

SNC FORMER PCL

No. 235/2022
21 December 2022

CORPORATES

Issue Rating:

Guaranteed

AAA

Outlook:

Stable

Contacts:

Jantana Taveeratanasilp

jantana@trisrating.com

Preeyaporn Kosakarn

preeyaporn@trisrating.com

Narumol Charnchanavivat

narumol@trisrating.com



WWW.TRISRATING.COM

RATIONALE

TRIS Rating assigns the rating of “AAA” to the guaranteed bonds of SNC Former PCL (SNC). The bonds are guaranteed by Credit Guarantee and Investment Facility (CGIF: rated “AAA/Stable”), a trust fund of the Asian Development Bank (ADB). The rating reflects the creditworthiness of CGIF as the guarantor of the guaranteed bonds.

KEY RATING CONSIDERATIONS

The rating on SNC’s guaranteed bonds reflects the rating on CGIF. Under the terms of the guarantee, CGIF provides an irrevocable and unconditional guarantee to cover 100% of the principal and interest payments for the guaranteed bonds. The guarantee obligations rank at least pari passu with all other present and future unsecured and unsubordinated indebtedness of the guarantor.

The rating on the guaranteed bonds also takes into account the following conditions:

- CGIF is entitled to determine whether to make the payment in full (accelerated basis) after the occurrence of an Issuer Event of Default (as defined in the Guarantee Agreement) or the receipt of a Demand (as defined in the Guarantee Agreement). However, CGIF will no longer have obligations to make payments, amongst other terms and conditions of the bonds, under the following conditions: 1) the bondholders’ representative accelerates the bonds other than pursuant to a CGIF Non-Payment Event; or 2) the bondholders’ representative does not deliver the demand for payment within a pre-specified period.
- The bondholders might not receive the payment in Thai baht if CGIF determines that it is impossible or impractical or it is unable on commercially reasonable terms and in accordance with its policy for CGIF to obtain Thai Baht. In such an event, CGIF may make an equivalent payment in US dollars or such other currencies as it may determine. However, TRIS Rating views the likelihood of such risk as very low.

RATING OUTLOOK

The rating and outlook on SNC’s guaranteed bonds solely reflect the creditworthiness of its guarantor, CGIF.

RATING SENSITIVITIES

The rating on SNC’s guaranteed bonds may change if the rating on its guarantor, CGIF, changes.

COMPANY OVERVIEW

SNC was established in 1994 with registered and paid-up capital of THB1 million. The group of SNC comprises of 14 companies, including SNC. There are seven subsidiaries held directly by SNC, six subsidiaries held by its subsidiary, and one associated company. The company has two factories in Samut Prakan province and Rayong province.

The company originally engaged in the manufacturing of parts for air conditioner and household appliances, as well as car air conditioning equipment. In 2004, the company was listed on the Stock Exchange of Thailand (SET).

Later in 2007, the company expanded its business into assembly (original equipment manufacturer -- OEM) business, starting with the production and assembly of air conditioners. Today, the company's OEM products include air conditioners, televisions, refrigerators, heat pumps, toolboxes, etc.

As of 2021, OEM accounted for 72%, Parts accounted for 22%, and Auto accounted for 6% of SNC's total revenue.

At present, the company's business operation can be classified in four groups:

- 1) OEM: Manufacture and assembly of electrical appliances and toolboxes,
- 2) Parts: Manufacture and sales of electrical equipment parts, including air conditioning parts, fridge parts, and washing machine parts
- 3) Auto: Manufacture and sales of air conditioning equipment parts used for vehicles and vehicle equipment parts, and
- 4) Others: Other operations include mold manufacturing and distribution, as well as metal tools and equipment.

CGIF was founded in November 2010 by the governments of the ASEAN+3 countries (10 ASEAN countries plus China, Japan, and Korea) and ADB, together referred to as "contributors". CGIF's main objective is to provide credit guarantees which allow eligible issuers to access local currency bond markets. Issuers can thus avoid currency and maturity mismatches by issuing bonds within the region. The establishment of CGIF was a continual development process following the Asian Bond Markets Initiative (ABMI) introduced in 2003 by the ASEAN+3 countries. The aims of ABMI are to develop and strengthen the local currencies and regional bond markets to promote economic growth and financial development, and to prevent disruptions to the international financial order so as to enable savings in the region to be used within the region.

In a typical guarantee contract, CGIF's insurance services will provide coverage only when an issuer breaches the non-payment event clause. In addition, when a non-payment event occurs, CGIF retains the sole right to decide whether it will early redeem the bonds or continue to pay bondholders according to the original bond schedule. Upon payment by CGIF of all or any part of the guaranteed amounts, CGIF will be entitled to all the rights, powers, and security that bondholders had against the issuers and co-indemnity providers to an amount equal to the paid guaranteed amount.

CGIF finances its operations solely from capital contributions. CGIF is not allowed to borrow from any source, except for cash management purposes.

FINANCIAL STATISTICS AND KEY FINANCIAL RATIOS

The Guarantor Credit Guarantee and Investment Facility (CGIF), A Trust Fund of the Asian Development Bank (ADB)

Unit: Mil. USD

	Jan-Jun *	-----Year Ended 31 December -----			
		2022	2021	2020	2019
Interest income	13.0	27.3	28.9	26.2	19.7
Guarantee income	9.9	19.4	17.4	12.9	8.7
Other revenue**	1.7	4.4	3.4	2.8	1.1
Total revenue	24.6	51.1	49.6	41.9	29.5
Net income from operations	19.3	32.0	23.7	22.6	17.5
Total assets	1,343.7	1,372.8	1,351.7	1,255.1	957.8
Total liabilities	93.4	80.4	87.1	76.6	46.8
Shareholders' equity	1,250.3	1,292.4	1,264.5	1,178.4	911.0

* Unaudited and not annualized

** Including realized gain (loss) from securities, fair value changes from derivatives, commission from reinsurance, and miscellaneous income

RELATED CRITERIA

- Corporate Rating Methodology, 15 July 2022

- Issue Rating Criteria, 15 June 2021

SNC Former PCL (SNC)

Issue Rating:

Up to THB1,000 million guaranteed bonds due within 2028

AAA

Rating Outlook:

Stable

TRIS Rating Co., Ltd.

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

© Copyright 2022, 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 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