

# SANSIRI PLC

No. 93/2021

5 November 2021

## CORPORATES

<b>Company Rating:</b>	BBB+
<b>Issue Ratings:</b>	
Senior unsecured	BBB+
Hybrid	BBB-
<b>Outlook:</b>	Stable

**Last Review Date:** 02/09/21

### 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:

Jutamas Bunyawanichkul

jutamas@trisrating.com

Auyporn Vachirakanjanaporn

auyporn@trisrating.com

Hattayanee Pitakpatapee

hattayanee@trisrating.com

Tulyawat Chatkam

tulyawatc@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 SIRI's 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 THB1.5 billion in senior unsecured debentures. The proceeds from the new debentures will be used to fund business operation.

The ratings on SIRI and its debentures reflect the company's diverse product portfolio, its strong competitive position in both landed property and condominium segments, and its relatively high financial leverage. The ratings also incorporate our concerns over the drawn-out Coronavirus Disease 2019 (COVID-19) pandemic, which is likely to continue to pressure the demand for residential properties and the profitability of developers for an extended period. However, SIRI's well-diversified product portfolio and well-recognized brands should give the company the flexibility to adjust its portfolio to meet customer demand and retain its market position.

SIRI's net presales during the first nine months of 2021 contracted by 12% year-on-year (y-o-y) to THB20.1 billion. We view SIRI's operation and earnings during the remainder of 2021 through 2022 will be partly affected by the ongoing pandemic. However, SIRI's operating results should be in accordance with our expectation. Our base-case scenario expects SIRI's total operating revenue to be in the THB29-THB32 billion per annum range during 2021-2023. Revenue from residential property sales remains the key contributor, accounting for around 90% of SIRI's total operating revenue. We project SIRI's earnings before interest, taxes, depreciation, and amortization (EBITDA) to range from THB6.0-THB6.6 billion annually and EBITDA margin to hover around 20%. SIRI's net profit margin should stay at around 7%-8% of total operating revenue over the next three years.

As of September 2021, SIRI had 58 existing landed property projects and 22 condominium projects (including seven condominium projects under joint ventures (JVs)), with total unsold value of THB57 billion (including built and unbuilt units). Landed property projects constituted 56% of the total remaining value, while condominium projects accounted for the rest. SIRI's backlog as of September 2021 stood at THB20 billion, comprising THB16.3 billion in backlog of its own projects and THB3.7 billion in backlog under JVs. We expect SIRI to deliver backlog worth THB4.9 billion in the fourth quarter of 2021, THB10.8 billion in 2022, THB4 billion in 2023, and the rest in 2024.

We foresee SIRI's financial leverage to remain high over the forecast period as the company plans to launch more of its own condominium projects than JV projects and enlarge landed property portfolio. We also forecast the company to fund land and construction costs for its industrial estate for rent project under JV with 70% debt and 30% equity throughout the development period. With unfavorable sentiment in both domestic and global economy, we view that SIRI should be more cautious in its ongoing business expansion in residential property development and other investments. We expect SIRI to keep its debt to capitalization ratio below 66% and the ratio of its funds from

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operations (FFO) to total debt in the 5%-10% range in order to maintain its ratings at the current levels.

We assess SIRI's liquidity to be manageable over the next 12 months. As of June 2021, SIRI's debts due over the next 12 months amounted to THB25.5 billion, comprising THB14.2 billion in debentures, THB3.1 billion in short-term bills of exchange (B/Es), THB5 billion in long-term project loans, THB3.1 billion in promissory notes (P/Ns), and THB0.1 billion in lease liability. SIRI's sources of funds consisted of THB3.5 billion in cash and THB10 billion in undrawn unconditional committed credit facilities from banks. FFO over the next 12 months is forecast to be THB3.2 billion. SIRI usually issues new debentures to repay the matured ones. Project loans are normally repaid with proceeds from the residential unit transfers. In addition, SIRI had unencumbered land banks at book value of THB9.7 billion and remaining units in its own debt-free projects with a selling price of THB6.2 billion, which can be pledged as collateral for new loans (if needed).

As of June 2021, SIRI had total debt of THB65.4 billion (per priority debt consideration), including the priority debt of THB18.2 billion. SIRI's priority debt included secured debt at the parent company and its subsidiaries. As the ratio of priority debt to total debt was 28% below the threshold of 50% according to TRIS Rating's "Issue Rating Criteria", we view that SIRI's unsecured creditors are not significantly disadvantaged with respect to claims against the company's assets.

#### **RATING OUTLOOK**

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

#### **RATING SENSITIVITIES**

SIRI's ratings and/or outlook could be revised downward should the company's operating performance and/or financial position significantly deteriorate from our expectation. On the contrary, a credit upward revision could occur if SIRI's financial profile improves to the levels attained by its higher-rated peers, such that the debt to capitalization ratio stays below 55% and the FFO to total debt ratio increases to 10%-15% on a sustained basis.

#### **RELATED CRITERIA**

- Hybrid Securities Rating Criteria, 28 June 2021
- Issue Rating Criteria, 15 June 2021
- Rating Methodology – Corporate, 26 July 2019
- Key Financial Ratios and Adjustments, 5 September 2018

**Sansiri PLC (SIRI)**

<b>Company Rating:</b>	BBB+
<b>Issue Ratings:</b>	
SIRI21NA: THB2,000 million senior unsecured debentures due 2021	BBB+
SIRI222A: THB4,933.4 million senior unsecured debentures due 2022	BBB+
SIRI229A: THB2,000 million senior unsecured debentures due 2022	BBB+
SIRI229B: THB2,500 million senior unsecured debentures due 2022	BBB+
SIRI231A: THB4,000 million senior unsecured debentures due 2023	BBB+
SIRI236A: THB4,000 million senior unsecured debentures due 2023	BBB+
SIRI243A: THB500 million senior unsecured debentures due 2024	BBB+
SIRI240A: THB3,600 million senior unsecured debentures due 2024	BBB+
SIRI252A: THB6,000 million senior unsecured debentures due 2025	BBB+
SIRI20PA: THB3,000 million subordinated capital debentures (hybrid debentures)	BBB-
THB2,050 million subordinated capital debentures (hybrid debentures)	BBB-
Up to THB1,500 million senior unsecured debentures due within 5 years	BBB+
<b>Rating Outlook:</b>	Stable

**TRIS Rating Co., Ltd.**

Silom Complex Building, 24th Floor, 191 Silom Road, Bangkok 10500, Thailand Tel: 02-098-3000

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