

# SIAMGAS AND PETROCHEMICALS PLC

No. 84/2018

21 December 2018

## CORPORATES

**Company Rating:** BBB+

**Issue Ratings:**

Senior unsecured BBB+

Partially guaranteed (85%) A+

Partially guaranteed (70%) A

**Outlook:** Stable

**Last Review Date :** 15/11/18

**Company Rating History:**

Date	Rating	Outlook/Alert
17/05/18	BBB+	Stable
28/11/13	BBB	Stable
07/07/11	BBB+	Stable

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## RATIONALE

TRIS Rating affirms the company rating on Siamgas and Petrochemicals PLC (SGP) and its existing senior unsecured debenture ratings at “BBB+”. TRIS Rating also affirms the rating on its existing partially guaranteed debenture at “A+” for 85% and “A” for 70% guarantee of the unpaid amount of principal and interest. The Credit Guarantee and Investment Facility (CGIF) (AAA/Stable) is the guarantor.

At the same time, TRIS Rating assigns the rating of “BBB+” to SGP’s newly proposed issue of up to Bt3,000 million in senior unsecured debentures. SGP will use the proceeds to replace an existing bond which will be due in February 2019.

The ratings continue to reflect the company’s strong position as the second-largest liquefied petroleum gas (LPG) distributor in Thailand, its robust domestic distribution network, and its geographically diverse customer base. The ratings, however, are partially offset by high business risk from SGP’s operations abroad which expose the company to fluctuations in LPG prices.

SGP’s financial result was better than TRIS Rating’s forecasts, thanks to the uptrend in LPG price. For the first nine months of 2018, SGP’s funds from operations (FFO) was about Bt2.4 billion. The annualized FFO to total debt ratio stood at 28.4%, which was in line with our forecast. Under TRIS Rating’s base case assumption, SGP will generate the averaged FFO of Bt2.5 billion per annum and maintain the FFO to total debt ratio at over 20%.

## RATING OUTLOOK

The “stable” outlook embeds the expectation that SGP will be able to maintain its strong position as the second largest LPG distributor in Thailand. Reliable cash flows from domestic LPG operations will partly alleviate the volatile margin of the international operations. Further, TRIS Rating also expects SGP to remain profitable in overseas trading, albeit with relatively higher susceptibility to price risk.

## RATING SENSITIVITIES

A rating upgrade could happen if cash flow is larger and more stable or if the debt to capitalization ratio falls considerably from the current level. These outcomes could be achieved if SGP is able to create a stronger competitive position in China or has a larger earnings contribution from its more stable business.

The ratings could be revised downward if SGP’s financial profile materially deteriorates for an extended period. This could arise if the FFO to total debt ratio falls below TRIS Rating’s expectation for a sustained period or if there are large debt-funded acquisitions which significantly jeopardize its financial profile.

As for SGP’s partially guaranteed debentures, the issue ratings reflect the creditworthiness of both the issuer and its guarantor, CGIF. The issue ratings could be revised upward or downward should there be any changes in the

credit profiles of SGP or its guarantor.

**RELATED CRITERIA**

- Key Financial Ratios and Adjustments, 5 September 2018
- Rating Methodology – Corporate, 31 October 2007

**Siamgas and Petrochemicals PLC (SGP)**

<b>Company Rating:</b>	BBB+
<b>Issue Ratings:</b>	
SGP192A: Bt3,000 million senior unsecured debentures due 2019	BBB+
SGP201A: Bt2,000 million senior unsecured debentures due 2020	BBB+
SGP232A: Bt2,000 million 85% partially guaranteed debentures due 2023	A+
SGP23DA: Bt2,000 million 70% partially guaranteed debentures due 2023	A
Up to Bt3,000 million senior unsecured debentures due within 3 years	BBB+
<b>Rating Outlook:</b>	Stable

**TRIS Rating Co., Ltd.**

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