

SUPALAI PLC

No. 26/2013

2 May 2013

Company Rating: A-

Outlook: Stable

New Issue Rating: A-

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 and current issue ratings of Supalai PLC (SPALI) at "A-". At the same time, TRIS Rating assigns the rating of "A-" to SPALI's proposed issue of up to Bt1,500 million in senior debentures. The proceeds from the new debentures will be used for business expansion. 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, plus concerns over rising construction costs and the current labor shortage.

Established by the Tangmatitham family in 1989, SPALI is one of Thailand's leading property developers. As of March 2013, the Tangmatitham family, the largest shareholder, held a 28% stake in SPALI. As of March 2013, SPALI had 78 existing residential projects with the remaining value of around Bt21,000 million available for sale. The company had a huge backlog, worth approximately Bt32,000 million or around three times its revenue base. At the end of March 2013, SPALI's residential project portfolio comprises condominium projects (60% of total project value) and housing projects (40%). 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 presale was Bt22,442 million in 2012, up 24% from Bt18,026 million in 2011. The growth in presale was due mainly to good responses to new condominium projects launched in 2012. Nearly all of them were more than 80% sold as of March 2013. Consequently, condominium presale rose by 33% year-on-year (y-o-y) to Bt17,122 million in 2012. Presale from housing projects was Bt5,320 million in 2012, slightly increasing from Bt5,136 million in 2011. Presale during the first quarter of 2013 decreased by 27% to Bt3,583 million, down from Bt4,921 million during the same period of 2012. The drop came because condominium presale slashed by 49% y-o-y to Bt1,864 million in the first three months of 2013. There was no new condominium projects launched during the period.

Total revenue was Bt11,513 million in 2012, slightly lower than Bt12,686 million in 2011. Revenue from condominium declined by 29% y-o-y to Bt5,696 million in 2012 as a result of fewer number of condominium units transferred. Housing projects generated a revenue of Bt5,564 million in 2012, a 25% growth from Bt4,463 million in 2011. Revenue of 2013 is partly secured by a backlog of Bt7,656 million. SPALI will deliver a backlog in residential units worth around Bt11,000 million per annum in 2014 and 2015.

SPALI's operating income as a percentage of sales was around 32%-35% during 2010-2012. Its profit margin remained relatively higher than most of listed property developers. The company's cash flow protection was strong as the ratio

of funds from operations (FFO) to total debt was 50%-54% during 2010-2012. SPALI's financial leverage was still low, as the debt to capitalization ratio was 30.36% as of December 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:	
SPALI141A: Bt500 million senior debentures due 2014	A-
SPALI140A: Bt700 million senior debentures due 2014	A-
SPALI14NA: Bt500 million senior debentures due 2014	A-
SPALI150A: Bt745 million senior debentures due 2015	A-
Up to Bt1,500 million senior debentures due within 2018	A-
Rating Outlook:	Stable

Financial Statistics and Key Financial Ratios*

Unit: Bt million

	Year Ended 31 December					
	2012	2011	2010	2009	2008	2007
Revenue	11,513	12,686	11,083	9,618	6,170	4,911
Gross interest expense	222	192	119	236	221	139
Net income from operations	3,253	2,591	2,729	2,527	1,288	1,089
Funds from operations (FFO)	3,003	2,804	2,699	2,739	1,390	1,140
Inventory investment	(1,115)	(1,792)	(2,485)	(1,553)	(2,253)	(1,895)
Total assets	23,653	20,495	18,586	15,190	13,473	10,623
Total debts	5,619	5,565	4,988	3,506	5,483	3,610
Shareholders' equity	12,888	11,132	9,623	7,822	5,291	4,790
Operating income before depreciation and amortization as % of sales	33.34	32.33	34.90	38.33	31.21	27.96
Pretax return on permanent capital (%)	22.79	25.08	29.00	31.56	20.55	19.82
Earnings before interest, tax, depreciation, and amortization (EBITDA) interest coverage (times)	19.62	22.12	34.28	16.09	9.83	11.78
FFO/total debt (%)	53.44	50.38	54.11	78.11	25.35	31.59
Total debt/capitalization (%)	30.36	33.33	34.14	30.95	50.89	42.97

* Consolidated financial statements

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