

Pruksa Real Estate Public Company Limited

Company Rating:	A
Issue Ratings:	
PS121A: Bt1,500 million senior debentures due 2012	A
PS136A: Bt1,500 million senior debentures due 2013	A
PS156A: Bt1,000 million senior debentures due 2015	A
Up to Bt3,000 million senior debentures due within 2013	A
Up to Bt2,000 million senior debentures due within 2015	A
Rating Outlook:	Stable

Rating History:	Company Rating	Issue Rating	
		Secured	Unsecured
7 May 2010	A/Stable	-	A
30 Jun 2009	A-/Positive	-	A-
25 Jun 2008	A-/Stable	-	A-
18 Apr 2006	BBB+/Positive	-	BBB+
12 Jul 2004	BBB/Stable	-	BBB
31 Jul 2003	BBB	-	BBB
19 Jun 2003	BBB	-	-
5 Feb 2002	BB+	-	-

Rating Rationale

TRIS Rating affirms the company rating of Pruksa Real Estate PLC (PS) and the ratings of PS's existing debentures at "A". At the same time, TRIS Rating assigns the ratings of "A" to PS's proposed issue of up to Bt5,000 million in senior debentures. The ratings reflect PS's leading position in the townhouse segment with average unit price of Bt1 million, proven track record in the middle- to low-income residential property segment, cost competitiveness, and strong internal cash flow generation. The strengths are partially offset by the company's increasing financial leverage in the future, an uncertain political situation in Thailand, the cyclical nature of the property development industry, and intense competition in land acquisitions.

PS is one of the leading residential property developers in Thailand. The company was established in 1993 by Mr. Thongma Vjittpongпun and was listed on the Stock Exchange of Thailand (SET) in December 2005. As of August 2010, the Vjittpongпun family continued to be the largest shareholder, owning a 74% stake. PS had a huge project portfolio, which comprised around 120 existing residential projects with the remaining value of Bt33,837 million available for sale and a backlog of Bt22,581 million as of June 2010. The company offers a wide range of products including townhouses (36% of total project value), single-detached houses (SDH) (34%), and condominiums (30%). Although the revenue contribution from townhouses in the first half of 2010 was lower than in the past, it remained the largest portion of total revenue with a 42% contribution. Revenues from SDHs and condominiums constituted 39% and 19%, respectively. PS's cost advantage is derived from employing precast and prefabrication techniques and

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managing the construction process itself. This enables the company to control construction costs and the construction period efficiently. As a result, PS has been able to offer residential units at competitive prices.

PS's presales improved consecutively during the past three years, with a growth of 41% to Bt22,775 million in 2009 from Bt16,188 million in 2008. During the first eight months of 2010, presales reached Bt26,092 million, significantly increasing from Bt12,944 million during the same period of 2009. Rising presales reflected the successful launches of new projects. Moving in the same direction as presales, total revenue jumped by 46% to Bt18,966 million in 2009 from Bt12,969 million in 2008. The total revenue during the first half of 2010 was Bt12,571 million, up 70% from Bt7,406 million in the same period of 2009. The revenue growth was mainly driven by more condominium transfers. However, the company's profitability lowered in the first six months of 2010 as the adjusted operating profit margin decreased to 22.19%, down from 25%-26% during 2008-2009. The drop in profitability was a result from more selling and administrative expenses (SG&A) spent in the first half of 2010. During an aggressive business expansion, PS's cash flow protection remained strong with the funds from operations (FFO) to total debt ratio at 43.86% (non-annualized) in the first six months of 2010. Financial leverage was maintained at the relatively low level of 26.50% at the end of June 2010. With continued aggressive business expansion and more condominium projects in the portfolio, PS's leverage will be higher than in the past.

