentures and the option for the issuer to defer coupons on a cumulative basis. Currently, one tranche of its outstanding hybrid debentures (THB2.05 billion) receives 0% equity content in our leverage ratio calculation as it was issued to a single investor, while another tranche (SIRI20PA) receives 50% equity content.

Our base-case scenario projects that SIRI’s total operating revenue will increase to THB42-THB47 billion per annum in 2024-2026, up from THB35-THB38 billion in 2022-2023. This projection assumes that the company will launch new projects worth approximately THB40-THB60 billion annually, with the majority being SIRI’s own projects. We estimate that the company’s average gross profit margin across all businesses will range between 33%-34% of total operating revenue. Additionally, we expect the company to maintain its selling, general, and administrative (SG&A) expenses below 20% of revenue. This would result in an annual EBITDA of THB10-THB11 billion, equivalent to an EBITDA margin of 24%-25% in 2024-2026.

In the first nine months of 2024 (9M24), SIRI reported total operating revenue of THB28.4 billion, achieving around two-thirds of our projected annual target. However, EBITDA over the period amounted to THB7.9 billion, aligning with our expectations. This was bolstered by healthy profit margins and an increased share of profits from joint ventures (JVs). For the full year of 2024, we anticipate the company’s operating results will be consistent with our projections, underpinned by a backlog of THB17.1 billion as of September 2024. Notably, approximately 35% of this backlog is expected to be delivered to customers in the last quarter of 2024.

SIRI’s financial leverage remained high in 9M24, primarily due to the launch of numerous new projects and substantial land acquisitions over the past few years. As of September 2024, the company’s real estate developments for sale were valued at THB113 billion, which is approximately 5 times the annualized

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cost of real estate sales. The debt-to-capitalization ratio increased to 68% in 9M24, up from 64%-67% in 2020-2023, while the funds from operations (FFO)-to-debt ratio remained within the 5%-10% range. We expect the company to reduce its financial leverage to align with our target of a debt-to-capitalization ratio below 65%.

We assess SIRI's liquidity as tight but manageable over the next 12 months. As of September 2024, SIRI's sources of funds included THB2.2 billion cash plus THB8.9 billion undrawn unconditional committed credit facilities from banks. FFO over the next 12 months is forecast to be around THB5 billion. Also, SIRI had unencumbered land banks at book value of THB2.4 billion and remaining finished units in its own debt-free projects with selling prices of THB6.1 billion. These can be pledged as collateral for new loans if needed.

On the other hand, SIRI's maturing debts over the next 12 months amounted to THB36.9 billion. This comprised THB13.4 billion debentures, THB9.9 billion long-term project loans, THB8.4 billion short-term promissory notes (P/Ns), THB5.1 billion short-term bills of exchange (B/Es), and THB0.1 billion lease liabilities. The debentures coming due will be repaid using the company's internally generated cash and/or replaced with a new debenture issuance. Project loans will be repaid with cash generated from the unit transfers of the underlying projects. P/Ns and B/Es are primarily intended for working capital and bridging loans for land purchases, which SIRI plans to either roll over or convert into long-term project loans thereafter.

As of September 2024, SIRI's total consolidated debt, including the full amount of hybrid debentures but excluding lease liabilities, was THB95.1 billion. SIRI's priority debt, including secured debts of SIRI and its subsidiaries, was THB31.9 billion. This translates to a priority debt to total debt ratio of 34%.

RATING OUTLOOK

The "stable" outlook reflects our expectation that SIRI will be able to deliver operating performance and sustain its financial profile as targeted. We expect the company to lower its debt to capitalization ratio to below 65% and keep its FFO to debt ratio in the 5%-10% range over the forecast period.

RATING SENSITIVITIES

A downward revision of SIRI's ratings and/or outlook could occur if its operating results and/or financial position significantly deteriorate from our expectations. Conversely, a credit upside would materialize 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 debt ratio improves to 10%-15% on a sustained 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
- Hybrid Securities Rating Criteria, 28 June 2021
- Issue Rating Criteria, 15 June 2021

Sansiri PLC (SIRI)

Company Rating:	BBB+
Issue Ratings:	
SIRI252A: THB6,000 million senior unsecured debentures due 2025	BBB+
SIRI252B: THB100 million senior unsecured debentures due 2025	BBB+
SIRI259A: THB2,408.48 million senior unsecured debentures due 2025	BBB+
SIRI25DC: THB2,500 million senior unsecured debentures due 2025	BBB+
SIRI25DA: THB3,639.21 million senior unsecured debentures due 2025	BBB+
SIRI261A: THB500 million senior unsecured debentures due 2026	BBB+
SIRI263A: THB5,000 million senior unsecured debentures due 2026	BBB+
SIRI267A: THB1,000 million senior unsecured debentures due 2026	BBB+
SIRI267B: THB2,000 million senior unsecured debentures due 2026	BBB+
SIRI267C: THB3,379.97 million senior unsecured debentures due 2026	BBB+
SIRI269A: THB2,095.6 million senior unsecured debentures due 2026	BBB+
SIRI26DA: THB200 million senior unsecured debentures due 2026	BBB+
SIRI273A: THB4,000 million senior unsecured debentures due 2027	BBB+
SIRI273B: THB1,000 million senior unsecured debentures due 2027	BBB+
SIRI276A: THB2,360.79 million senior unsecured debentures due 2027	BBB+
SIRI277A: THB2,620.03 million senior unsecured debentures due 2027	BBB+
SIRI279A: THB2,495.92 million senior unsecured debentures due 2027	BBB+
SIRI20PA: THB3,000 million subordinated capital debentures (hybrid debentures)	BBB-
THB2,050 million subordinated capital debentures (hybrid debentures)	BBB-
Up to THB7,000 million senior unsecured debentures due within 4 years	BBB+
Rating Outlook:	Stable

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