SANSIRI PLC

No. 28/2017

30 March 2017

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+". At the same time, TRIS Rating upgrades the existing senior unsecured debenture ratings of SIRI to "BBB+" from "BBB" and assigns the rating of "BBB+" to SIRI's proposed issue of up to Bt2,000 million in senior unsecured debentures. The proceeds from the new debentures will be used to refinance existing debentures maturing in May 2017. The upgraded ratings for the senior unsecured debentures reflect the improving recovery of its unsecured debts after the ratio of its secured debts to the total assets dropped to below 20%, which is the threshold level.

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 cash flow protection amid 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 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 2016, the company had around 100 residential projects in its portfolio, worth a total of around Bt160,000 million. The portfolio comprised condominium (54% of the total portfolio value), single-detached house (SDH, 39%), and townhouse (7%) projects. The average unit price across the portfolio was Bt5.2 million. As of December 2016, SIRI had a backlog worth Bt8,000 million (excluding backlog under the JV projects worth Bt20,000 million) and unsold units (including built and un-built units) worth Bt52,000 million (excluding unsold units under the JV projects worth Bt15,000 million) available for sale.

SIRI's presales recovered to Bt28,512 million in 2015 and Bt31,139 million in 2016 from Bt8,762 million in 2014. Presales from condominium projects under the JV supported the growth. SIRI's revenue in 2015 grew by 32% year-on-year (y-o-y) to Bt36,955 million. Revenue in 2016 decreased by 9% y-o-y to Bt33,811 million. The drop was due to a lower transfer of condominium, SDH, and townhouse units. However, revenue from business management under the JV projects increased sharply in 2016. SIRI's revenue in 2017 is partly secured by units in the backlog worth Bt8,000 million. A number of backlog under the JV projects will support the revenue growth from business management. Under TRIS Rating's base case scenario, SIRI's revenue over the next three years is forecast to be around Bt30,000 million per annum. Revenue contribution from residential sales will decrease to 70%-75% of total revenue, while the revenue from business management under the JV projects will constitute a greater portion from 2017 onwards.

SIRI's gross profit margin declined to 29% of total revenue in 2015 and 31% in 2016 from 33%-34% during 2010-2014 as the company do marketing campaign in several condominium and townhouse projects in order to speed up the sales of the remaining finished units. Selling, general, and administrative (SG&A) expenses improved to 17% of total revenue during 2015-2016 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 three years. Its net profit margin stood at 9%-10% of total revenue during 2015-2016. Going forward, SIRI's operating profit margin and net profit margin should hold at the current levels over the next three years, despite the intense competition due to a sluggish demand in residential property market and a thin profit margin from business management under the JV projects.

The company's debt to capitalization ratio (including proportionate debt from the JVs) improved to 57% as of December 2015 and 59% as of December 2016, from 61% at the end of 2014 and 67% at the end of 2013. The interest-bearing debt to earnings before interest, tax, depreciation, and amortization (EBITDA) ratio was 6-7 times during 2014-2016, down from 11 times in 2013. TRIS Rating's base case scenario assumes SIRI's financial leverage and the interest-bearing debt to EBITDA ratio over the next three years will be higher than the current level due to its business expansion through its own and the JV projects. However, the debt to capitalization ratio should not exceed 60% and the interest-bearing debt to EBITDA ratio should be less than 6-7 times.

SIRI's liquidity profile is acceptable. The ratio of the funds from operations (FFO) to total debt was 10%-12% during 2015-2016, up from 8% in 2014 and 4% in 2013. Its senior unsecured debentures worth Bt2,000 million, Bt6,000 million, and Bt4,000 million will mature in 2017, 2018, and 2019, respectively. SIRI's liquidity sources include Bt3,541 million in cash, Bt44,000 million in undrawn credit facilities as of December 2016, and the expected minimum 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 and net profit margin should be maintained at the current levels over the next three years. SIRI is expected to keep its debt to capitalization ratio (including proportionate debt from JVs) below 60% and the interest-bearing debt to EBITDA ratio should be lower than 6-7 times.

SIRI's ratings and/or outlook could be upgraded should its financial profile improve, as its interest-bearing debt to EBITDA ratio stays below 5 times on a sustainable basis. Also, the ratio of FFO to total debt should increase to 14%-15%. 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:	
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+
SIRI197A: Bt1,000 million senior unsecured debentures due 2019	BBB+
SIRI19OA: Bt1,000 million senior unsecured debentures due 2019	BBB+
SIRI206A: Bt2,000 million senior unsecured debentures due 2020	BBB+
Up to Bt2,000 million senior unsecured debentures due within 3 years	BBB+
Rating Outlook:	Stable

Financial Statistics and Key Financial Ratios*

Unit: Bt million

	Year Ended 31 December					
	2016	2015	2014	2013	2012	2011
Revenues	33,811	36,955	28,093	28,597	29,821	20,542
Gross interest expense	1,593	1,807	1,956	1,481	1,181	886
Net income from operations	3,380	3,506	3,393	1,930	2,938	2,015
Funds from operations (FFO)	3,972	4,346	3,130	1,400	3,387	2,266
Inventory investment	19	5,742	(11,125)	(11,085)	(8,365)	(2,669)
Total assets	72,774	69,451	73,147	60,040	46,495	36,238
Total debts	40,277	35,713	39,103	34,675	24,017	19,367
Shareholders' equity	28,096	27,198	24,816	17,068	15,225	11,378
Operating income before depreciation and amortization as % of sales	14.04	12.59	14.28	9.80	14.11	15.48
Pretax return on permanent capital (%)	7.53	8.64	8.61	6.44	12.07	10.75
Earnings before interest, tax, depreciation, and amortization (EBITDA) interest coverage (times)	4.02	3.77	3.35	2.92	4.45	4.37
Interest-bearing debt/EBITDA (times)	6.89	5.86	7.37	10.80	5.28	5.81
FFO/total debt (%)	9.86	12.17	8.01	4.04	14.10	11.70
Total debt/capitalization (%)	58.91	56.77	61.18	67.01	61.20	62.99
Total debt/capitalization (%) **	56.02	55.33	61.18	67.01	61.20	62.99

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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