TRIS RATING
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CreditUpdate เครดิตวาระ
New Issue Report

SC ASSET CORPORATION PLC

No. 113/2023
26 September 2023

CORPORATES

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

Last Review Date: 09/06/23

Company Rating History:

Date	Rating	Outlook/Alert
04/08/11	BBB+	Stable

Contacts:

Auyporn Vachirakanjanaporn
auyporn@trisrating.com

Bundit Pommata
bundit@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 SC Asset Corporation PLC (SC) and the ratings on its outstanding senior unsecured debentures at "BBB+" with a "stable" rating outlook. At the same time, TRIS Rating assigns a "BBB+" rating to SC's proposed issue of up to THB1.5 billion senior unsecured debentures due within three years. The proceeds from the new debentures will be used to repay some of its existing loans and/or fund its working capital.

The ratings reflect SC's strong position in the mid- to high-end segments of the residential property market, continued revenue growth, and anticipated rise in its financial leverage, resulting from increasing new project launches and expansion toward recurring income assets. The ratings are weighed down by the cyclical nature of the residential property industry and our concerns over the imposition of more stringent loan-to-value (LTV) rules this year and interest rate hikes. These could negatively impact demand for housing and the funding costs of developers in the short to medium term.

SC's operating performance in the first half of 2023 (1H2023) was in line with TRIS Rating's expectations. The company's revenues have continued to grow gradually over recent years. Revenue in 1H2023 stood at THB10.3 billion, increasing by 13% year-on-year (y-o-y). Revenue from landed property projects accounted for 75%-80% of total revenue with the remainder from condominiums and rental and service income.

As of June 2023, SC had a backlog worth THB10.7 billion, around THB8.5 billion of which is expected to be transferred in the remainder of 2023 and the rest over the next two years. Over the last three years, SC has maintained its the earnings before interest, taxes, depreciation, and amortization (EBITDA) margin in the 17%-18% range. This ratio was 18.7% in 1H2023. We expect SC to maintain its good operating performance and sustain its EBITDA margin in this range over the next three years.

We assess SC's financial leverage as moderately high. The debt to capitalization ratio at the end of June 2023 was 56.6%, increased from 55.2% in 2022. We project this ratio to range between 55%-60% over the next three years. This is based on SC's plan to launch new residential property projects worth THB20-THB30 billion per annum and invest in recurring income assets at THB2.0-THB2.6 billion per annum over the next three years. SC's bank loans and debentures have a key financial covenant stipulating that the company must maintain its interest-bearing debt to equity ratio below 2 times. As of June 2023, the ratio was 1.4 times. Its priority debt to total debt ratio at the end of June 2023 was 29%.

We assess SC's liquidity as manageable over the next 12 months. As of June 2023, the company's liquidity sources comprised cash on hand of THB2.3 billion and unused committed credit facilities of THB4.6 billion. We forecast SC's funds from operations (FFO) over the next 12 months to be THB2.5-THB2.7 billion. The company also has unencumbered land banks worth around THB8.0-THB8.5 billion, which can be pledged as collaterals for bank loans if needed. SC has THB16.9 billion maturing debts over the coming 12 months, comprising THB8.0 billion short-term loans, THB5.3 billion project loans, and THB3.6 billion debentures. Short-term loans are mostly for working capital and bridging loans for land purchases which are expected to be converted into project loans over time. The company's project loans will be repaid with cash received from the transfer of completed units to customers, while most of its maturing debentures will be refinanced with issuances of new debentures.

RATING OUTLOOK

The "stable" outlook reflects our expectation that SC will maintain its competitive position and financial profile in the medium term, with the FFO to debt ratio remaining at 8%-10%. Despite its aggressive business expansion plan, we expect SC to keep its debt to capitalization ratio in the 55%-60% range over the next three years.

RATING SENSITIVITIES

We could revise SC's rating and/or outlook downward should its operating performance or financial profile deteriorate significantly from current levels, causing its debt to capitalization ratio to rise above 60% and/or FFO to debt ratio to drop below 5% over a sustained period. In contrast, we could revise the ratings upward if its revenue base grows as targeted while the FFO to debt ratio improves to around 10%-15% and the debt to capitalization ratio stays around 50%-55% on a sustainable 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
- Issue Rating Criteria, 15 June 2021

SC Asset Corporation PLC (SC)

Company Rating:	BBB+
Issue Ratings:	
SC257A: THB2,000 million senior unsecured debentures due 2025	BBB+
SC261A: THB920 million senior unsecured debentures due 2026	BBB+
SC267A: THB1,300 million senior unsecured debentures due 2026	BBB+
SC271A: THB1,280 million senior unsecured debentures due 2027	BBB+
SC277A: THB700 million senior unsecured debentures due 2027	BBB+
Up to THB1,500 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