

# BANGKOK METROPOLITAN ADMINISTRATION

No. 160/2017

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**Issuer Rating:** AA+**Outlook:** Stable**Rating History:**

Date	Rating	Outlook/Alert
10/11/06	AA+	Stable

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thiti@trising.com[WWW.TRISING.COM](http://WWW.TRISING.COM)**Rating Rationale**

TRIS Rating affirms the rating of “AA+” for Bangkok Metropolitan Administration, hereinafter is referred as “BMA”. The rating is based on the importance of the Bangkok metropolis (Bangkok) as Thailand’s administrative and economic center. The rating also reflects BMA’s reliable sources of tax revenue, balanced budget policy, and the large amount of cash on hand. The rating, however, is constrained by the huge capital investments needed for public transportation and infrastructure projects, and the high operating expenditures for its own administration and the responsibilities delegated to BMA from the central government. Despite undertaking a number of costly responsibilities, BMA has a limited ability to seek additional revenue sources. In addition, some issues which could affect BMA’s rating need to be carefully monitored, such as the timely availability of audited financial reports, BMA’s investment plans and its ability to secure funds, and the development of a concrete debt management framework.

BMA is a local government organization responsible for providing public services for both residents and businesses in Bangkok. As the capital city of Thailand, Bangkok is the social, political, and economic center of the country. In 2015, the gross provincial product (GPP) of Bangkok was the largest in the country, amounting to Bt4.37 trillion or 32.5% of Thailand’s gross domestic product (GDP). In terms of fiscal performance, most of BMA’s revenue is derived from taxes, both local taxes collected by BMA and allocated taxes collected by other governmental agencies and remitted to BMA. Tax revenue is considered a highly reliable source of income, although the amount will vary with the fluctuation in the nation’s economy and the policy of the central government.

In fiscal year (FY) 2016, local taxes comprised 18% of BMA’s total revenue. The major component of the local tax revenue stream was property taxes, which accounted for 92% of total local taxes. Allocated taxes made up 76% of total revenue. Value added tax, automobile tax, and land transfer fees comprised 48%, 23%, and 16% of total allocated taxes, respectively. In terms of expenditures, BMA’s operating expenditures accounted for 75% of total expenditures in FY2016; capital expenditures made up the rest. The high level of operating expenditures will constrain BMA’s ability to invest in new infrastructure projects.

In FY2016, BMA’s total revenue was Bt71,764 million, a 3.6% increase from the previous year. BMA reported total expenditures of Bt69,038 million in FY2016, compared with Bt64,509 million in FY2015. As a result, BMA recorded a net surplus of Bt2,726 million. The ratio of the balance after capital expenditures to revenue was 3.80% in FY2016. At the end of FY2016, BMA retained cash on hand of Bt18,839 million, an ample liquidity buffer. BMA’s annual report of revenue and expenditures, as published in the Royal Gazette, are lower than the actual amounts as BMA has not yet consolidated the revenues and expenses from the Bangkok mass transit system (BTS) extension project.

For the first nine months of FY2017, BMA’s revenue increased by 13.6% year-on-year (y-o-y) to Bt60,407 million due mainly to the increases in land transfer fees and value added tax. By the end of the fiscal year, BMA estimates that revenue will reach around Bt79,000 million. As BMA’s budget calls for Bt77,713 million in expenditures, BMA will likely incur a net surplus of around Bt1,300 million. In FY2018, BMA plans a budget, covering revenue and expenditures, of Bt78,500 million. During the FY2019-FY2020, TRIS Rating forecasts a moderate growth rate

in revenue for BMA, rising in tandem with the expansion of the economy.

BMA's total debt decreased from Bt12,090 million in FY2015 to Bt10,407 million in FY2016. When calculating BMA's debt, TRIS Rating includes (i) the outstanding loans of a subsidiary, Krungthep Thanakom Co., Ltd. (KT), (ii) the net present value of BTS's electric train procurement expenditures, in accordance with the Operating and Maintenance Agreements, and (iii) the net present value of hire purchase contracts for fleets of cars and garbage trucks. BMA's total debt to revenue ratio declined from 17.5% in FY2015 to 14.5% in FY2016.

