

# SC ASSET CORPORATION PLC

No. 62/2022  
17 June 2022

## CORPORATES

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

**Last Review Date:** 25/10/21

### Company Rating History:

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

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## RATIONALE

TRIS Rating affirms the company rating on SC Asset Corporation PLC (SC) at “BBB+” with a “stable” rating outlook. At the same time, TRIS Rating assigns the “BBB+” rating to SC’s proposed issue of up to THB2 billion in senior unsecured debentures due within three years. The proceeds from the debentures are to be used to fund its working capital.

The ratings reflect SC’s strong position in the middle- to high-end segments of the residential property market, continued revenue growth, and anticipated rise in its financial leverage, resulting from the increasing value of new project launches and the expansion toward recurring income assets. The ratings also take into consideration SC’s concentration in high-priced condominium projects and our concerns over the persistently high household debt level and rising inflation which could impact the purchasing power of homebuyers in the short to medium term.

SC’s operating performance during 2021 through the first quarter of 2022 was in line with TRIS Rating’s expectations. Despite the lingering Coronavirus Disease 2019 (COVID-19) pandemic, revenues in 2021 increased by 2.5% year-on-year (y-o-y) to THB19.5 billion, supported by strong growth in landed property sales. Revenues in the first quarter of 2022 was THB3.8 billion, a slight decrease of 2.8% y-o-y. Revenue from landed property projects accounted for 70%-80% of total revenue while the remainder was derived from condominiums and rental and service income.

As of March 2022, SC had a backlog worth THB9.2 billion. Almost all the backlog is expected to be transferred in the remainder of 2022. SC’s earnings before interest, taxes, depreciation, and amortization (EBITDA) margin has been maintained in the 17%-18% range over the past three years. 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 March 2022 was 51.1%, up from 48.4% in 2021. We project this ratio to range from 50%-60% over the next three years, based on its plan to launch new residential property projects worth THB15-THB20 billion per annum and invest in recurring income assets at THB1.3-THB1.8 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 March 2022, the ratio was 1.14 times.

We assess SC’s liquidity as manageable over the next 12 months. As of March 2022, the company’s liquidity sources comprised cash on hand plus short-term investments of THB2.8 billion and unused committed credit facilities of THB5.2 billion. We forecast SC’s funds from operations (FFO) over the next 12 months will be THB2 billion. SC’s uses of funds include THB11 billion of debt due over the next 12 months, THB3-THB4 billion for working capital needed to fund its real estate investments, and dividend payments of around THB0.8 billion per annum. Debt due in the next 12 months comprises THB6.5 billion in short-term loans, THB4.3 billion in project loans, and THB0.25 billion in 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 while the company

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plans to repay project loans with cash received from the transfer of completed units to customers. Most of the 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 an EBITDA margin of 15%-18%. Despite its aggressive business expansion plan, we expect SC to keep its debt to capitalization ratio in a range of 50%-60% over the next three years.

#### RATING SENSITIVITIES

We could revise SC’s ratings and/or outlook downward should its operating performance or financial profile deteriorate significantly from current levels or if the debt to capitalization ratio rises above 60% for a sustained period. In contrast, we could revise the ratings upward if the FFO to debt ratio improves to around 12%-15% and the debt to capitalization ratio stays around 50% on a sustainable basis.

#### RELATED CRITERIA

- Key Financial Ratio and Adjustments for Corporate Issuers, 11 January 2022
- Issue Rating Criteria, 15 June 2021
- Rating Methodology – Corporate, 26 July 2019

#### SC Asset Corporation PLC (SC)

<b>Company Rating:</b>	BBB+
<b>Issue Rating:</b>	
Up to THB2,000 million senior unsecured debentures due within 3 years	BBB+
<b>Rating Outlook:</b>	Stable

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