

SANSIRI PLC

No. 56/2021

29 July 2021

CORPORATES

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

Last Review Date: 07/07/21

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 Bunyanichkul

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 and proposed senior unsecured debentures at "BBB+", with a "stable" rating outlook. We also affirm the rating on its existing subordinated capital debentures (hybrid debentures) (SIRI20PA) at "BBB-". At the same time, we assign the rating of "BBB-" to the THB2.05 billion hybrid debentures with no equity credit assigned to the issue. The proposed hybrid debentures were issued specifically to only one investor, so the issue was not qualified for equity credit as per our criteria. Thus, the outstanding amount of this issue is treated as debt and the coupon payment is treated as interest expense.

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 prolonged Coronavirus Disease 2019 (COVID-19) pandemic, which continues to pressure the demand for residential property and the profitability of property developers.

The COVID-19 pandemic significantly affected SIRI's operating performance and profitability in 2020. However, we view that SIRI will be less pressured to resort the aggressive price campaigns and no extra selling and administrative (SG&A) expenses this year. We forecast SIRI's total operating revenue to reach THB29-THB30 billion per annum during 2021-2023. Revenue from residential property sales remains the key contributor, accounting for around 90% of total operating revenue. We forecast SIRI's earnings before interest, tax, depreciation, and amortization (EBITDA) margin at around 20%-21% and net profit margin at 7%-8% of total operating revenue over the next three years.

Our base-case scenario includes the expectation that SIRI will be able to deliver the backlog as scheduled. SIRI's backlog at the end of March 2021 stood at THB22.1 billion, comprising THB18.2 billion in backlog of its own projects and THB3.9 billion in backlog under joint ventures (JVs). The backlog worth THB10.6 billion is expected to be transferred to customers during the remainder of 2021, THB8 billion in 2022, THB3.3 billion in 2023, and THB0.2 billion in 2024.

As of March 2021, SIRI had 59 existing landed property projects and 22 condominium projects (including 7 condominium projects under JVs), with total unsold value of THB66.3 billion (including built and un-built units). Landed property projects constituted 60% of the total remaining value, while condominium projects accounted for the rest. SIRI's well-diversified product portfolio and well-recognized brands give the company the flexibility to adjust its portfolio to meet market demand and retain market position amid intensifying competition.

We project SIRI's debt to capitalization ratio to be maintained at 62%-64%. SIRI's leverage may not drop much despite the company plans to launch more landed property projects than condominium projects. This is because the company plans to launch more of its own condominium projects than JV projects. In addition, SIRI will continue investing in its hotel management business operated by The Standard brand during 2021-2022. We forecast SIRI to fund land and construction costs for its industrial estate for rent project under JV with 70% debt and 30% equity throughout the development period. With the unfavorable environment in both domestic and global economy, we

expect SIRI to 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 its funds from operations (FFO) to total debt ratio in the 5%-10% range in order to maintain its ratings at the current level.

We assess SIRI's liquidity to be manageable over the next 12 months. As of March 2021, SIRI's sources of funds consisted of THB2.7 billion in cash, THB0.7 billion in marketable securities, and THB16.3 billion of undrawn unconditional committed credit facilities from banks. SIRI had unencumbered land banks at book value of THB10.8 billion and remaining units in its own debt-free projects with a selling price of THB6 billion. FFO in 2021 is forecast to be THB3.2 billion. Debts due over the next 12 months will amount to THB24.3 billion, comprising THB1.3 billion short-term promissory notes (P/Ns), THB1.8 billion short-term bills of exchange (B/Es), THB6.1 billion long-term project loans, THB1.9 billion long-term P/N for land, THB13.1 billion debentures, and THB0.1 billion lease liability.

As of March 2021, SIRI had total debt of THB64.5 billion (per priority debt consideration), including THB19.1 billion of priority debt. SIRI's priority debt was secured debt at the parent company and its subsidiaries. This means the ratio of priority debt to total debt was about 30%. As SIRI's priority debt ratio is less than the threshold of 50% according to TRIS Rating's "Issue Ratings" criteria, we view that its unsecured creditors are not significantly disadvantaged with respect to the priority of claim against its assets.

RATING OUTLOOK

The "stable" outlook reflects our expectation that SIRI will be able to deliver its operating performance 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 profile are heading for a deeper deterioration than expected. On the other hand, a credit upside would materialize if SIRI's financial profile improves to the levels attained by its peers of higher ratings, 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:	
SIRI218A: THB5,000 million senior unsecured debentures due 2021	BBB+
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+
SIRI240A: THB3,600 million senior unsecured debentures due 2024	BBB+
SIRI20PA: THB3,000 million subordinated capital debentures (hybrid debentures)	BBB-
THB2,050 million subordinated capital debentures (hybrid debentures)	BBB-
Up to THB6,000 million senior unsecured debentures due within 3 years 6 months	BBB+
Rating Outlook:	Stable

TRIS Rating Co., Ltd.

Silom Complex Building, 24th Floor, 191 Silom Road, Bangkok 10500, Thailand Tel: 0-2098-3000

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