In 2016, BMA signed a memorandum of understanding (MOU) with the Mass Rapid Transit Authority of Thailand (MRTA) to transfer the management and operation of two Green Line extension projects to BMA. The Green Line extension projects are the Bearing – Samut Prakan route and the Mo Chit – Saphan Mai – Khu Khot route. Currently, MRTA is responsible for building the infrastructure for these two projects. The constructions for the two lines are expected to finish in 2017 and 2020, respectively. Total construction costs are approximately Bt60,000 million. The projects will be transferred to BMA after the constructions are completed. In addition, BMA must invest and pay for the electrical and mechanical (E&M) systems for both Green Line extension projects. The cost of the E&M systems is around Bt20,000 million. BMA has assigned KT to handle the management and operation of the project. To assess the impact on BMA's credit profile, TRIS Rating will closely monitor the progress of the projects and BMA's financing alternatives. TRIS Rating expects that BMA will prudently consider its investments and create a concrete debt management framework and an appropriate debt repayment scheme.

BMA's annual debt service obligations take into consideration the fees and charges payable specified in a number of long-term contracts. Those fees and charges include the service payments for the operation of the BTS extension, rental payments for car fleets, and scheduled debt repayments. BMA's ratio of debt service obligations to total revenue was 6.3% during FY2014-FY2016. The ratio is expected to increase in the next three years, if KT borrows more debt to finance its investment plans.

#### Rating Outlook

The "stable" outlook reflects BMA's reliable revenue sources and balanced budget policy. TRIS Rating expects that BMA will continue to receive support from the central government at all times. BMA's rating could be upgraded if BMA has a clear financial management framework for its investments and discloses audited financial statements in a timely manner. In contrast, the rating downside case may occur if BMA runs a budget deficit for a prolonged period or if it makes aggressive debt-funded investments that carry high debt service obligations and deteriorate its liquidity profile.

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#### Bangkok Metropolitan Administration (BMA)

Issuer Rating:

AA+

Rating Outlook:

Stable

**Overview Data of Bangkok**

	----- As of 31 December -----				
	2015	2014	2013	2012	2011
Population (thousand people)	5,696	5,692	5,686	5,674	5,675
Unemployment rate (%)	0.5	0.6	1.0	0.4	0.4
Gross provincial product -- GPP (Bt million)	4,437,405	4,155,938	3,922,075	3,624,993	3,339,393
GPP per capita (Bt/person/year)	513,397	484,288	460,596	429,263	398,951
GPP growth rate (%)	6.77	5.96	8.20	8.55	7.59
BMA's revenue to GPP (%)	1.56	1.60	1.61	1.64	1.72

Sources: 1) BMA

2) National Economic and Social Development Board (NESDB)

**Financial Statistics and Key Financial Ratios\***

Unit: Bt million

	----- FY Ended 30 September -----				
	2016	2015	2014	2013	2012
Revenue	71,764	69,248	66,556	63,061	59,549
Subsidies	16,510	15,068	14,615	14,420	14,220
Total expenses	69,038	64,509	68,982	68,508	67,588
Operating balance	19,712	19,565	13,056	10,259	10,086
Capital expenditures (CAPEX)	16,987	14,827	15,482	15,705	18,125
Balance after CAPEX	2,726	4,739	(2,426)	(5,446)	(8,039)
Total debt	10,407	12,090	12,176	11,198	11,345
Operating balance to revenue (%)	27.47	28.25	19.62	16.27	16.94
Balance after CAPEX to revenue (%)	3.80	6.84	(3.65)	(8.64)	(13.50)
Total debt to revenue (%)	14.50	17.46	18.29	17.76	19.05
CAPEX to total expenditures (%)	24.60	22.98	22.44	22.92	26.82

\* Data from BMA's annual revenue and expenditure report as published in the Royal Gazette

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