TRIS RATING
A strategic partner of S&P Global

CreditNews ข่าวเครดิต

RAIMON LAND PLC

No. 178/2017 28 December 2017

Company Rating:	BBB-
Outlook:	Stable

Company Rating History:

Date	Rating	Outlook/Alert
30/06/15	BBB-	Stable

Contacts:

Jutamas Bunyawanichkul
jutamas@trisrating.com

Auyporn Vachirakanjanaporn
auyporn@trisrating.com

Rapeepol Mahapant
rapeepol@trisrating.com

Suchada Pantu, Ph. D.
suchada@trisrating.com

WWW.TRISRATING.COM

Rating Rationale

TRIS Rating affirms the company rating of Raimon Land PLC (RML) at "BBB-". The rating takes into consideration the company's well-recognized brand name in the high-end condominium segment, its revenue concentration on a limited number of projects, and its aggressive business expansion in both residential and rental property projects which may cause the company's financial leverage to increase significantly over the next three years. In addition, an increase in the number of residential property units in the high-end segment will lead to more intense competition in the short to medium term.

RML was established by Mrs. Jurairat E. Bonithern in 1987 and listed on the Stock Exchange of Thailand (SET) in 1994. The major shareholders have changed several times. In February 2013, JS Asset Management Pte. Ltd. (JS) purchased a 24.98% stake in RML, and thus became the major shareholder. JS is a Singaporean investment holding company, owned entirely by Mr. Lee Chye Tek Lionel. Mr. Lee is also the owner and the director of Jit Sun Investments (Jit Sun), whose businesses include offshore oil and gas services, engineering and ship construction for the offshore and marine industries, a boutique hotel, and food & beverages.

RML focuses on the high-end condominium segment, with selling prices ranging from Bt100,000 to Bt350,000 per square metre (sq.m.) (excluding units in Unixx South Pattaya). As of September 2017, RML had eight active condominium projects and one existing housing project, with a total project value of Bt45,000 million. The value of the remaining unsold units (including built and un-built units) was Bt7,000 million. Around half of the unsold units were ready-to-move units in condominium and housing projects.

Presales have decreased consecutively during 2013-2016 as the company focused on the completion and transfer of its backlog. The company launched only two condominium projects and one housing project during this time period. Presales was Bt1,939 million in 2016, down by 15% year-on-year (y-o-y). Presales during the first nine months of 2017 recovered to Bt2,466 million, mainly supported by presales of The Lofts Silom and The Lofts Asoke. At the end of September 2017, RML had a backlog worth only Bt3,600 million. Due to lower backlog than in the past, RML's total revenue for the full year of 2017 and during 2019-2020 will drop to around Bt4,000 million per year, declining from Bt5,000-Bt6,000 million per annum during 2012-2016. Revenue in 2018 will be relatively low as fewer number of sold units are scheduled to be transferred to customers.

Due to its expected lower revenue recognition and lower profit margins of The Lofts and housing projects, RML's operating profit margin is expected to decline to around 12%-15% over the next three years, down from 23%-27% during 2014-2016.

In the coming years, RML plans to invest not only in residential property projects but also in recurring-income assets. RML targets to launch three residential property projects, worth around Bt10,000 million in total, in 2018. In addition, the company plans to develop a mixed-use project on Ploenchit Road. This project requires an upfront payment for land lease of Bt1,518 million during 2016-2018 and the development cost of around Bt5,000 million during 2017-2021. The office and retail of Ploenchit project will start generating income since mid-2021 onwards. Moreover, RML plans to incur some investments in restaurant and hotel businesses over the next few years. With aggressive business expansion, RML's financial leverage over the next three years is expected to increase significantly from the current level. However, the company plans to either raise its capital or find partners for some of the projects in order to alleviate the debt burden on its balance sheet. TRIS Rating's base case scenario assumes RML will keep its interest-bearing debt to equity ratio at around 1.5 times, or the debt to capitalization ratio at around 60% in order to satisfy its current rating.

Lower revenue recognition and increasing debt caused RML's cash flow protection to be lower than before. Funds from operations (FFO) to total debt ratio declined to 8% (annualized with trailing 12 months) during the first nine months of 2017 from 23% in 2016 and 36% in 2015. The earnings before interest, tax, depreciation, and amortization (EBITDA) interest coverage ratio was 5 times in the first nine months of 2017, down from 9-12 times during 2014-2016. RML's liquidity is still adequate. The company's financial flexibility as of September 2017 consisted of cash on hand of Bt1,034 million and undrawn committed project loans of around Bt2,000 million. Based on the current backlog, the company is expected to receive the down payments and transfer amount of around Bt1,000-Bt1,300 million per annum. The company has Bt1,799 million in debt due in the next 12 months, consisting of short-term borrowings of Bt1,000 million, debentures of Bt499 million, and long-term loans of Bt300 million.

Rating Outlook

The "stable" outlook reflects the expectation that RML's operating performance will be in line with our expectation. In addition, the company is expected to maintain the debt to capitalization ratio at around 60%, or the interest-bearing debt to equity ratio at around 1.5 times. TRIS Rating expects the company to raise its capital and/or find strategic partners to lighten its debt burden and keep the debt-to-equity ratio at the target level. RML's rating and/or outlook could be revised downward should its financial leverage be higher than 65% or the interest-bearing debt to equity ratio stays above 2 times for a sustained period. The company's credit upside is unlikely in the near term.

Raimon Land PLC (RML)

Company Rating:	BBB-
Rating Outlook:	Stable

Financial Statistics and Key Financial Ratios*

Unit: Bt million

	Jan-Sep 2017	------------------- Year Ended 31 December ------------------- 2016	2015	2014	2013	2012
Revenue	2,511	5,127	5,081	6,581	5,681	5,449
Gross interest expense	93	114	159	233	347	494
Net income from operations	217	851	901	1,225	746	496
Funds from operations (FFO)	257	1,050	1,040	1,502	930	644
Inventory investment	(271)	953	782	2,027	18	1,092
Total assets	10,284	9,700	9,947	11,191	13,584	14,997
Total debts	5,589	4,500	2,884	3,538	5,448	6,221
Shareholders' equity	5,080	5,108	4,451	3,544	2,306	1,556
Operating income before depreciation and amortization as % of sales	14.29	22.52	25.60	26.82	19.59	18.10
Pretax return on permanent capital (%)	6.32 **	16.64	18.03	23.89	14.97	13.57
Earnings before interest, tax, depreciation, and amortization (EBITDA) interest coverage (times)	5.24	12.13	10.21	9.09	4.05	2.57
FFO/total debt (%)	8.49 **	23.34	36.06	42.44	17.06	10.35
Total debt/capitalization (%)	52.39	46.84	39.32	49.96	70.26	79.99
Total debt/capitalization (%) ***	44.14	36.51	39.32	49.96	70.26	79.99

Note: All ratios are operating lease adjusted since December 2016 onwards
** Consolidated financial statements*
*** Annualized with trailing 12 months*
**** Excluding capitalized annual leases*

TRIS Rating Co., Ltd.
Tel: 0-2231-3011 ext 500 / Silom Complex Building, 24th Floor, 191 Silom Road, Bangkok 10500, Thailand www.trisrating.com