

SAHA PATHANA INTER-HOLDING PLC

No. 90/2021
11 June 2021

CORPORATES

Company Rating:	AA
Issue Ratings:	
Senior unsecured	AA
Outlook:	Stable

Last Review Date: 11/06/20

Company Rating History:

Date	Rating	Outlook/Alert
21/04/14	AA	Stable

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RATIONALE

TRIS Rating affirms the company rating on Saha Pathana Inter-Holding PLC (SPI) and the ratings on SPI's outstanding senior unsecured debentures at "AA", with a "stable" outlook. The ratings reflect SPI's position as one of the core holding companies of the Saha Group, its well-diversified investment portfolio of consumer products companies within the Saha Group, and its strong business network. The ratings also take into consideration the company's stable dividend income, conservative business policies, and strong financial flexibility.

KEY RATING CONSIDERATIONS

One of the core holding companies of the Saha Group

SPI is the main holding company of the Saha Group. The Saha Group is a leading group of consumer product companies in Thailand, manufacturing and distributing a wide range of consumer products with many leading brands across multiple market segments, such as "Mama", "Wacoal", "Pao", "Essence", "Mistine", and more. The Saha Group has built a strong business network, encompassing end-to-end supply chains, from raw materials through manufacturing and distribution.

SPI is also an operator of industrial parks belonging to the Group, providing utilities and services for companies operating in its industrial parks. SPI also acts as a holding company, with interests in companies under the Saha Group.

Diverse portfolio of investments

SPI has a well-diversified investment portfolio. As of March 2021, SPI had investments in 176 companies, mostly within the Saha Group. Its investment portfolio covers various industrial segments, such as food and beverage, garments, cosmetics, consumer products, and others. In 2020, dividends from the food and beverage companies contributed 54% of SPI's total cash flow, while dividends from consumer product, garment, and cosmetics companies accounted for 19%, 14%, and 6%, respectively.

The Saha Group typically co-invests with partners and has established long-term relationships with various Thai and international business allies. A joint investment reduces SPI's initial funding burden and helps ensure the partner's continued support. As a result, SPI can continue expanding its investment portfolio. The wide range of business alliances also mitigates the risk of reliance on any specific partner.

Impact from COVID-19 on dividend receipts

TRIS Rating expects the Coronavirus Disease 2019 (COVID-19) pandemic will continue to impact SPI's dividend receipts for 2021. The company's main source of cash flow is the dividends earned from its investment portfolio. For 2021, TRIS Rating expects the pandemic will continue to negatively impact Saha Group's businesses, particularly those in the cosmetics and fashion segments. However, businesses like food and consumer products will be less affected or may even record favorable results during the disease outbreak. We expect Saha Group's businesses will gradually recover in the second half of 2021 assuming the virus outbreak has largely been brought under control by that time and the majority of the Thai population has been vaccinated. As a result, we project SPI's dividend receipts will decline by 2% in 2021, and

then increase by around 7%-8% annually during 2022-2023.

Strong balance sheet

SPI's balance sheet remains strong. As of March 2021, its adjusted net debt was THB10.1 billion. SPI's debt to capitalization ratio improved to 20.1% in 2020, compared with 24.9% in 2019. The improvement was due to the substantial enlargement of equity resulting from the revaluation of its investments. TRIS Rating forecasts that the company's debt to capitalization ratio will stay around 20% during 2021-2023.

Adequate liquidity profile with high flexibility

We assess SPI to have adequate liquidity for the next 12 months. At the end of March 2021, the company had cash on hand of THB1.6 billion together with undrawn credit facilities from commercial banks of THB7 billion. TRIS Rating estimates that the company will generate funds from operations (FFO) of approximately THB1.2-THB1.5 billion per annum during 2021 to 2023. SPI's debt repayment schedule over the next 12 months consists of THB994 million in long-term obligations and THB500 million in short-term obligations. In 2021, the company plans an investment budget of around THB2 billion. SPI's financial flexibility is enhanced by its liquid investment portfolio. The market value of SPI's holdings in 48 listed firms was THB35.8 billion at the end of March 2021, equivalent to more than 3 times its total outstanding debt.

BASE-CASE ASSUMPTIONS

For 2021 to 2023, TRIS Rating's assumptions for SPI's operations are as follows:

- Utility sales to be flat over the forecast period with land sales of around THB350 million per annum.
- Share profit from associates to decline by 5% in 2021, and then grow by around 7%-8% per annum during 2022-2023.
- EBITDA margin to stay in the 50%-60% range.
- Total investments to be around THB4 billion over the forecast period.
- Debt to capitalization ratio of around 20%.

RATING OUTLOOK

The "stable" outlook reflects TRIS Rating's expectation that the company will continue to receive reliable dividend income from businesses under the Saha Group.

