

SC ASSET CORPORATION PLC

No. 65/2023
9 June 2023

CORPORATES

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

Last Review Date: 20/12/22

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 debenture 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 senior unsecured debentures due within four years. The proceeds from the new debentures are to be used to repay some of its existing loans and 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 reimposition of the loan-to-value (LTV) rules and interest rate hikes which could negatively impact demand for housing in the short to medium term.

SC’s operating performance in 2022 through the first quarter of 2023 was in line with TRIS Rating’s expectations. The company’s revenues have continued to grow gradually over recent years. Revenue in 2022 and the first quarter of 2023 stood at THB21.7 billion and THB4.9 billion, increasing by 11% year-on-year (y-o-y) and 28% y-o-y, respectively. Revenue from landed property projects accounted for 75%-80% of total revenue with the remainder from condominiums and rental and service income.

As of March 2023, SC had a backlog worth THB10.9 billion. Of which, around THB7.8 billion is expected to be transferred in the remainder of 2023, THB2.0 billion in 2024, 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 18.6% in the first quarter of 2023. 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 2023 was 55.4%, constant from 2022. We project this ratio to range between 55%-60% over the next three years. This is based on its 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 March 2023, the ratio was 1.3 times. Its priority debt to total debt ratio at the end of March 2023 was 28%.

We assess SC’s liquidity as manageable over the next 12 months. As of March 2023, the company’s liquidity sources comprised cash on hand of THB2.1 billion and unused committed credit facilities of THB7.7 billion. We forecast SC’s funds from operations (FFO) over the next 12 months to be THB2.4-THB2.6 billion. SC has THB15.9 billion in maturing debts due over the coming 12 months, comprising THB6.1 billion in short-term loans, THB5.7 billion in project loans, and THB4.2 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. 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.

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 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 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+
SC271A: THB1,280 million senior unsecured debentures due 2027	BBB+
Up to THB2,000 million senior unsecured debentures due within 4 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

© Copyright 2023, 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 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