

SANSIRI PLC

No. 13/2024
16 February 2024

CORPORATES

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

Last Review Date: 31/10/23

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	-

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RATIONALE

TRIS Rating affirms the company rating on Sansiri PLC (SIRI) and the ratings on its 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 THB4 billion senior unsecured debentures and an additional greenshoe portion of up to THB1 billion due within three years. Proceeds from the new debentures will be used for SIRI’s debt repayment and working capital.

The ratings on SIRI and its debentures continue to reflect the company’s diversified product portfolio, strong market position in both landed property and condominium segments, and improving profitability. However, the ratings are constrained by its high financial leverage resulting from its aggressive investment in residential property and other businesses. The ratings also incorporate the negative impacts of interest rate hikes, high household debts, and the reimposition of stringent loan-to-value (LTV) rules in 2023 which could suppress housing demand in the short to medium term.

Our base-case scenario projects SIRI’s total operating revenue to grow to around THB39-THB44 billion per annum during 2023-2025. This is buoyed by its plan to launch more projects, worth more than THB154 billion during 2023-2025. Revenue from residential property sales will likely remain the key contributor, accounting for around 90% of SIRI’s total operating revenue over the forecast period. We expect SIRI to maintain acceptable levels of profitability over the next three years. Our base-case assumes SIRI’s average gross profit margin from all businesses to be around 33%-34% of total operating revenue. SIRI’s earnings before interest, taxes, depreciation, and amortization (EBITDA) should stay in the THB9.4-THB10.7 billion range per annum or 24%-25% of total operating revenue during 2023-2025.

For the first nine months of 2023 (9M2023), the company reported total operating revenue of THB26.9 billion, slightly below our targets. However, the company’s EBITDA stood at THB7.6 billion, slightly above our targets, supported by an improved profit margin and higher share of profit from joint ventures (JVs). For the full-year 2023, we expect SIRI’s operating results to remain in line with our expectations underpinned by its transfer performance of THB38.7 billion in 2023. SIRI reported a strong backlog of THB17.7 billion as of December 2023. Around 70% of the backlog is expected to be delivered to customers within 2024.

SIRI’s financial leverage remains high due mainly to its high level of real estate development for sales of THB102.6 billion as of September 2023. The value of its inventory was almost 4 times the expected annual cost of goods sold (COGS). Also, the company plans to aggressively launch new projects totaling more than THB154 billion over the next three years. Thus, its leverage may not improve much from the current level. Our base-case scenario projects SIRI’s debt to capitalization ratio to remain at 62%-65% during 2023-2025, and its funds from operations (FFO) to debt ratio to stay in the 5%-10% range over the forecast period.

We assess SIRI’s liquidity to be relatively tight but manageable over the next 12 months. As of September 2023, SIRI’s sources of funds consisted of THB4.2 billion

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cash plus THB12.6 billion undrawn and unconditional committed credit facilities from banks. FFO over the next 12 months is forecast to be around THB5 billion. Also, SIRI had unencumbered land banks at book value of THB15.9 billion and remaining finished units in its own debt-free projects with selling prices of THB3.3 billion. These can be pledged as collateral for new loans if needed.

On the flip side, SIRI's maturing debts over the next 12 months amounted to THB29.8 billion. This comprised THB8.9 billion long-term project loans, THB8.2 billion debentures, THB7.3 billion short-term promissory notes (P/Ns), THB5.3 billion short-term bills of exchange (B/Es), and THB0.1 billion lease liability. Project loans are normally repaid with the proceeds from the underlying projects' unit transfers. The debentures coming due will be repaid by the company's internally generated cash and/or replaced with a new debenture issuance. Some of the short-term P/Ns and B/Es are used as bridging loans for land purchases, with the intention of converting them to long-term project loans thereafter.

As of September 2023, SIRI's total consolidated debt was THB88.5 billion. SIRI's priority debt, including total consolidated secured debts and unsecured debts at its subsidiaries, was THB23.4 billion. These translate to a priority debt to total consolidated debt ratio of around 27%.

RATING OUTLOOK

The "stable" outlook reflects our expectation that SIRI will deliver on its operating performance and sustain its financial profile as targeted. We expect SIRI will keep its debt to capitalization ratio below 65% and its FFO to debt ratio in the 5%-10% range over the forecast period.

RATING SENSITIVITIES

The ratings and/or outlook could be revised downward should SIRI's operating results and/or financial position significantly deteriorate from our expectation. Conversely, an upward revision would materialize 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 debt ratio improves to 10%-15% on a sustained 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
- Hybrid Securities Rating Criteria, 28 June 2021
- Issue Rating Criteria, 15 June 2021

Sansiri PLC (SIRI)

Company Rating:	BBB+
Issue Ratings:	
SIRI243A: THB495.6 million senior unsecured debentures due 2024	BBB+
SIRI247A: THB2,000 million senior unsecured debentures due 2024	BBB+
SIRI240A: THB3,600 million senior unsecured debentures due 2024	BBB+
SIRI24DA: THB800 million senior unsecured debentures due 2024	BBB+
SIRI24DB: THB500 million senior unsecured debentures due 2024	BBB+
SIRI252A: THB6,000 million senior unsecured debentures due 2025	BBB+
SIRI252B: THB100 million senior unsecured debentures due 2025	BBB+
SIRI259A: THB2,408.48 million senior unsecured debentures due 2025	BBB+
SIRI25DA: THB3,639.21 million senior unsecured debentures due 2025	BBB+
SIRI25DC: THB2,500 million senior unsecured debentures due 2025	BBB+
SIRI261A: THB500 million senior unsecured debentures due 2026	BBB+
SIRI263A: THB5,000 million senior unsecured debentures due 2026	BBB+
SIRI267A: THB1,000 million senior unsecured debentures due 2026	BBB+
SIRI267B: THB2,000 million senior unsecured debentures due 2026	BBB+
SIRI267C: THB3,379.97 million senior unsecured debentures due 2026	BBB+
SIRI269A: THB2,095.6 million senior unsecured debentures due 2026	BBB+
SIRI26DA: THB200 million senior unsecured debentures due 2026	BBB+
SIRI276A: THB2,360.79 million senior unsecured debentures due 2027	BBB+
SIRI277A: THB2,620.03 million senior unsecured debentures due 2027	BBB+
SIRI279A: THB2,495.92 million senior unsecured debentures due 2027	BBB+
SIRI20PA: THB3,000 million subordinated capital debentures (hybrid debentures)	BBB-
THB2,050 million subordinated capital debentures (hybrid debentures)	BBB-
Up to THB4,000 million senior unsecured debentures and additional greenshoe portion of up to THB1,000 million due within 3 years	BBB+
Rating Outlook:	Stable

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