

SUPALAI PLC

No. 25/2018

15 March 2018

CORPORATES

Company Rating:	A
Issue Ratings:	
Senior unsecured	A
Outlook:	Stable

Company Rating History:

Date	Rating	Outlook/Alert
18/07/14	A	Stable
07/06/13	A-	Positive
20/05/10	A-	Stable
03/03/06	BBB+	Stable
29/10/04	BBB	Stable

Contacts:

Rapeepol Mahapant

rapeepol@trisrating.com

Hattayanee Pitakpatapee

hattayanee@trisrating.com

Jutamas Bunyanichkul

jutamas@trisrating.com

Auyporn Vachirakanjanaporn

auyporn@trisrating.com

Suchada Pantu, Ph. D.

suchada@trisrating.com



WWW.TRISRATING.COM

RATIONALE

TRIS Rating affirms the company rating and the ratings of the senior unsecured debentures of Supalai PLC (SPALI) at "A". At the same time, TRIS Rating assigns the rating of "A" to the proposed issue of up to Bt3,000 million in senior unsecured debentures.

The ratings reflect SPALI's proven track record in the residential property development industry in Thailand, well-known brand name in the middle-income segment, well-balanced portfolio of residential property, and strong financial position. A high level of household debt nationwide and the cyclical and competitive nature of the property development industry remain concerns for the ratings.

SPALI has made investments in some projects outside Thailand and income-generating assets. These investments currently make small contributions to revenue and earnings. The ratings and/or outlook would be positively affected when these investments begin to comprise a greater portion of revenue and earnings.

Revenue grew steadily over the past five years, reaching Bt25,000 million in 2017. However, profitability slid recently. The operating margin (operating income before depreciation and amortization as a percentage of revenue) fell to 27.3% in 2017, down from levels above 30% in the past. Despite the recent decrease, the operating margin is higher than the margin at other property developers rated by TRIS Rating.

The gearing declined recently. The total debt to capitalization ratio fell to 41.3% in 2017 from a peak of nearly 50% in 2015. Going forward, the gearing will rise because the company plans to develop a large mixed-use project on Sathorn road. However, the level of leverage will not rise sharply. SPALI recently issued new warrants (SPALI-W4) which were in the money upon issue. Proceeds from the exercise of the warrants will lower borrowing needs.

RATING OUTLOOK

The "stable" outlook reflects the expectation that SPALI can maintain its sound operating performance and strong financial position. The funds from operations (FFO) to total debt ratio is forecast to stay above 20%, while the total debt to capitalization ratio is forecast to stay below 50% over the next three years.

RATING SENSITIVITIES

The credit upside situation may arise if SPALI's operating performance and financial performance are significantly stronger than expected. If the investments abroad or the income-generating assets make greater contributions to revenue and earnings, the ratings and/or outlook will be affected positively. In contrast, any significant deterioration in profitability or capital structure could cause the ratings and/or outlook to be revised downward.

FINANCIAL STATISTICS AND KEY FINANCIAL RATIOS*

Unit: Bt million

	----- Year Ended 31 December -----				
	2017	2016	2015	2014	2013
Revenue	25,020	23,336	21,364	18,591	12,615
Gross interest expense	547	607	527	420	293
Net income from operations	5,504	4,805	4,015	4,446	3,362
Funds from operations (FFO)	5,626	5,173	4,705	4,877	2,831
Inventory investment	(2,831)	(3,520)	(8,882)	(6,868)	(7,351)
Total assets	55,702	51,680	47,287	38,031	30,675
Total debts	19,970	21,212	20,188	12,604	8,360
Shareholders' equity	28,380	23,612	20,450	17,977	14,709
Operating income before depreciation and amortization as % of sales	27.28	27.70	27.42	31.88	30.46
Pretax return on permanent capital (%)	15.36	14.65	15.07	20.42	18.84
Earnings before interest, tax, depreciation, and amortization (EBITDA) interest coverage (times)	14.24	11.90	11.91	15.26	15.77
FFO/total debt (%)	28.17	24.39	23.31	38.69	33.86
Total debt/capitalization (%)	41.30	47.32	49.68	41.22	36.24

* Consolidated financial statements

Supalai PLC (SPALI)

Company Rating:	A
Issue Ratings:	
SPALI185A: Bt500 million senior unsecured debentures due 2018	A
SPALI19DA: Bt2,500 million senior unsecured debentures due 2019	A
SPALI202A: Bt2,700 million senior unsecured debentures due 2020	A
SPALI205A: Bt1,000 million senior unsecured debentures due 2020	A
SPALI209A: Bt1,500 million senior unsecured debentures due 2020	A
Up to Bt3,000 million senior unsecured debentures due within 3 years	A
Rating Outlook:	Stable

TRIS Rating Co., Ltd.

Silom Complex Building, 24th Floor, 191 Silom Road, Bangkok 10500, Thailand Tel: 0-2098-3000

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