

SIAMGAS AND PETROCHEMICALS PLC

No. 65/2011

21 December 2011

Company Rating: BBB+

Outlook: Stable

New Issue Rating: A+

Rating History:

Date	Company	Issue (Secured/ Unsecured)
07/07/11	BBB+	-

Rating Rationale

TRIS Rating affirms the company rating of Siamgas and Petrochemicals PLC (SGP) at “BBB+”. At the same time, TRIS Rating assigns the rating of “A+” to SGP’s proposed issue of up to Bt1,000 million in senior debentures, guaranteed by Kasikornbank PLC (KBANK) and Thanachart Bank PLC (TBANK). KBANK is rated by Standard & Poor’s (S&P’s) at “BBB+” with a “stable” outlook (international scale) and TBANK is rated by TRIS Rating at “A+” with a “positive” outlook (national scale). KBANK and TBANK each guarantee to pay 50% (combined together equal to 100%) of the amount of the proposed debentures including interest and overdue interest. The proceeds from the issuance of the debentures will be used to refinance SGP’s existing debt.

The company rating of “BBB+” reflects SGP’s strong position as the second-largest liquefied petroleum gas (LPG) distributor in Thailand, robust distribution network, and geographically diverse customer base. While the “A+” rating for guaranteed debentures reflect the guarantee by KBANK and TBANK. The ratings take into consideration the regulatory uncertainty and increasing business risk as international LPG trading becomes a larger portion of SGP’s business.

SGP was established by the Weeraborwornpong family on 17 January 2001, and was listed on the Stock Exchange of Thailand (SET) on 3 June 2008. As of August 2011, the Weeraborwornpong family remained the largest shareholder, holding 66.7% of the shares of the company.

SGP is the second-largest LPG distributor in Thailand. Its operations in Thailand cover LPG trading under the “Siam Gas” and “Unique Gas” brands. These two brands hold a combined market share of 27.6% in the first nine months of 2011, behind PTT PLC (39.5% share). The company also sells ammonia and other petrochemical products. SGP’s nationwide distribution network is considered strong, with seven LPG storage terminals, 176 LPG filling stations, and 422 LPG auto-fuel stations, as of June 2011. SGP also has a wide range of transportation facilities, including sea freight transportation services, to support its LPG trading business.

During the last three years, SGP’s LPG trading volume in Thailand averaged one million tonnes per year. In the first nine months of 2011, the cooking segment accounted for 66.3% of total LPG volume sold, with the automotive segment (24.1%), and industrial segment (9.5%) making up the balance.

Since 2010, SGP has expanded its LPG trading business into several countries: China, Vietnam, and Singapore. During the first nine months of 2011, the volume of LPG sold to international customers accounted for 32.7% of total sales volume. The company aims to increase its international LPG trading volume to 50% of total by 2014. After acquiring a 100% stake in BP Zhuhai LPG Co., Ltd. in December 2010, and a 100% stake in Chevron Ocean Gas & Energy Ltd. in June 2011, the company plans to utilize the Chinese facilities as hubs for LPG trading in China and Southeast Asia. Although international acquisitions provide business opportunities for SGP, they expose the company to greater business risk caused by the unfamiliar business environments and the volatility of LPG prices in the global market.

Contacts:

Sermwit Sriyotha
sermwit@trISRATING.COM

Chaiwat Nontnoraset
chaiwat@tris.co.th

Ruangwud Jarurungsipong
ruangwud@tris.co.th

Wiyada Pratoomsuwan, CFA
wiyada@tris.co.th

WWW. TRISRATING.COM

CreditUpdate reviews ratings of companies or debt issues that have already been rated by TRIS Rating. The CreditUpdate occurs when new debt instruments are issued or if significant events have taken place that may impact a company’s current ratings or when current ratings are cancelled. The CreditUpdate announces whether a rating has been “upgraded,” “downgraded,” “affirmed” or “cancelled.” The update includes information to supplement the previously published ratings.

CreditUpdates are part of TRIS Rating’s monitoring process. TRIS Rating monitors every rating it assigns until either the debt instrument matures or the rating contract ends. To keep the public informed of changing situations, TRIS Rating periodically issues announcements about the credit ratings it monitors.

SGP's financial performance has been satisfactory. However, the balance sheet has weakened due to the aggressive expansion in 2010-2011. In the first nine months of 2011, SGP's LPG sales volume increased by 48.9% year-on-year (y-o-y) and its total revenue increased by 74.1% y-o-y mainly due to a higher contribution from overseas LPG trading. However, the ratio of operating income before depreciation and amortization as a percentage of sales decreased to 4.6% in the first nine months of 2011 from 9.5% in 2010. The drop came as a result of stock losses and higher operating costs from overseas trading businesses plus intense competition in the auto-fuel segment in Thailand. The acquisitions during 2010-2011 and the inventories needed for the overseas businesses pushed total debt to Bt10,004 million at the end of September 2011. The leverage ratio has weakened, with the total debt to capitalization ratio increasing to 59.5% at the end of September 2011. This ratio is expected to gradually improve after the contribution from overseas trading has been fully realized.

Rating Outlook

The "stable" outlook reflects the expectation that SGP will be able to maintain its position as the second-largest LPG distributor in Thailand. The company is expected to maintain its financial profile and sufficient liquidity to accommodate higher business risk from its overseas LPG trading activities.

Siamgas and Petrochemicals PLC (SGP)

Company Rating:	BBB+
Issue Rating:	
Up to Bt1,000 million guaranteed debentures due within 2014	A+
Rating Outlook:	Stable

TRIS Rating Co., Ltd.

Tel: 0-2231-3011 ext 500 / Silom Complex Building, 24th Floor, 191 Silom Road, Bangkok 10500, Thailand www.trisrating.com

© Copyright 2011, TRIS Rating Co., Ltd. All rights reserved. Any unauthorized use, disclosure, copying, republication, further transmission, dissemination, redistribution or storing for subsequent use for any purpose, in whole or in part, in any form or manner or by any means whatsoever, by any person, of the credit rating reports or information is prohibited. The credit rating is not a statement of fact or a recommendation to buy, sell or hold any debt instruments. It is an expression of opinion regarding credit risks for that instrument or particular company. The opinion expressed in the credit rating does not represent investment or other advice and should therefore not be construed as such. Any rating and information contained in any report written or published by TRIS Rating has been prepared without taking into account any recipient's particular financial needs, circumstances, knowledge and objectives. Therefore, a recipient should assess the appropriateness of such information before making an investment decision based on this information. Information used for the rating has been obtained by TRIS Rating from the company and other sources believed to be reliable. Therefore, TRIS Rating does not guarantee the accuracy, adequacy, or completeness of any such information and will accept no liability for any loss or damage arising from any inaccuracy, inadequacy or incompleteness. Also, TRIS Rating is not responsible for any errors or omissions, the result obtained from, or any actions taken in reliance upon such information. All methodologies used can be found at http://www.trisrating.com/en/rating_information/rating_criteria.html.