SUPALAI PLC

Announcement no. 892 | 10 July 2012

Company Rating: A-

Outlook: Stable

New Issue Rating: -

Rating History:

Date	Company	Issue (Secured/ Unsecured)
20/07/10	A-/Sta	A/A-
20/05/10	A-/Sta	A/-
26/07/07	BBB+/Sta	A-/-
03/03/06	BBB+/Sta	-
29/10/04	BBB/Sta	-

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Rating Rationale

TRIS Rating affirms the company rating of Supalai PLC (SPALI) at “A-”, and affirms the existing ratings of SPALI’s senior secured debentures at “A” and senior debentures at “A-”. The ratings reflect SPALI’s proven track record in the residential property development industry, accepted brand name in the middle-income segment, ability to efficiently control operating costs, and strong financial position. The strengths are partly offset by the cyclical nature of the property development industry, labor shortages, and rising construction costs. The rating of the senior secured debentures incorporates the estimated market value of *Supalai Grand Tower*, which is pledged as collateral at 1.7 times the value of the outstanding debentures throughout the life of the issue.

Established by the Tangmatitham family in 1989, SPALI is one of Thailand’s leading property developers. As of May 2012, the Tangmatitham family, the largest shareholder, held a 28% stake in SPALI. As of April 2012, SPALI had around 70 existing residential projects with the remaining value of around Bt25,000 million available for sale. The company had a huge backlog, worth approximately Bt28,000 million or around two times its revenue base as of April 2012. SPALI’s residential project portfolio comprises condominium projects (63% of total project value) and housing projects (37%). The company’s competitive edge is derived from its ability to control operating costs efficiently, being able to offer competitively-priced residential units.

SPALI’s presales was Bt18,026 million in 2011, up 25% from Bt14,366 million in 2010. The growth in presales was driven mainly by good responses to new condominium projects launched in 2011 which pushed presales of condominiums to a record high of Bt12,890 million. Presales during the first four months of 2012 grew to Bt8,759 million, a significant increase from Bt2,793 million during the same period in 2011. The rise in presales was primarily supported by the successful launches of the *City Resort Ratchada Huaykwang*, *Asean City Resort*, and *Supalai Wellington* projects, which generated a combined presales of around Bt4,400 million in the first four months of 2012.

The company’s total revenue was Bt12,686 million in 2011, 14% higher than Bt11,083 million in 2010. Revenue from condominiums grew by 28%, from the delivery of units in the *City Home Rattanathibeth*, *City Resort Ramkhamhang*, *Supalai Park Tiwanon*, and *Supalai Park Kaset-Nawamint* projects to customers. Revenue from housing projects was around Bt4,900 million per year during 2010-2011. Revenue during the first three months of 2012 plunged by 52% to Bt1,578 million from Bt3,286 million during the same period of 2011. The drop came mainly from declining revenue from condominium. The revenue from condominium projects comprised Bt595 million in the first quarter of 2012, a sharp decrease from Bt2,298 million in the same period of 2011. However, SPALI plans to deliver a backlog of around Bt7,700 million during the rest nine months of 2012. As a result, revenue for the full year of 2012 is expected to be sound.

SPALI's operating income as a percentage of sales decreased to 32.33% in 2011 and 29.13% in the first quarter of 2012, from 34.90% in 2010. However, SPALI's profit margin remained relatively higher than most listed property developers. The company's cash flow protection has deteriorated recently, as the funds from operations (FFOs) to total debt ratio declined to 7.49% (non-annualized) in the first three months of 2012 from 23.14% (non-annualized) in the same period of 2011. However, SPALI's cash flow protection is likely to improve because a large portion of the backlog will be delivered during the remainder of 2012. Financial leverage was still low, as the debt to capitalization ratio was 33.33% at the end of 2011 and 30.05% as of March 2012.

Rating Outlook

The "stable" outlook reflects the expectation that SPALI will be able to sustain its strong financial position in the medium term. Despite increasing construction costs and more intense competition in the residential property segment, SPALI's profitability is expected to remain at a relatively higher level compared with its peers. With continued project expansion, the company's cash flow protection and financial leverage should remain at acceptable levels.

Supalai PLC (SPALI)

Company Rating:	A-
Issue Ratings:	
SPALI133A: Bt1,000 million senior secured debentures due 2013	A
SPALI141A: Bt500 million senior debentures due 2014	A-
SPALI14OA: Bt700 million senior debentures due 2014	A-
SPALI14NA: Bt500 million senior debentures due 2014	A-
SPALI15OA: Bt745 million senior debentures due 2015	A-
Rating Outlook:	Stable

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