

# SIAMGAS AND PETROCHEMICALS PLC

No. 82/2019

4 December 2019

## CORPORATES

**Company Rating:** BBB+

**Issue Ratings:**

Senior unsecured BBB+

Partially guaranteed (85%) A+

Partially guaranteed (70%) A

**Outlook:** Stable

**Last Review Date :** 12/06/19

**Company Rating History:**

Date	Rating	Outlook/Alert
17/05/18	BBB+	Stable
28/11/13	BBB	Stable
07/07/11	BBB+	Stable

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## RATIONALE

TRIS Rating affirms the company rating on Siamgas and Petrochemicals PLC (SGP) and its existing senior unsecured debenture ratings at “BBB+”. TRIS Rating also affirms the rating on the existing partially guaranteed (85%) debenture at “A+” and the partially guaranteed (70%) debenture at “A”. The Credit Guarantee and Investment Facility (CGIF) (rated “AAA/Stable” by TRIS Rating) is the guarantor of the partially guaranteed debentures.

At the same time, TRIS Rating assigns the rating of “BBB+” to SGP’s newly proposed issue of up to Bt4 billion in senior unsecured debentures. SGP intends to use the proceeds to replace a maturing debenture of Bt2 billion which will be due in January 2020 and the rest is used for the share acquisition of Thai Public Port Co., Ltd.

The ratings continue to reflect the company’s strong position as the second-largest liquefied petroleum gas (LPG) distributor in Thailand, robust distribution network, and its geographically diverse customer base. The ratings, however, are partially offset by the softening domestic demand, high susceptibility to price risk of LPG from SGP’s overseas operations, and the potential rise in leverage as a result of the new project to build terminals and storage facilities for the import of liquefied natural gas (LNG).

TRIS Rating views that SGP’s credit profile will be increasingly sensitive to fluctuation in global LPG prices, as seen from the company’s growth focus on overseas expansion. The volatility of SGP’s cash flows is expected to be heightened. However, on average, we believe the cash flow base to grow gradually, tracking rising sales volume. In our base case, we forecast the company’s LPG business to deliver funds from operations (FFO) averaging Bt2.4 billion per year.

We also hold the view that SGP’s new investment to build LNG terminals and storage facilities will put pressure on its financial profile. With an estimated cost of Bt8 billion, the size of the project is considered significant to SGP’s balance sheet and will weaken its financial profile in the near term. We forecast that the FFO to debt ratio is likely to drop but should stay over 10%, which is still acceptable for the investment period. Other risks that concern us include a limited track record in the natural gas business as well as the risk of competition from larger suppliers in Thailand.

## RATING OUTLOOK

The “stable” outlook embeds the expectation that SGP will be able to maintain its strong position as the second-largest LPG distributor in Thailand. Reliable cash flows from domestic LPG operations will alleviate the volatile margin of the international operations. TRIS Rating also expects overseas trading to remain profitable, despite higher susceptibility to price risk.

## RATING SENSITIVITIES

A rating upgrade could happen if cash flow is larger and more stable or if the debt to capitalization ratio falls considerably from the current level. These outcomes could be achieved if SGP can attain a stronger competitive position in

China or expand sources of stable income.

The ratings could be revised downward if SGP's financial profile materially deteriorates for an extended period. This could arise if the FFO to debt ratio falls below TRIS Rating's expectation or if there are large debt-funded acquisitions which significantly jeopardize its financial profile.

The issue ratings and outlook for SGP's partially guaranteed debentures reflect the creditworthiness of both the issuer and its guarantor, CGIF. The issue ratings could be revised upward or downward should there be any changes in the credit profiles of SGP or its guarantor.

#### RELATED CRITERIA

- Rating Methodology – Corporate, 26 July 2019
- Key Financial Ratios and Adjustments, 5 September 2018

#### Siamgas and Petrochemicals PLC (SGP)

<b>Company Rating:</b>	BBB+
<b>Issue Ratings:</b>	
SGP201A: Bt2,000 million senior unsecured debentures due 2020	BBB+
SGP221A: Bt3,000 million senior unsecured debentures due 2022	BBB+
SGP232A: Bt2,000 million partially guaranteed debentures (85%) due 2023	A+
SGP23DA: Bt2,000 million partially guaranteed debentures (70%) due 2023	A
Up to Bt4,000 million senior unsecured debentures due within 4 years	BBB+
<b>Rating Outlook:</b>	Stable

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