TRIS RATING

CreditNews ข่าวเครดิต

PRUKSA REAL ESTATE PLC

No. 57/2015

10 July 2015

Company Rating: A

Issue Rating:

Senior unsecured A

Outlook: Stable

Company Rating History:

Date	Rating	Outlook/Alert
14/08/12	A	Stable
24/11/11	A	Negative
07/05/10	A	Stable
30/06/09	A-	Positive
25/06/08	A-	Stable
18/04/06	BBB+	Positive
12/07/04	BBB	Stable
31/07/03	BBB	-
19/06/03	BBB	-
05/02/02	BB+	-

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Rating Rationale

TRIS Rating affirms the company rating and the senior unsecured debenture ratings of Pruksa Real Estate PLC (PS) at "A". 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 market, cost competitiveness, and large backlog, which partly secures the company's future revenue stream. These strengths are partially offset by the cyclical and competitive nature of the property development industry, plus concerns over the slower-than-expected growth in the domestic economy. The ratings also take into consideration the high household debt levels nationwide which may lead to low purchasing power and stagnant demand in the residential 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 2015, the Vijitpongpun family remained the company's largest shareholder, owning a 69% stake. At the end of May 2015, PS had a large project portfolio, with around 200 existing projects. Its domestic residential project portfolio comprises townhouses (39% of total project value), condominiums (30%), and single detached houses (SDHs, 30%). The rest 1% is the projects undertaken overseas. PS's main focus is the middle- to low-end segment of the residential property market. However, the company is moving to higher-priced products to expand its project portfolio and meet customer demand. As of May 2015, the value of the remaining unsold units (including built and un-built units) across PS's project portfolio was around Bt78,000 million. The total backlog as of March 2015 was valued at around Bt39,000 million and is expected to be delivered during the remainder of 2015 through 2018.

PS's competitive edge is derived from employing the precast and prefabrication techniques and managing the construction processes for townhouse and SDH projects by itself. With large production volumes, the precast and prefabrication 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 and increase the product turnover.

PS's presales in 2014 decreased by 5% year-on-year (y-o-y) to Bt39,090 million. Presales from townhouses and SDHs increased by 8% y-o-y and 20% y-o-y, respectively, while presales from condominiums declined by 34% y-o-y. Presales during the first five months of 2015 soared to Bt19,557 million, a 43% y-o-y growth. Given its plans to launch a number of new projects during the remainder of 2015, TRIS Rating expects PS's presales in 2015 will be higher than in 2014.

Total revenue in 2014 was Bt42,781 million, a 10% y-o-y growth. Its revenue in 2014 ranked the first among all the property developers and reached a new record high for the industry. PS's transferred value during the first three months of 2015 improved by 4% y-o-y. Its revenue during the remainder of 2015 is partly secured by the units in backlog worth around Bt24,000 million. The remaining backlogs of around Bt15,000 million are expected to be realized as revenues during 2016-2018.

PS's operating profit margin, as measured by operating income before depreciation and amortization as a percentage of sales, ranged from 18%-21% during 2010-2014. The operating profit margin during the first quarter of 2015 decreased to 15%. The drop was due mainly to price cuts to clear stock in nearly-complete projects and the recognition of higher land costs from project under development. The total debt to capitalization ratio ranged from 47% to 55% during 2010-2013. The ratio improved to 45% during 2014 through the first three months of 2015. Despite the sluggish demand in residential property market, TRIS Rating expects PS will be able to maintain the operating profit margin at least 15% over the next three years. Its financial leverage should also be kept lower than 50%. PS's liquidity remained acceptable as the ratio of funds from operations (FFO) to total debt was 26%-30% during 2013 through the first quarter of 2015. Its financial flexibility was enhanced by a sizable undrawn credit facility worth around Bt26,000 million as of May 2015.

Rating Outlook

The "stable" outlook reflects the expectation that PS will sustain its operating performance over the next three years. The company is expected to deliver a large number of the units in its backlog as scheduled. PS's total debt to capitalization ratio should stay below 50%.

PS's future outlook is challenged by the current slowdown in the domestic economy and high household debt levels. PS's credit upside would materialize if there are significant improvements in its operating performance and financial profile. Higher profitability and the total debt to capitalization ratio kept at around 40% on a sustainable basis would be positive factors for the ratings. On the contrary, the rating and/or outlook could be revised downward should PS's operating performance and financial profile significantly be lower than the current levels.

Pruksa Real Estate PLC (PS)

Company Rating:	A
Issue Ratings:	
PS15NA: Bt2,000 million senior unsecured debentures due 2015	A
PS163A: Bt600 million senior unsecured debentures due 2016	A
PS163B: Bt2,400 million senior unsecured debentures due 2016	A
PS166A: Bt3,000 million senior unsecured debentures due 2016	A
PS171A: Bt2,000 million senior unsecured debentures due 2017	A
PS176A: Bt2,000 million senior unsecured debentures due 2017	A
PS179A: Bt600 million senior unsecured debentures due 2017	A
PS179B: Bt1,400 million senior unsecured debentures due 2017	A
PS183A: Bt2,000 million senior unsecured debentures due 2018	A
PS185A: Bt3,000 million senior unsecured debentures due 2018	A
PS18NA: Bt1,000 million senior unsecured debentures due 2018	A
PS205A: Bt2,000 million senior unsecured debentures due 2020	A
Rating Outlook:	Stable

Financial Statistics and Key Financial Ratios*

Unit: Bt million

	Jan-Mar 2015	2014	2013	2012	2011	2010
		------------------------- Year Ended 31 December ---------------------				
Revenue	8,326	42,781	38,848	27,023	23,263	23,307
Gross interest expense	273	1,105	1,090	942	865	269
Net income from operations	891	6,655	5,802	3,898	2,835	3,488
Funds from operations (FFO)	1,177	7,282	6,333	3,449	2,806	3,249
Inventory investment	(1,416)	(4,491)	(10,649)	(679)	(7,678)	(14,638)
Total assets	63,490	61,051	56,194	43,821	41,982	34,091
Total debts	25,421	24,395	24,160	17,995	20,703	14,683
Shareholders' equity	30,719	29,729	24,933	20,081	16,997	15,263
Operating income before depreciation and amortization as % of sales	15.18	20.91	20.07	20.64	18.16	20.38
Pretax return on permanent capital (%)	15.83 **	17.13	17.47	14.06	11.96	20.27
Earnings before interest, tax, depreciation, and amortization (EBITDA) interest coverage (times)	4.72	8.32	7.33	6.04	5.07	18.06
FFO/total debt (%)	27.78 **	29.85	26.21	19.17	13.55	22.13
Total debt/capitalization (%)	45.28	45.07	49.21	47.26	54.92	49.03

* *Consolidated financial statements*

** *Annualized with trailing 12 months*

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