SANSIRI PLC

No. 31/2016 7 April 2016

Company Rating: BBB+

Issue Rating:
Senior unsecured BBB

Outlook: Stable

Company Rating History:

Date	Rating	Outlook/Alert
12/05/14	BBB+	Stable
10/05/13	BBB+	Positive
05/02/10	BBB+	Stable
19/03/09	BBB	Positive
12/07/04	BBB	Stable
08/10/03	BBB	

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Rating Rationale

TRIS Rating affirms the company rating of Sansiri PLC (SIRI) at “BBB+” and affirms the ratings of SIRI’s senior unsecured debentures at “BBB”. The ratings reflect SIRI’s leading position and proven track record in the residential property development industry, well-recognized condominium and housing brands, and diverse product portfolio. These strengths are partially offset by SIRI’s expected higher financial leverage, which will lower~~s~~ cash flow protection due to its plan to launch several condominium projects under its own brands and through joint ventures (JVs). The ratings also take into consideration the relatively high level of household debts nationwide, coupled with the current slowdown in the domestic economy, which may impact the demand in the residential property market in the short-to-medium term.

SIRI is one of the leading property developers in Thailand. At the end of December 2015, the company had 90 residential projects in its portfolio, worth a total of around Bt140,000 million. The portfolio comprised condominium (55% of the total portfolio value), single-detached house (SDH, 38%), and townhouse (7%) projects. The average unit price across the portfolio was Bt4.1 million. As of December 2015, SIRI had a backlog worth Bt18,000 million (excluding backlog under JV projects worth Bt11,000 million) and unsold units (including built and un-built units) worth Bt56,000 million available for sale.

SIRI’s presales were slashed to Bt8,800 million in 2014 from Bt42,000 million per annum during 2012-2013, due primarily to a large number of cancellations of units in the backlog, especially in the low-priced condominium projects upcountry. Although high amount of backlog cancellations remained in 2015, new condominium projects launched boosted presales higher. Presales recovered to Bt29,000 million in 2015.

Revenue stayed steadily at Bt28,000-Bt29,000 million per annum during 2012-2014. Revenue soared by 32% year-on-year (y-o-y) to Bt36,955 million in 2015. The transfers of several condominium projects drove the growth. SIRI’s revenues over the next three years are partly secured by units in the backlog worth Bt11,000 million in 2016, Bt6,000 million in 2017, and Bt1,000 million in 2018. Under TRIS Rating’s base case scenario, SIRI’s revenue over the next three years is forecasted to be Bt30,000-Bt33,000 million per annum. Revenue contribution from residential sales will decrease to around 80% of total revenue, while revenue from business management under JV projects will constitute a greater portion from 2016 onwards.

SIRI’s gross profit margin declined to 29% of total revenue in 2015 from 33%-34% during 2010-2014 as the company cut the prices in several projects in order to unlock the remaining finished units. Selling, general, and administrative (SG&A) expenses improved to 17% of total revenue in 2015 from 20%-24% during 2011-

2014. SIRI's operating profit margin (as measured by operating income before depreciation and amortization as a percentage of sales) was around 13%-14% during the past two years. Going forward, SIRI's operating profit margin is expected to hold at around 10% over the next three years. TRIS Rating views that SIRI's operating profit margin will be pressured by intense competition under the sluggish demand in residential property market and a thin profit margin from business management under JV projects.

The debt to capitalization ratio (including proportionate debt from JVs) improved to 61% as of December 2014 and 57% as of December 2015, from 67% as of December 2013. TRIS Rating's base case scenario assumes SIRI's financial leverage over the next three years will be higher than the current level from its business expansion through its own and JV projects. However, the debt to capitalization ratio should not exceed 65%, or the interest-bearing debt to equity ratio should stay below 2 times. SIRI's liquidity profile is acceptable. Its senior unsecured debentures worth Bt2,000 million, Bt2,000 million, and Bt6,000 million will mature in 2016, 2017, and 2018, respectively. SIRI's liquidity sources include Bt2,700 million in cash, Bt39,000 million in undrawn unconditional credit facilities as of December 2015, and expected minimum funds from operations (FFO) of Bt2,500 million per annum.

Rating Outlook

The "stable" outlook reflects the expectation that SIRI will be able to deliver the units in the backlog as scheduled. The operating profit margin should be maintained at around 10% over the next three years. SIRI is expected to keep its debt to capitalization ratio (including proportionate debt from JVs) below 65%, or the interest-bearing debt to equity ratio at less than 2 times.

SIRI's ratings and/or outlook could be upgraded should its financial profile improve, as its FFO to total debt ratio stays at around 10%-15% and the debt to capitalization ratio (including proportionate debt from JVs) is kept below 60% on a sustainable basis. On the contrary, the ratings and/or outlook could be revised downward if SIRI's financial performance is significantly worse than the target levels.

Sansiri PLC (SIRI)

Company Rating:	BBB+
Issue Ratings:	
SIRI167A: Bt1,000 million senior unsecured debentures due 2016	BBB
SIRI16OA: Bt1,000 million senior unsecured debentures due 2016	BBB
SIRI181A: Bt3,000 million senior unsecured debentures due 2018	BBB
SIRI185A: Bt1,000 million senior unsecured debentures due 2018	BBB
SIRI188A: Bt2,000 million senior unsecured debentures due 2018	BBB
SIRI194A: Bt1,000 million senior unsecured debentures due 2019	BBB
SIRI194B: Bt1,000 million senior unsecured debentures due 2019	BBB
SIRI206A: Bt2,000 million senior unsecured debentures due 2020	BBB
Rating Outlook:	Stable

Financial Statistics and Key Financial Ratios*

Unit: Bt million

	Year Ended 31 December					
	2015	2014	2013	2012	2011	2010
Revenues	36,955	28,093	28,597	29,821	20,542	18,596
Gross interest expense	1,800	1,956	1,481	1,181	886	540
Net income from operations	3,506	3,393	1,930	2,938	2,015	1,898
Funds from operations (FFO)	4,346	3,130	1,400	3,387	2,266	1,886
Inventory investment	5,742	(11,125)	(11,085)	(8,365)	(2,669)	(3,140)
Total assets	69,451	73,147	60,040	46,495	36,238	31,190
Total debts	35,713	39,103	34,675	24,017	19,367	15,948
Shareholders' equity	27,199	24,816	17,067	15,225	11,377	9,448
Operating income before depreciation and amortization as % of sales	12.59	14.28	9.80	14.11	15.48	16.23
Pretax return on permanent capital (%)	8.64	8.61	6.44	12.07	10.75	12.89
Earnings before interest, tax, depreciation, and amortization (EBITDA) interest coverage (times)	3.78	3.35	2.92	4.45	4.37	7.00
FFO/total debt (%)	12.17	8.01	4.04	14.10	11.70	11.82
Total debt/capitalization (%)	56.77	61.18	67.01	61.20	62.99	62.80
Total debt/capitalization (%) **	55.33	61.18	67.01	61.20	62.99	62.80

Note: All ratios are adjusted with proportionate debt from JVs since 2015 onwards

* *Consolidated financial statements*

** *Excluding proportionate debt from JVs*

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