

# SUPALAI PLC

No. 57/2014

18 July 2014

<b>Company Rating:</b>	A
<b>Issue Rating:</b>	
Senior unsecured	A
<b>Outlook:</b>	Stable

## Company Rating History:

Date	Rating	Outlook/Alert
07/06/13	A-	Positive
20/05/10	A-	Stable
03/03/06	BBB+	Stable
29/10/04	BBB	Stable

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## Rating Rationale

TRIS Rating upgrades the company rating of Supalai PLC (SPALI) and the ratings of SPALI's senior unsecured debentures to "A" from "A-". The outlook is revised to "stable" from "positive". The upgrades reflect the company's improving operating performance, in line with expectations, and the expected growth in its revenue base. The ratings take into consideration SPALI's proven track record in the residential property development industry in Thailand, accepted brand name in the middle-income segment, and strong financial position. These strengths are partly offset by the cyclical and competitive nature of the property development industry, plus concerns over rising operating costs and the widespread labor shortage among contractors.

Established by the Tangmatitham family in 1989, SPALI is one of Thailand's leading property developers. As of March 2014, the Tangmatitham family, the largest shareholder, held a 28% stake in SPALI. At the end of March 2014, SPALI had 86 residential property projects. The units available for sale in these project carried a total value of around Bt26,000 million. The company had a huge backlog, worth approximately Bt39,000 million or around 3 times its current annual revenue. SPALI's residential project portfolio comprises condominium projects (52%) and housing projects (45%). The company's competitive edge is derived from its ability to control operating costs, and thus offer competitively-priced residential units to homebuyers.

SPALI's presales were Bt18,900 million in 2013, down 16% from Bt22,442 million in 2012. The drop in presales mainly came from the condominium segment. Condominium presales decreased by 30% year-on-year (y-o-y) to Bt11,947 million in 2013. Presales from housing projects were Bt6,953 million in 2013, up by 30% from Bt5,320 million in 2012. Presales during the first quarter of 2014 slightly decreased by 6% y-o-y to Bt3,351 million.

SPALI reported revenue of Bt12,615 million in 2013, up by 10% y-o-y. Revenue from condominium projects declined slightly, falling by 2% y-o-y to Bt5,590 million in 2013. Housing projects generated revenue of Bt6,732 million in 2013, up by 21% from Bt5,564 million in 2012. During the first quarter of 2014, SPALI's revenue increased by 53% y-o-y to Bt3,216 million. Revenue from condominium projects grew by 170% y-o-y and revenue from housing projects rose by 3% y-o-y. It's revenue during the remaining of 2014 through 2017 is partly secured by the units in backlog worth Bt14,131 million in 2014, Bt14,488 million in 2015, and almost Bt10,000 million during 2016-2017. Thus, its revenue is expected to increase to around Bt16,000-Bt20,000 million over the next three years.

SPALI's financial position has been strong. Its profit margin has remained higher than most property developers listed on the Stock Exchange of Thailand (SET). Operating income as a percentage of sales ranged from 30% to 33% during 2011 through the first three months of 2014. SPALI has maintained its level of financial leverage at an acceptable level. The ratio of total debt to

capitalization ranged from 30% to 38%, while the ratio of interest-bearing debt to equity was around 0.6% from 2009 through 2013. Going forward, leverage is expected to remain at around this level. The ratios of funds from operations (FFO) to total debt fluctuated between 50% and 54% during 2010-2012. This level is considered high for the property development industry. The ratio declined to around 34% (annualized) in 2013 and through the first quarter of 2014 as SPALI took on more debt. However, SPALI has a sufficient amount of financial flexibility supported by a sizable undrawn credit facility worth around Bt16,000 million as of March 2014.

#### Rating Outlook

The “stable” outlook reflects the expectation that SPALI can maintain its sound operating performance and strong financial position. Its revenue is expected to be in the range of Bt16,000-Bt20,000 million over the next few years. The interest bearing debt to equity ratio should remain less than 1 times. However, any significant delays in the cash inflows from its projects, or any weakening of its financial profile, could cause its ratings or outlook to be revised downward.

#### Supalai PLC (SPALI)

<b>Company Rating:</b>	A
<b>Issue Ratings:</b>	
SPALI14OA: Bt700 million senior unsecured debentures due 2014	A
SPALI14NA: Bt500 million senior unsecured debentures due 2014	A
SPALI15OA: Bt745 million senior unsecured debentures due 2015	A
SPALI165A: Bt1,000 million senior unsecured debentures due 2016	A
SPALI172A: Bt2,300 million senior unsecured debentures due 2017	A
SPALI185A: Bt500 million senior unsecured debentures due 2018	A
<b>Rating Outlook:</b>	Stable

# Financial Statistics and Key Financial Ratios\*

Unit: Bt million

	Jan-Mar 2014	Year Ended 31 December				
		2013	2012	2011	2010	2009
Revenue	3,216	12,615	11,513	12,686	11,083	9,618
Gross interest expense	55	223	222	192	119	236
Net income from operations	801	3,362	3,253	2,591	2,729	2,527
Funds from operations (FFO)	951	2,816	3,003	2,804	2,699	2,739
Inventory investment	(2,114)	(7,351)	(1,115)	(1,792)	(2,485)	(1,553)
Total assets	32,274	30,675	23,653	20,495	18,586	15,190
Total debts	9,410	8,360	5,619	5,565	4,988	3,506
Shareholders' equity	15,447	14,709	12,888	11,132	9,623	7,822
Operating income before depreciation and amortization as % of sales	31.75	30.46	33.34	32.33	34.90	38.33
Pretax return on permanent capital (%)	19.94 **	18.84	22.79	25.08	29.00	31.56
Earnings before interest, tax, depreciation, and amortization (EBITDA) interest coverage (times)	19.62	19.38	19.62	22.12	34.28	16.09
FFO/total debt (%)	33.94 **	33.68	53.44	50.38	54.11	78.11
Total debt/capitalization (%)	37.86	36.24	30.36	33.33	34.14	30.95

\* Consolidated financial statements

\*\* Adjusted with trailing 12 months.

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