

SIAMGAS AND PETROCHEMICALS PLC

No. 131/2022
16 December 2022

CORPORATES

Company Rating:	BBB+
Issue Ratings:	
Senior unsecured	BBB+
Partially guaranteed (70%)	A
Partially guaranteed (85%)	A+
Outlook:	Stable

Last Review Date: 29/06/22

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 the ratings on its outstanding senior unsecured debentures at “BBB+”, with a “stable” outlook. Also, TRIS Rating affirms SGP’s 70% partially guaranteed debentures at “A” and its 85% partially guaranteed debentures at “A+”. The debentures are partially guaranteed by Credit Guarantee and Investment Facility (CGIF), rated “AAA/Stable”.

At the same time, TRIS Rating assigns the rating of “BBB+” to SGP’s newly proposed issue of up to THB4 billion in senior unsecured debentures. The company will use the proceeds to repay THB2 billion in partially guaranteed debentures coming due in February 2023. The remainder will be used to support working capital needs.

The ratings continue to reflect the company’s market position as the second-largest liquefied petroleum gas (LPG) supplier in Thailand, extensive distribution network, and geographically diverse customer bases. Conversely, the ratings are weighed down by the company’s vulnerability to LPG price fluctuations in overseas markets and an expected rise in its financial leverage resulting from SGP’s planned investment in a liquefied natural gas (LNG) import project.

SGP’s LPG sales volume has recovered from the setbacks brought by Coronavirus Disease (COVID-19). During the first nine months of 2022, SGP’s sales volume rebounded to 2.59 million tonnes, a 7.3% increase year-on-year (y-o-y). International volume escalated by 7.6% y-o-y to about 2 million tonnes while domestic sales volume also improved, growing by 6.1% y-o-y to 0.59 million tonnes. Recovery in the China market, accounting for 30% of total volume, remains slower than expected due to the extended lockdowns in the country. Sales volume in China rose 17.9% y-o-y to 0.76 million tonnes in the first nine months of 2022. However, this is still far below the pre-COVID-19 level of about 1.2 million tonnes per annum.

Despite the reviving sales volume, SGP’s financial performance was adversely affected by a sharp downturn in the LPG price in the second quarter of 2022. SGP’s earnings contracted substantially and at a faster rate than our forecast. Earnings before interest, taxes, depreciation, and amortization (EBITDA) for the first nine months of 2022 came in at THB2.31 billion, a 50% drop from the same period of 2021. This is because SGP posted historically high earnings in 2021 due to the upsurge in LPG prices. However, we believe that SGP’s EBITDA is moving towards the normal level of THB3.0-THB3.5 billion per year.

We foresee that SGP’s financial strength will weaken, considering its planned investment in an LNG import project with a total project cost of about THB8 billion. The company’s financial leverage is likely to rise during the project development, but it should remain commensurate with the current ratings. We don’t expect the debt to EBITDA ratio to greatly exceed 5 times and the funds from operations (FFO) to debt ratio will fall but should remain above 10% over the next three years.

At the end of September 2022, SGP had THB18.3 billion in debt, including approximately THB5.8 billion of priority debt. This means the ratio of priority debt to total debt was about 31.6%.

RATING OUTLOOK

The “stable” outlook reflects our expectation that SGP will be able to retain its strong position as the second-largest LPG distributor in Thailand. More stable profits from domestic sales will continue to help SGP weather the volatile margins of its overseas operations. We also expect overseas trading to remain profitable, despite its susceptibility to price risk.

RATING SENSITIVITIES

The ratings are unlikely to be upgraded in the near term due in large part to SGP’s sizable investment in connection with the LNG import project. Conversely, the ratings could be revised downward if SGP’s financial profile deteriorates materially, with the debt to EBITDA ratio staying over 5-6 times and the FFO to debt ratio remaining below 10% for an extended period.

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

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

Siamgas and Petrochemicals PLC (SGP)

Company Rating:	BBB+
Issue Ratings:	
SGP232A: THB2,000 million partially guaranteed debentures (85%) due 2023	A+
SGP23DA: THB2,000 million partially guaranteed debentures (70%) due 2023	A
SGP241A: THB4,000 million senior unsecured debentures due 2024	BBB+
SGP262A: THB4,000 million senior unsecured debentures due 2026	BBB+
Up to THB4,000 million senior unsecured debentures due within 4 years	BBB+
Rating Outlook:	Stable

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