

SANSIRI PLC

No. 15/2019
13 February 2019

CORPORATES

Company Rating:	BBB+
Issue Ratings:	
Senior unsecured	BBB+
Outlook:	Stable

Last Review Date: 22/01/19

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	-

Contacts:

Jutamas Bunyanichkul

jutamas@trisrating.com

Auyporn Vachirakanjanaporn

auyporn@trisrating.com

Hattayanee Pitakpatapee

hattayanee@trisrating.com

Suchada Pantu, Ph. D.

suchada@trisrating.com



WWW.TRISRATING.COM

RATIONALE

TRIS Rating affirms the company rating on Sansiri PLC (SIRI) and the ratings on SIRI's existing senior unsecured debentures at "BBB+". At the same time, TRIS Rating assigns the rating to SIRI's proposed issue of up to Bt5,500 million in senior unsecured debentures at "BBB+". The new issue rating replaces the issue rating previously assigned on 22 January 2019, following SIRI's request to increase the issue size to up to Bt5,500 million, from Bt4,000 million. The company will use the proceeds from the new debentures for business operation.

The ratings on SIRI and its debentures reflect the company's leading position and proven track record in the residential property development industry, well-recognized condominium and landed property brands, and diverse product portfolio. The ratings also reflect SIRI's moderate profitability and its expected higher financial leverage from aggressive business expansion, which will lower its cash flow protection. The ratings also take into consideration the cyclicity and competitive environment in the residential property development business and concern over the high level of Thailand's household debt which impacts the affordability of homebuyers, especially in the middle- to low-income segments.

SIRI's presales grew by 25% year-on-year (y-o-y) to Bt48,328 million in 2018. Presales from condominium projects drove the growth. SIRI's total operating revenue has ranked among the top three listed property developers for several years. However, its operating revenues continually decreased from Bt37,364 million in 2015 to Bt34,131 million in 2016 and Bt31,291 million in 2017. Operating revenues during the first nine months of 2018 decreased by 24% y-o-y to Bt17,394 million. The drop was caused by SIRI's lower revenue recognition for its own condominium projects. TRIS Rating forecasts SIRI's operating revenues for full year of 2018-2019 to stay around Bt30,000 million per annum, as few of its own condominium units will be delivered to customers.

As of 31 December 2018, SIRI had 38 existing condominium projects (including 12 condominium projects under joint ventures (JVs) with the BTS Group and 3 condominium projects under JVs with Tokyu Corporation) and 57 landed property projects, with the total remaining value of Bt80,000 million (including built and un-built units). Condominium projects comprised 53% of total unsold value, while landed property projects accounted for the rest. SIRI's backlog was valued at around Bt30,000 million. Its backlog worth Bt7,900 million is expected to be delivered to customers in 2019, Bt6,600 million in 2020, Bt11,000 million in 2021, and Bt4,700 million in 2022. The total backlog under JVs was Bt23,000 million and is expected to be transferred to buyers during 2019-2022. The backlog under the JV projects will support the revenue growth of business management under the JVs over the next four years.

SIRI's operating income declined to 9% in the first nine months of 2018 from 13%-15% during 2014-2017. Its net profit margin was 6% of total operating revenues in the first nine months of 2018, down from 9%-12% during 2014-2017. The drop was due to lower profit margins from some residential projects and thinner profit margin from business management under the JV projects. However, SIRI is expected to keep operating income at around 10% and net profit margins above 5% during 2019-2020.

CreditUpdate, reviews ratings of companies or debt issues that have already been rated by TRIS Rating. The CreditUpdate occurs when new debt instruments are issued or if significant events have taken place that may impact a company's current ratings or when current ratings are cancelled. The CreditUpdate announces whether a rating has been "upgraded," "downgraded," "affirmed" or "cancelled." The update includes information to supplement the previously published ratings.

Credit Updates are part of TRIS Rating's monitoring process. TRIS Rating monitors every rating it assigns until either the debt instrument matures or the rating contract ends. To keep the public informed of changing situations, TRIS Rating periodically issues announcements about the credit ratings it monitors.

SIRI's debt to capitalization ratio was 65% as of September 2018, higher than 56%-57% during 2016-2017. Despite its JVs partially alleviate its funding needs, SIRI's need for capital to pursue its growth plan remains significant. TRIS Rating views SIRI's financial leverage during 2019-2020 will be slightly higher than the current level. However, its debt to capitalization ratio is expected to stay below 66%, or its interest-bearing debt to equity ratio to stay below 2 times. The ratio of funds from operations (FFO) to total debt is expected to decline but should be higher than 5% since its debt burden is expected to increase faster than earnings.

SIRI's liquidity is acceptable. At the end of September 2018, the company had Bt5,013 million in cash and cash equivalents plus undrawn unconditional credit facilities of project loans from financial institutions of around Bt68,000 million. TRIS Rating forecasts FFO over the next 12 months will be at around Bt2,000 million. Debt due over the next 12 months amounts to Bt19,474 million, comprising Bt2,998 million in debentures, Bt2,779 million in project loans, Bt2,518 million in long-term promissory notes (P/Ns) for land purchase, and Bt11,178 million in short-term bills of exchange (B/Es) and P/Ns.

RATING OUTLOOK

The "stable" outlook reflects the expectation that SIRI will be able to sustain its operating performance at the target levels. Also, the company should be able to deliver the units in its backlog as scheduled. The operating income and net profit margin should be maintained at the target levels during 2019-2020. With its aggressive business expansion, SIRI's debt burden will likely be on the rise. However, TRIS Rating expects SIRI to keep its debt to capitalization ratio below 66%, or interest-bearing debt to equity ratio lower than 2 times. The ratio of FFO to total debt should stay at 5%-10% for a certain period.

RATING SENSITIVITIES

SIRI's ratings and/or outlook could be upgraded should its financial profile improve to the same levels as its higher rated peers. The debt to capitalization ratio should stay below 55% on a sustainable basis. Also, the ratio of FFO to total debt should increase to around 15%. On the other hand, the ratings and/or outlook could be revised downward should SIRI's operating performance and/or financial position significantly deteriorate from the target levels.

RELATED CRITERIA

- Key Financial Ratios and Adjustments, 5 September 2018
- Rating Methodology – Corporate, 31 October 2007

Sansiri PLC (SIRI)

Company Rating:	BBB+
Issue Ratings:	
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+
SIRI190A: Bt1,000 million senior unsecured debentures due 2019	BBB+
SIRI204A: Bt2,000 million senior unsecured debentures due 2020	BBB+
SIRI206A: Bt2,000 million senior unsecured debentures due 2020	BBB+
SIRI218A: Bt5,000 million senior unsecured debentures due 2021	BBB+
SIRI21NA: Bt2,000 million senior unsecured debentures due 2021	BBB+
SIRI229A: Bt2,000 million senior unsecured debentures due 2022	BBB+
SIRI229B: Bt2,500 million senior unsecured debentures due 2022	BBB+
SIRI231A: Bt4,000 million senior unsecured debentures due 2023	BBB+
Up to Bt5,500 million senior unsecured debentures due within 3 years	BBB+
Rating Outlook:	Stable

TRIS Rating Co., Ltd.

Silom Complex Building, 24th Floor, 191 Silom Road, Bangkok 10500, Thailand Tel: 0-2098-3000

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