

SANSIRI PLC

No. 18/2023

27 January 2023

CORPORATES

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

Last Review Date: 15/12/22

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:

Bundit Pommata

bundit@trisrating.com

Hattayanee Pitakpatapee

hattayanee@trisrating.com

Preeyapom Kosakam

preeyapom@trisrating.com

Auyporn Vachirakanjanaporn

auyporn@trisrating.com

Jutamas Bunyawanichkul

jutamas_b@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 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-”. At the same time, we assign the rating of “BBB+” to SIRI’s proposed issue of up to THB500 million in senior unsecured debentures due within 3 years. The proceeds from the new debentures will be used for SIRI’s debt repayment and working capital.

The ratings on SIRI and its debentures reflect the company’s diverse product portfolio and its strong market position in both the landed property and condominium segments. The ratings also consider the company’s high financial leverage and our concerns over escalating project development costs amid rising inflation.

Our base-case scenario projects SIRI’s total operating revenue to be around THB32-THB35 billion per annum during 2022-2024. Revenue from residential property sales will likely remain the key contributor, accounting for around 90% of SIRI’s total operating revenue over the forecast period. We project SIRI’s earnings before interest, taxes, depreciation, and amortization (EBITDA) to range between THB7.0-THB7.5 billion annually and the EBITDA margin to remain around 22% in 2022-2024.

For the first nine months of 2022, the company reported total operating revenue of THB21.7 billion, 2% lower than the same period last year. Meanwhile, the company’s EBITDA stood at THB5.2 billion, an increase of 2% from the same period last year. For the full-year 2022, we view that SIRI’s operating results should remain in line with our expectation underpinned by a 47% year-on-year (y-o-y) increase in net presales to THB38.4 billion and its strong backlog. At the end of 2022, SIRI’s backlog stood at THB18.8 billion, comprising THB15.8 billion in backlog of its own projects and THB3.0 billion in backlog under joint ventures (JVs). We believe the company will be able to deliver on its backlog as planned for the rest of 2022.

We expect SIRI’s financial leverage to remain high over the forecast period. Our base-case forecast is for SIRI’s debt to capitalization ratio (including proportionated debts from the JVs) to stay around 63%-65% and its funds from operations (FFO) to total debt ratio to remain in the 5%-10% range during 2022-2024. As of September 2022, SIRI’s total consolidated debt was THB77.5 billion. SIRI’s priority debt, including total consolidated secured debts and unsecured debts at its subsidiaries, was THB21.9 billion. These translate to a priority debt to total consolidated debt ratio of 28%.

We assess SIRI’s liquidity to remain relatively tight but manageable over the next 12 months. SIRI’s uses of funds comprised debts due over the next 12 months totaling THB20.0 billion, capital expenditures of around THB400 million in 2023, and a dividend payout ratio of around 50%. SIRI’s sources of funds as of 30 September 2022 consisted of THB3.0 billion in cash, THB10.7 billion of undrawn unconditional committed credit facilities from banks, and forecast FFO of THB4.2 billion in 2023. Also, SIRI had unencumbered land at book value of THB17.8 billion and remaining finished units in its own debt-free projects with selling prices of THB1.1 billion, which can be pledged as collaterals for additional liquidity if needed.

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.

Credit Updates are part of TRIS Rating’s monitoring process. TRIS Rating monitors every rating it assigns until either the debt instrument matures or the rating contract ends. To keep the public informed of changing situations, TRIS Rating periodically issues announcements about the credit ratings it monitors.

RATING OUTLOOK

The “stable” outlook reflects our expectation that SIRI will be able to deliver on its operating performance and sustain its financial profile as targeted. We expect SIRI 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 anticipate SIRI will retain its pretax return on permanent capital ratio (ROPC) ratio above 5%.

RATING SENSITIVITIES

The ratings and/or outlook could be revised downward should SIRI’s operating results and/or financial position significantly deteriorate from our expectation. Conversely, an upward revision would materialize if SIRI’s financial profile improves to the levels attained by its higher-rated peers, such that the debt to capitalization ratio remains below 55% and the FFO to total 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:	
SIRI236A: THB4,000 million senior unsecured debentures due 2023	BBB+
SIRI243A: THB498 million senior unsecured debentures due 2024	BBB+
SIRI247A: THB2,000 million senior unsecured debentures due 2024	BBB+
SIRI240A: THB3,600 million senior unsecured debentures due 2024	BBB+
SIRI24DA: THB800 million senior unsecured debentures due 2024	BBB+
SIRI24DB: THB500 million senior unsecured debentures due 2024	BBB+
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+
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+
SIRI269A: THB2,095.6 million senior unsecured debentures due 2026	BBB+
SIRI26DA: THB200 million senior unsecured debentures due 2026	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 THB6,000 million senior unsecured debentures due within 4 years and 6 months	BBB+
Up to THB500 million senior unsecured debentures due within 3 years	BBB+
Rating Outlook:	Stable

TRIS Rating Co., Ltd.

Silom Complex Building, 24th Floor, 191 Silom Road, Bangkok 10500, Thailand Tel: +66 2 098 3000

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