

SUPALAI PLC

No. 11/2014

20 February 2014

Company Rating: A-

Outlook: Positive

New Issue Rating: A-

Rating History:

Date	Company	Issue (Secured/ Unsecured)
07/06/13	A-/Pos	-/A-
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 Bt2,300 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 September 2013, the Tangmatitham family, the largest shareholder, held a 28% stake in SPALI. As of December 2013, SPALI had 70 existing residential projects with the remaining value of around Bt25,000 million available for sale. The company had a huge backlog, worth approximately Bt39,230 million or around four times its revenue base. At the end of December 2013, SPALI's residential project portfolio comprises condominium projects (64% of total project value) and housing projects (36%). The company's competitive edge is derived from its ability to control operating costs efficiently, and thus being able to offer competitively-priced residential units.

SPALI's presales was Bt18,462 million in 2013, down 18% from Bt22,442 million in 2012. Condominium presales dropped by 30% year-on-year (y-o-y) to Bt12,000 million in 2013. Presales from Single detached house and townhouse (SDH and TH) projects was Bt6,462 million in 2013, up by 21.5% from Bt5,320 million in 2012.

Total revenue was Bt5,902 million in the first nine months of 2013. The company had a backlog worth approximately Bt6,700 million that would be realized in the fourth quarter of 2013. Thus, revenue in 2013 is expected to top Bt12,600 million, near the level in 2012. Revenue in 2014 is secured by a backlog worth Bt15,584 million. In addition, SPALI has a backlog of residential units worth Bt23,646 million. These units will be transferred to customers during 2015 -2017.

SPALI's gross profit margin was 40% in the first nine month of 2013. Its gross profit margin remained higher than most listed property developers. SPALI has a high level of debt and less revenue recognized in the first nine months of 2013, compared with 2012. As of September 2013, the total debt to capitalization ratio was 41%, up from 30.4% in the 2012. SPALI's Fund from operation (FFO) to total debt ratio decreased significantly to 31.4% (annualized with trailing 12 months) in the first nine months of 2013 from a past level of range 50-54% in 2010 through 2012. However, both ratios are expected to improve as cash flow from operation

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received in the fourth quarter of 2013 will be partly used to repay some outstanding debt of the company.

Rating Outlook

The “positive” outlook reflects an expected improvement in SPALI’s operating performance during 2014-2015. The ratings could be upgraded should the company be able to manage the transfer of the condominium backlog as scheduled. With its current expansion plans, SPALI should be able to sustain its strong financial position in the medium term. A significant delay in projects’ cash inflows or a weaker financial profile could cause its ratings or outlook to be revised downward.

Supalai PLC (SPALI)

Company Rating:	A-
Issue Ratings:	
SPALI14OA: Bt700 million senior debentures due 2014	A-
SPALI14NA: Bt500 million senior debentures due 2014	A-
SPALI15OA: Bt745 million senior debentures due 2015	A-
SPALI165A: Bt1,000 million senior debentures due 2016	A-
SPALI185A: Bt500 million senior debentures due 2018	A-
Up to Bt2,300 million senior debentures due within 2017	A-
Rating Outlook:	Positive

Financial Statistics and Key Financial Ratios*

Unit: Bt million

	----- Year Ended 31 December -----					
	Jan-Sep 2013	2012	2011	2010	2009	2008
Revenue	5,902	11,513	12,686	11,083	9,618	6,170
Gross interest expense	161	222	192	119	236	221
Net income from operations	1,484	3,253	2,591	2,729	2,527	1,288
Funds from operations (FFO)	604	3,003	2,804	2,699	2,739	1,390
Inventory investment	(5,438)	(1,115)	(1,792)	(2,485)	(1,553)	(2,253)
Total assets	28,383	23,653	20,495	18,586	15,190	13,473
Total debts	8,880	5,619	5,565	4,988	3,506	5,483
Shareholders' equity	12,911	12,888	11,132	9,623	7,822	5,291
Operating income before depreciation and amortization as % of sales	27.01	33.34	32.33	34.90	38.33	31.21
Pretax return on permanent capital (%)	8.71 **	22.79	25.08	29.00	31.56	20.55
Earnings before interest, tax, depreciation, and amortization (EBITDA) interest coverage (times)	12.00	19.62	22.12	34.28	16.09	9.83
FFO/total debt (%)	6.81 **	53.44	50.38	54.11	78.11	25.35
Total debt/capitalization (%)	40.75	30.36	33.33	34.14	30.95	50.89

* Consolidated financial statements

** Non-annualized

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