

FRASERS PROPERTY THAILAND INDUSTRIAL FREEHOLD AND LEASEHOLD REIT

No. 88/2024

25 October 2024

CORPORATES

Issuer Rating: A
Issue Ratings:
 Senior unsecured A
Outlook: Stable

Last Review Date: 31/05/24

Issuer Rating History:

Date	Rating	Outlook/Alert
23/04/18	A	Stable

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RATIONALE

TRIS Rating assigns a rating of “A” to Frasers Property Thailand Industrial Freehold and Leasehold REIT (FTREIT or trust)’s proposed issue of up to THB2.0 billion senior unsecured debentures due within 10 years. The proceeds from the new debentures will be used to refinance some of the trust’s outstanding debts. At the same time, we affirm the issuer rating on FTREIT and the ratings on the trust’s existing senior unsecured debentures at “A” with a “stable” rating outlook.

The ratings continue to reflect the trust’s healthy occupancy, growing revenue and cashflow from ongoing asset acquisitions, and modest financial leverage. The ratings also consider intensified competition and our concerns over the domestic and global economic slowdown, which could pressure the occupancy and rental rates of industrial properties.

The trust’s operating performance was in line with our forecast. Its operating revenue during the first nine months of fiscal year 2024 (9MFY2024) increased by around 6% year-on-year (y-o-y) to THB2.9 billion, buoyed by an increase in leasable area resulting from its ongoing asset investments. The leasable area increased to 2,266,524 as of 30 June 2024, from square meters (sq.m.) from 2,264,640 sq.m. as of 30 September 2023. The overall occupancy rates (OR) with undertaking remained stable at above 85% during FY2021 until present. As of June 2024, its OR remained at 85.9%. The trust reported EBITDA in 9MFY2024 of around THB2.3 billion with an EBITDA margin of 76%. We expect the trust to maintain an OR of around 85% with an EBITDA margin of around 76% over the next few years.

The trust’s financial leverage remained modest during 9MFY2024 with a debt to EBITDA ratio of around 4 times and the funds from operations (FFO) to debt of around 26%. We expect the trust’s debt to EBITDA ratio to stay at around 4-5 times while the FFO to debt is forecast to remain above 15% over the forecast period.

Its liquidity is considered manageable for the next 12 months. As of June 2024, the trust had total reported debt of THB12.9 billion, comprising THB11.4 billion debentures, THB1.3 billion short-term borrowings, and THB0.2 billion lease liabilities. All debts were unsecured debts. The trust will have a series of debt repayments (excluding lease liabilities) due in the years ahead, including THB3.2 billion in FY2025, THB2.2 billion in FY2026, and THB6.9 billion thereafter.

The trust’s sources of liquidity as of June 2024 included cash on hand of THB18 million (net of all obligations) and available credit lines from financial institutions of THB2.7 billion. We forecast FFO to stay around THB2.5 billion over the next 12 months, and EBITDA interest coverage to remain at 6 times over the next three years. The trust should be able to refinance its debts, given its relatively low loan to value (LTV) ratio, ability to access the capital market, and good relationships with financial institutions.

The financial covenant on FTREIT’s debt obligations requires the trust to maintain its LTV (excluding lease liabilities) below 60%. At the end of June 2024, the ratio was around 26%. The trust should have no problems complying with the covenant over the forecast period.

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.

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RATING OUTLOOK

The “stable” outlook reflects our expectation that FTREIT will be able to deliver an operating performance as targeted with an average OR above 80% and an EBITDA margin above 70% over the next three years. We also expect the trust to keep its LTV ratio below 30% in accordance with its policy.

RATING SENSITIVITIES

We could lower the ratings if the trust’s OR drops significantly below our expectations and/or larger-than-anticipated debt-funded acquisitions cause the debt to EBITDA ratio to exceed 5.5 times for a prolonged period. In contrast, a rating upward revision could occur if the trust can enlarge its cash generation and improve its capital structure meaningfully, leading to a debt to EBITDA ratio of below 2.5 times on a sustained basis.

RELATED CRITERIA

- Corporate Rating Methodology, 15 July 2022
- Key Financial Ratios and Adjustments for Corporate Issuers, 11 January 2022
- Rating Methodology for Real Estate for Rent Companies, 15 July 2021
- Issue Rating Criteria, 15 June 2021

Frasers Property Thailand Industrial Freehold and Leasehold REIT (FTREIT)

Issuer Rating:	A
Issue Ratings:	
FTREIT24DA: THB1,000 million senior unsecured debentures due 2024	A
FTREIT255A: THB1,000 million senior unsecured debentures due 2025	A
TREIT256A: THB380 million senior unsecured debentures due 2025	A
FTREIT263A: THB1,000 million senior unsecured debentures due 2026	A
FTREIT266A: THB700 million senior unsecured debentures due 2026	A
FTREIT268A: THB500 million senior unsecured debentures due 2026	A
FTREIT274A: THB450 million senior unsecured debentures due 2027	A
FTREIT274B: THB1,000 million senior unsecured debentures due 2027	A
FTREIT275A: THB600 million senior unsecured debentures due 2027	A
FTREIT283A: THB150 million senior unsecured debentures due 2028	A
FTREIT286A: THB700 million senior unsecured debentures due 2028	A
TREIT286A: THB1,260 million senior unsecured debentures due 2028	A
TREIT28DA: THB600 million senior unsecured debentures due 2028	A
FTREIT294A: THB500 million senior unsecured debentures due 2029	A
FTREIT303A: THB350 million senior unsecured debentures due 2030	A
FTREIT304A: THB550 million senior unsecured debentures due 2030	A
FTREIT314A: THB500 million senior unsecured debentures due 2031	A
FTREIT316A: THB250 million senior unsecured debentures due 2031	A
Up to THB2,000 million senior unsecured debentures due within 10 years	A
Rating Outlook:	Stable

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