

Sansiri adopts conservative business strategy amid slow economy

PLANS FEWER NEW PROJECTS THIS YEAR

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THE NATION

SANSIRI has toned down its business plans in terms of sales and project launches, as the economy remains sluggish amid political uncertainty and lower purchasing power. However, it still expects revenue to grow by at least 10 per cent this year thanks to its high backlog, president Srettha Thavisin said in an interview with *The Nation*.

"We revised our business policy in the third quarter of last year when we saw that the country's economy and purchasing power had dropped, while we had also enjoyed aggressive growth since 2011 to the point where we had a backlog worth more than Bt65 billion. That is enough to generate revenue until 2016, ensuring stable growth averaging 10 per cent a year. As a result we decided to scale down our business plans this year," he said.

According to the revised business strategy, Sansiri will launch fewer than 40 residential projects worth about Bt40 billion this year, compared with last year's 49 projects worth more than Bt61 billion. This year's presale target is between Bt43 to 45 billion, similar to last year's Bt45 billion, which was lower than the estimate of Bt48 billion made early in 2013.

This year's projects will run the gamut of detached houses, townhouses and condominiums. They will be in Bangkok and provinces such as Phuket, Khon Kaen and Chiang Mai.

However, the company will revise its procedure for condo projects, holding back official launches until they receive environment impact assessment (EIA) approval. This would delay launches by three or four months on average compared with the earlier process, he said.

Focus on major provinces

The company is also suspending its plan for projects in secondary provinces such as Phitsanulok, Maha

Sarakham and Surat Thani until it becomes clear that the government's Bt2-trillion infrastructure mega-project will go ahead, he said.

"We will focus on major provinces that we began investing in three years ago, such as Chiang Mai, Hua Hin [in Prachuap Khiri Khan], Phuket, Khon Kaen, Udon Thani and Pattaya [in Chon Buri]," he said.

Sansiri will concentrate on detached housing and townhouses rather than condos in the provinces, as it has seen strong demand in this market segment, he said.

Srettha said this year would see a big change in the firm's policy of aggressive growth in terms of new projects to a more conservative strategy focused on generating income and maximising profit.

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Srettha Thavisin
Sansiri president



"We target revenue growth of at least 10 per cent while our net profit margin will be 10 per cent," he said.

Sansiri reported revenue of Bt20.06 billion and net profit of Bt872.78 million last year for a net profit margin of only 4.3 per cent.

Low market growth

Srettha estimates that the overall property market will grow by only 5 per cent this year in line with the slow economic growth and reduced ability of consumers to purchase homes.

People are also concerned about political risk, and this will have a direct impact on their confidence to buy a home.

"When they do not know what will happen in the future, they will delay taking on a debt burden," he said.