PRUKSA REAL ESTATE PLC

No. 64/2012 14 August 2012

Company Rating: A

Outlook: Stable

New Issue Rating: A

Rating History:

Date	Company	Issue (Secured/ Unsecured)
24/11/11	A/Neg	-/A
07/05/10	A/Sta	-/A
30/06/09	A-/Pos	-/A-
25/06/08	A-/Sta	-/A-
18/04/06	BBB+/Pos	-/BBB+
12/07/04	BBB/Sta	-/BBB
31/07/03	BBB	-/BBB
19/06/03	BBB	-
05/02/02	BB+	-

Contacts:
Jutamas Bunyawanichkul
jutamas@trisrating.com

Yingyong Chiaravutthi, CFA
yingyong@trisrating.com

Chaiwat Nontnoraset
chaiwat@trisrating.com

Suchada Pantu
suchada@trisrating.com

WWW.TRISRATING.COM

Rating Rationale

TRIS Rating revises the outlook on Pruksa Real Estate PLC (PS) to “stable” from “negative” and maintains the company and existing senior debenture ratings of PS at “A”. The outlook revision reflects PS’s faster-than-expected recovery from the last year flood crisis. At the same time, TRIS Rating assigns the rating of “A” to PS’s proposed issue of up to Bt5,000 million in senior debentures. The proceeds of new debentures will be used to repay the bridging short-term loans. The ratings reflect PS’s leading position in the middle- to low-priced townhouse segment, proven track record in the middle- to low-income residential property segment, cost competitiveness, and strong backlog partly securing the company’s future revenue stream. These strengths are partially offset by its relatively high leverage, rising construction costs, labour shortage problem, and the cyclical nature of the property development industry.

PS is one of the leading residential property developers in Thailand. The company was established in 1993 by Mr. Thongma Vijitpongpun and was listed on the Stock Exchange of Thailand (SET) in December 2005. As of March 2012, the Vijitpongpun family continued to be the largest shareholder, owning a 74% stake. As of June 2012, PS had a huge project portfolio with 163 existing residential projects. The portfolio consisted of townhouse (41% of total portfolio value), single-detached house (SDH, 33%), condominium (25%), and overseas (1%) projects. The average unit price across the entire portfolio was Bt2.3 million. At the end of June 2012, PS had the remaining unsold value of around Bt56,000 million and total backlog of approximately Bt34,000 million.

PS’s competitive edge is derived from employing the precast and prefabrication technologies and managing the construction process for townhouse and SDH projects by itself. With large production volumes, these techniques enable the company to control construction costs and shorten the construction period. As a result, PS has been able to offer residential units at competitive prices.

Presales in late 2011 was affected by severe flood surrounding various areas of Bangkok. PS’s presales was around Bt7,000-Bt9,000 million per quarter in the first nine months of 2011 before shrinking to only Bt235 million in the last quarter of 2011. As a result, presales for the full year of 2011 declined by 34% to Bt25,554 million from Bt38,753 million in 2010. Presales rebounded to Bt5,669 million and Bt7,019 million in the first and second quarter of 2012. Consequently, presales during the first half of 2012 was Bt12,688 million (or equal to 50% of presales in 2011), a 28% drop from the same period in 2011. In the first and second quarter of 2012, presales value of low-rise units in the flooded areas recovered to 28% and 56% of presales value in the first and second quarter of last year. With a sign of presales recovery and a number of new projects planned to be launched in the second half of 2012, presales for the full year of 2012 is expected to be sound.

Although the heavy flood affected PS’s presales, the company’s ability to manage a transfer of the residential units remained satisfactory. Total revenue was Bt23,263 million in 2011, nearly a record high of Bt23,307 million in 2010. PS’s total revenue in the first half of 2012 dropped by only 6% year-on-year (y-o-y) to Bt11,469 million, with almost 90% of total revenue came from the low-rise segment. The gross profit margin reduced to 35% of total revenue in the first half of 2012 from 37% in 2011 and 38% during 2008-2010. Rising land and construction costs depressed the gross profit margin lower. However, PS’s selling, general, and administrative expenses (SG&A) decreased to 16% of total revenue in the first six months of 2012 from 20% in 2011. Subsequently, operating income as a percentage of sales increased to 20.11% in the first half of 2012 from 18.16% in 2011. An aggressive expansion and large land acquisition in 2010 pushed the company's financial leverage higher. The total debt to capitalization ratio jumped to 49.03% in 2010 and 54.92% in 2011 from 15.84% in 2009. At the end of June 2012, PS's financial leverage slightly decreased to 52.03%. The ratio of funds from operations (FFOs) to total debt dropped to 13.55% in 2011 and 7.52% (non-annualized) in the first six months of 2012 from 22.13% in 2010. Lower profitability and higher debt caused weaker cash flow protection.

Rating Outlook

The revised outlook to "stable" from "negative" reflects the faster-than-expected recovery of PS's operating performance in the first half of 2012. TRIS Rating expects that PS will be able to maintain its strong operating performance in the medium term. In addition, the company is expected to deliver its large amount of backlog on schedule. This will help lower PS's leverage and strengthen its financial profile in the short to medium term.

Pruksa Real Estate PLC (PS)

Company Rating:	A
Issue Ratings:	
PS136A: Bt1,500 million senior debentures due 2013	A
PS13NA: Bt3,000 million senior debentures due 2013	A
PS156A: Bt1,000 million senior debentures due 2015	A
PS15NA: Bt2,000 million senior debentures due 2015	A
Up to Bt5,000 million senior debentures due within 2017	A
Rating Outlook:	Stable

Financial Statistics and Key Financial Ratios*

Unit: Bt million

		---------------------------- Year Ended 31 December ----------------------------				
	Jan-Jun 2012	2011	2010	2009	2008	2007
Revenue	11,469	23,263	23,307	18,966	12,969	9,055
Gross interest expense	455	865	269	187	133	46
Net income from operations	1,636	2,835	3,488	3,622	2,551	1,364
Funds from operations (FFOs)	1,449	2,806	3,249	4,095	2,848	1,557
Inventory investment	285	(7,678)	(14,638)	(439)	(4,133)	(718)
Total assets	41,988	41,982	34,091	18,871	16,292	11,095
Total debts	19,264	20,703	14,683	2,450	3,900	1,453
Shareholders' equity	17,761	16,997	15,263	13,023	10,110	8,206
Operating income before depreciation and amortization as % of sales	20.11	18.16	20.38	26.33	25.24	19.74
Pretax return on permanent capital (%)	5.92 **	12.31	21.17	33.32	27.85	19.08
Earnings before interest, tax, depreciation and amortization (EBITDA) interest coverage (times)	5.23	5.07	18.06	27.08	25.94	40.13
FFOs/total debt (%)	7.52 **	13.55	22.13	167.11	73.02	107.18
Total debt/capitalization (%)	52.03	54.92	49.03	15.84	27.84	15.04

* *Consolidated financial statements*
** *Non-annualized*

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