RATING SENSITIVITIES

SPI's ratings could be upgraded should the operating performances of the companies in the Saha Group improve substantially, which would in turn significantly enlarge SPI's cash flow. A rating downside may occur if SPI's dividend income lessens substantially due to weakened operating results by the Saha Group's affiliates or if SPI makes an aggressive shift in its leverage policy.

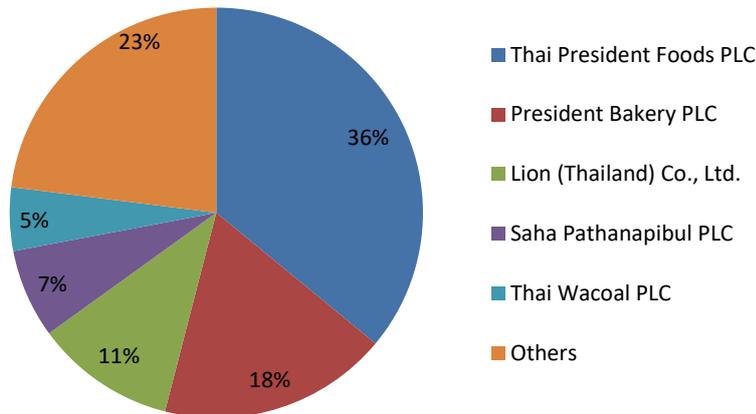
COMPANY OVERVIEW

SPI was established in 1972 and listed on the Stock Exchange of Thailand (SET) in 1977. As of March 2021, the Chokwatana family was the company's major shareholder with direct and indirect holdings of 81.5%. SPI is a holding company with investments in 176 companies in the Saha Group. SPI usually co-invests with strategic partners to establish and operate production facilities in the food and beverage, garment, cosmetics, and consumer product industries. SPI operates four industrial parks and utilities, mainly serving its group affiliates. Saha Group is vertically integrated, from raw materials through end products, including sales and distribution. Saha Group's investments are made jointly with several member companies, which ultimately constitute a major shareholding. SPI normally takes a less than 50% stake in each affiliate.

During the past two years, revenue from the industrial park business accounted for 50% of SPI's total revenue (including share profit from associates and dividend income). Share profit from associates comprised 45% of total revenue, and dividend income made up 5%. In terms of cash flow, in 2020, the industrial park business contributed 22% of earnings before interest, taxes, depreciation, and amortization (EBITDA), while the dividends received from affiliates accounted for 78%. Food and beverage companies were the largest dividend contributors, accounting for 42% of SPI's EBITDA in 2020. Dividend contributions from the top five affiliates accounted for 76% of the dividends SPI received.

KEY OPERATING PERFORMANCE

Chart 1: SPI's Top Five Dividend Contributors in 2020



Source: SPI

FINANCIAL STATISTICS AND KEY FINANCIAL RATIOS*

Unit: Mil. THB

	Jan-Mar 2021	-----Year Ended 31 December -----			
		2020	2019	2018	2017
Total operating revenues ***	597	2,748	2,552	2,627	2,728
Share of profit from investments in associates	435	2,068	2,332	2,327	1,810
Earnings before interest and taxes (EBIT)	414	2,337	2,439	2,473	1,975
Earnings before interest, taxes, depreciation, and amortization (EBITDA)	97	1,703	1,614	1,391	1,142
Funds from operations (FFO)	18	1,450	1,350	1,144	1,034
Adjusted interest expense	80	280	266	225	157
Capital expenditures	20	139	795	258	513
Total assets	52,276	54,718	41,575	38,799	34,910
Adjusted debt	10,461	9,824	10,125	9,674	10,028
Adjusted equity	39,663	39,091	30,533	29,006	25,063
Adjusted Ratios					
EBITDA margin (%)	62.63 **	61.96	63.25	52.97	41.85
Pretax return on permanent capital (%)	4.47 **	4.86	5.99	6.63	6.62
EBITDA interest coverage (times)	5.65 **	6.08	6.07	6.19	7.28
Debt to EBITDA (times)	6.11 **	5.77	6.27	6.95	8.78
FFO to debt (%)	13.76 **	14.76	13.34	11.83	10.31
Debt to capitalization (%)	20.87	20.08	24.90	25.01	28.58

* Consolidated financial statements

** Annualized from the trailing 12 months

*** Excluding share of profit from investment in associates by equity method and dividend income

RELATED CRITERIA

- Rating Methodology – Corporate, 26 July 2019
- Key Financial Ratios and Adjustments, 5 September 2018

Saha Pathana Inter-Holding PLC (SPI)

Company Rating:	AA
Issue Ratings:	
SPI256A: THB1,000 million senior unsecured debentures due 2025	AA
SPI276A: THB1,500 million senior unsecured debentures due 2027	AA
SPI306A: THB1,000 million senior unsecured debentures due 2030	AA
SPI326A: THB1,500 million senior unsecured debentures due 2032	AA
Rating Outlook:	Stable

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