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LALIN PROPERTY PLC

No. 137/2017 3 November 2017

Company Rating:	BBB+
Outlook:	Stable

Company Rating History:

Date	Rating	Outlook/Alert
14/10/15	BBB+	Negative
20/06/13	BBB+	Stable
03/06/11	BBB	Positive
15/02/08	BBB	Stable
12/09/07	BBB+	Negative

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Rating Rationale

TRIS Rating affirms the company rating of Lalin Property PLC (LALIN) at "BBB+" and revises LALIN's rating outlook to "stable" from "negative". The stable outlook reflects our expectation that LALIN's improved operating performance will be sustained over the next two to three years while its leverage will not significantly deteriorate from the current level. The rating continues to reflect LALIN's cost competitiveness, prudent financial management, and long experience in the middle-to-low-income landed residential property market. The rating is constrained by LALIN's relatively small revenue base with limited product type and price range. In addition, the high level of household debt nationwide and the rising mortgage loan rejection rate, especially in the middle-to low-income segment, will continue to impact demand in the residential property market in the short to medium term.

LALIN was established in 1988 and listed on the Stock Exchange of Thailand (SET) in 2002. The Chakarakul and Watcharakkawongse families, the company's founders and major shareholders, held a 70% stake in total as of March 2017. LALIN is mainly engaged in the development of landed residential property projects, offering single-detached house (SDH), semi-detached house (semi-DH), and townhouse units. Its product prices are generally in the range of Bt2-Bt5 million per unit. SDH and townhouse units were LALIN's major source of revenue, constituting 70%-75% of total revenue during 2015 through the first six months of 2017.

As of September 2017, LALIN had 55 existing projects available for sale. Across the entire project portfolio, 70% of the total project value was residential projects located in Bangkok and vicinity. The rest was upcountry projects. The value of the unsold units (including built and un-built units) was approximately Bt20,000 million. Around 60% of the unsold value was in the projects in Bangkok and vicinity, while the remainder of the unsold units was in the projects upcountry. At the end of September 2017, LALIN had a backlog worth around Bt900 million. Nearly all of the backlog units are in landed residential projects. The units in the backlog are expected to be transferred to customers during the rest of 2017.

LALIN's presales improved to Bt3,479 million during the first nine months of 2017, from Bt2,836 million in 2016 and Bt2,279 million in 2015. Seventy percent of presales came from projects in Bangkok and vicinity, while the rest came from the projects upcountry. LALIN's revenue was Bt2,000-Bt2,400 million per annum during 2013-2015. Revenue increased by 30% year-on-year (y-o-y) to Bt2,707 million in 2016 and by 19% y-o-y to Bt1,545 million during the first six months of 2017. In TRIS Rating's base case scenario, we expect LALIN's revenue will be in the range of Bt3,000-Bt3,500 million per annum over the next three years. Revenue growth will be supported by its plan to launch new projects worth nearly Bt5,000 million each year. In addition, the company plans to increase sales in some slow-moving projects by adjusting the products and price to meet customers' demand.

LALIN's operating profit margin (operating income before depreciation and amortization as a percentage of sales) held at 23%-25% during 2012 through the first half of 2017. Over the next three years, LALIN's operating profit margin may drop slightly, but it is expected to stay above 20%, taking into account the intense market competition and the overhead expenses needed to support LALIN's expansion plans.

LALIN's debt to capitalization ratio increased to 39% as of December 2016 and June 2017, from 35% as of December 2015. The interest-bearing debt to earnings before interest, taxes, depreciation, and amortization (EBITDA) ratio was 4-5 times during 2014 through the first six months of 2017. Its debt rose along with its inventory level. LALIN launched several new projects worth Bt4,000-Bt6,000 million per year during 2015-2017, in order to pursue revenue growth. Since the company focuses on landed residential property projects, its leverage remains lower than the industry average. Based on its growth plan over the next three years, LALIN's debt to capitalization ratio should stay at around 40% and interest-bearing debt to EBITDA ratio should not exceed 5 times.

LALIN's liquidity remains adequate. The ratio of funds from operations (FFO) to total debt was 18%-19% during 2015 through the first six months of 2017. The EBITDA interest coverage ratio was 12 times in 2016 and 8 times in the first half of 2017. Debts due over the next 12 months comprise Bt689 million in short-term borrowings, Bt800 million in senior unsecured debentures, and the current portion of long-term loans worth Bt150 million. This will be supported by cash on hand and marketable securities of Bt200 million as well as undrawn committed credit facilities of around Bt2,000 million as of June 2017 and an expected FFO of around Bt600-Bt700 million per annum.

Rating Outlook

The "stable" outlook reflects the expectation that LALIN will be able to sustain its operating performance at the target level. Over the next three years, LALIN's revenue is expected to be Bt3,000-Bt3,500 million per annum and the company is expected to keep its operating profit margin at least 20%. The debt to capitalization ratio should be around 40% and interest-bearing debt to EBITDA ratio should stay below 5 times.

LALIN's rating and/or outlook could be revised downward should its operating performance and/or financial profile significantly deteriorate from the target levels. Also, a weaker competitive position in the future may lead to a downward rating or outlook revision. On the other hand, LALIN's rating and/or outlook could be revised upward should its market position improve significantly from the current level as long as its financial profile does not significantly deteriorate from the current level.

Lalin Property PLC (LALIN)

Company Rating:	BBB+
Rating Outlook:	Stable

Financial Statistics and Key Financial Ratios*

Unit: Bt million

	Jan-Jun 2017	----------------------- Year Ended 31 December -------------------- 2016	2015	2014	2013	2012
Revenues	1,545	2,707	2,084	2,366	2,323	1,720
Cash interest paid	53	60	114	82	40	48
Net income from operations	285	500	355	433	418	269
Funds from operations (FFO)	327	574	447	440	548	261
Inventory investment (-increase/+decrease)	(246)	(1,330)	(370)	(249)	(760)	(555)
Total assets	9,671	9,185	8,021	7,348	6,910	5,878
Total debt	3,397	3,195	2,471	2,140	1,936	1,316
Shareholders' equity	5,242	4,968	4,683	4,513	4,294	4,073
Operating income before depreciation and amortization as % of sales	24.84	24.65	23.68	25.08	24.49	22.83
Pretax return on permanent capital (%)	8.40 **	8.28	6.68	8.88	9.70	7.71
Earnings before interest, tax, depreciation and amortization (EBITDA) interest coverage (times)	7.59	11.75	4.59	7.69	14.94	8.53
FFO/total debt (%)	19.29 **	17.98	18.07	20.57	28.31	19.85
Total debt/capitalization (%)	39.32	39.14	34.54	32.17	31.08	24.42

* *Consolidated financial statements*
** *Annualized with trailing 12 months*

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