

SIAMGAS AND PETROCHEMICALS PLC

No. 77/2018

15 November 2018

CORPORATES

Company Rating: BBB+

Issue Ratings:

Senior unsecured BBB+

Partially guaranteed (85%) A+

Partially guaranteed (70%) A

Outlook: Stable

Last Review Date :

Date	Rating	Outlook/Alert
17/05/18	BBB+	Stable

Company Rating History:

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

Pravit Chaichamnapai, CFA

pravit@trisrating.com

Sermwit Sriyotha

sermwit@trisrating.com

Monthian Chantarklam

monthian@trisrating.com



WWW.TRISRATING.COM

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 its existing partially guaranteed debenture at “A+”. The debenture is partially guaranteed by Credit Guarantee and Investment Facility (CGIF) (AAA/Stable), for up to 85% of the unpaid amount of principal and interest.

At the same time, TRIS Rating assigns the rating of “A” to SGP’s newly proposed issue of up to Bt2,000 million in debentures partially guaranteed by the same guarantor, CGIF. For this issuance, CGIF will provide unconditional and irrevocable guarantees to cover up to 70% of the unpaid amount of principal and interest. SGP will use the proceeds from the new debentures for its working capital.

The ratings continue to reflect the company’s strong position as the second-largest liquefied petroleum gas (LPG) distributor in Thailand, its robust domestic distribution network, and its geographically diverse customer base. The ratings, however, are partially offset by high business risk from SGP’s operations abroad which expose the company to fluctuations in LPG prices.

TRIS Rating views that SGP’s operations performed satisfactorily for the first nine months of 2018, thanks to favorable price recovery of LPG. The average contract price for LPG was about US\$589 per tonne in the third quarter of 2018, rising continuously from US\$523 per tonne in the first quarter of 2018.

The financial result was better than TRIS Rating’s forecasts. SGP’s funds from operations (FFO) for the first nine months of 2018 were about Bt2.4 billion, close to our expected Bt2.5 billion per annum on average. The company’s outstanding debt rose continually due to a higher need for short-term debts to support working capital during the uptrend in LPG prices. However, the annualized FFO to total debt ratio for the first nine months of 2018 stood at 28.4%, which was still commensurate with our expectation of exceeding 20%.

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 partly alleviate the volatile margin of the international operations. Further, TRIS Rating also expects SGP to remain profitable in overseas trading, albeit with relatively 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 is able to create a stronger competitive position in China or has larger earnings contribution from its more stable business.

The ratings could be revised downward if SGP’s financial profile materially deteriorates for an extended period. This could arise if the FFO to total debt

ratio falls below TRIS Rating’s expectation for a sustained period or if there are large debt-funded acquisitions which significantly jeopardize its financial profile.

As for SGP’s partially guaranteed debentures, the issue ratings 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, 31 October 2007
- Key Financial Ratios and Adjustments, 5 September 2018

Siamgas and Petrochemicals PLC (SGP)

Company Rating:	BBB+
Issue Ratings:	
SGP192A: Bt3,000 million senior unsecured debentures due 2019	BBB+
SGP201A: Bt2,000 million senior unsecured debentures due 2020	BBB+
SGP232A: Bt2,000 million 85% partially guaranteed debentures due 2023	A+
Up to Bt2,000 million 70% partially guaranteed debentures due within 5 years	A
Rating Outlook:	Stable

TRIS Rating Co., Ltd.

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

© Copyright 2018, TRIS Rating Co., Ltd. All rights reserved. Any unauthorized use, disclosure, copying, republication, further transmission, dissemination, redistribution or storing for subsequent use for any purpose, in whole or Any unauthorized use, disclosure, copying, republication, further transmission, dissemination, redistribution, or storing for subsequent use for any purpose, in whole or in part, in any form or manner or by any means whatsoever, by any person, of the credit rating reports or information is prohibited, without the prior written permission of TRIS Rating Co., Ltd. The credit rating is not a statement of fact or a recommendation to buy, sell or hold any debt instruments. It is an expression of opinion regarding credit risks for that instrument or particular company. The opinion expressed in the credit rating does not represent investment or other advice and should therefore not be construed as such. Any rating and information contained in any report written or published by TRIS Rating has been prepared without taking into account any recipient’s particular financial needs, circumstances, knowledge and objectives. Therefore, a recipient should assess the appropriateness of such information before making an investment decision based on this information. Information used for the rating has been obtained by TRIS Rating from the company and other sources believed to be reliable. Therefore, TRIS Rating does not guarantee the accuracy, adequacy, or completeness of any such information and will accept no liability for any loss or damage arising from any inaccuracy, inadequacy or incompleteness. Also, TRIS Rating is not responsible for any errors or omissions, the result obtained from, or any actions taken in reliance upon such information. All methodologies used can be found at www.trisrating.com/rating-information/rating-criteria