

# SC ASSET CORPORATION PLC

No. 132/2022  
20 December 2022

## CORPORATES

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

**Last Review Date:** 25/10/22

### 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) and the rating 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 THB2.2 billion in senior unsecured debentures due within four years. The proceeds from the debentures are to be used to 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 also incorporate concerns over the persistently high household debt level and rising inflation which could impact homebuyers’ purchasing power and property developers’ costs in the short to medium term.

SC’s operating performance in the first nine months of 2022 was in line with TRIS Rating’s expectations. Revenues in the first nine months of 2022 was THB14.3 billion, up 6.4% compared with the same period last year. Revenue from landed property projects accounted for 86% of total revenue while the remainder was derived from condominiums and rental and service income.

As of September 2022, SC had a backlog worth THB12 billion. Of which, around THB8.1 billion is expected to be transferred in the remainder of 2022, THB2.5 billion in 2023, and the rest over the next two years. The earnings before interest, taxes, depreciation, and amortization (EBITDA) margin has been maintained in the 17%-18% range over the last three years. This ratio improved to 19.3% in the first nine months of 2022. We expect SC to maintain its good operating performance and sustain its EBITDA margin in this range over the coming three years.

We assess SC’s financial leverage as moderately high. The debt to capitalization ratio at the end of September 2022 was 54.4%, up from 48.4% in 2021. We project this ratio to range between 55%-60% over the next three years, 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 September 2022, the ratio was 1.29 times. Its priority debt to total debt ratio at the end of September 2022 was 34.5%.

We assess SC’s liquidity as manageable over the next 12 months. As of September 2022, the company’s liquidity sources comprised cash on hand plus short-term investments of THB2.8 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 billion. SC has THB15.7 billion in maturing debts due over the coming 12 months, comprising THB7.6 billion in short-term loans, THB5.5 billion in project loans, and THB2.6 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

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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 maintained 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

- 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)

<b>Company Rating:</b>	BBB+
<b>Issue Ratings:</b>	
SC257A: THB2,000 million senior unsecured debentures due 2025	BBB+
Up to THB2,200 million senior unsecured debentures due within 4 years	BBB+
<b>Rating Outlook:</b>	Stable

## TRIS Rating Co., Ltd.

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