The residential property market was volatile in 2009, reflecting the political instability and the global financial crisis. However, it recovered in the second half of 2009 and had sustained this momentum through the first nine months of 2010. Major developers continue to increase market share at the expense of smaller developers. After delivering favorable performances in 2009, almost all large developers have set quite aggressive expansion plans for the next two to three years. The acquisitions of land at appropriate locations will likely be more expensive. As most government tax incentives expired in 2010, demand for residential property will depend heavily on consumer confidence and the pace of economic recovery. TRIS Rating expects demand for residential property to recover alongside consumer confidence and growth in the domestic economy.

Rating Outlook

The "stable" outlook reflects the expectation that PS will be able to maintain strong operating performance in the medium term. Despite more intense competition in the company's product segments, profitability should be at an acceptable level. As its financial policy will be more aggressive than in the past several years, TRIS Rating will closely monitor PS's financial leverage. The ratings may come under pressure in the event that the company makes further substantial debt-financed expansion so as to weaken its financial profile materially.

Financial Statistics and Key Financial Ratios *
Unit: Bt million

	Jan-Jun 2010	-----Year Ended 31 December-----				
		2009	2008	2007	2006	2005
Sales	12,571	18,966	12,969	9,055	8,181	7,621
Gross interest expense	79	187	133	46	93	160
Net income from operations	2,042	3,670	2,551	1,364	1,264	1,265
Funds from operations (FFO)	2,193	4,061	2,848	1,557	1,387	1,359
Inventory investment	(3,613)	(501)	(4,133)	(718)	(666)	701
Cash and marketable securities	3,622	3,151	1,530	1,082	449	1,479
Total assets	24,084	18,871	16,292	11,095	9,386	9,843
Total debt	5,000	2,100	3,600	1,219	1,030	2,621
Shareholders' equity	13,870	13,023	10,110	8,206	7,338	6,270
Operating income before depreciation and amortization as % of sales	22.19	26.41	25.24	19.74	20.91	23.83
Pretax return on permanent capital (%)	15.65 **	33.30	27.85	19.08	18.30	21.03
Earnings before interest, tax, depreciation and amortization (EBITDA) interest coverage (times)	35.44	27.34	25.94	40.13	18.37	11.38
FFO/total debt (%)	43.86 **	193.40	79.12	127.73	134.71	51.85
Total debt/capitalization (%)	26.50	13.89	26.26	12.94	12.30	29.48

* Consolidated financial statements

** Non-annualized

Rating Symbols and Definitions

TRIS Rating uses eight letter rating symbols for announcing medium- and long-term credit ratings. The ratings range from AAA, the highest rating, to D, the lowest rating. The medium- and long-term debt instrument covers the period of time from one year up. The definitions are:

- AAA** The highest rating, indicating a company or a debt instrument with smallest degree of credit risk. The company has extremely strong capacity to pay interest and repay principal on time, and is unlikely to be affected by adverse changes in business, economic or other external conditions.
- AA** The rating indicates a company or a debt instrument with a very low degree of credit risk. The company has very strong capacity to pay interest and repay principal on time, but is somewhat more susceptible to the adverse changes in business, economic, or other external conditions than AAA rating.
- A** The rating indicates a company or a debt instrument with a low credit risk. The company has strong capacity to pay interest and repay principal on time, but is more susceptible to adverse changes in business, economic or other external conditions than debt in higher-rated categories.
- BBB** The rating indicates a company or a debt instrument with moderate credit risk. The company has adequate capacity to pay interest and repay principal on time, but is more vulnerable to adverse changes in business, economic or other external conditions and is more likely to have a weakened capacity to pay interest and repay principal than debt in higher-rated categories.
- BB** The rating indicates a company or a debt instrument with a high credit risk. The company has less than moderate capacity to pay interest and repay principal on time, and can be significantly affected by adverse changes in business, economic or other external conditions, leading to inadequate capacity to pay interest and repay principal.
- B** The rating indicates a company or a debt instrument with a very high credit risk. The company has low capacity to pay interest and repay principal on time. Adverse changes in business, economic or other external conditions could lead to inability or unwillingness to pay interest and repay principal.
- C** The rating indicates a company or a debt instrument with the highest risk of default. The company has a significant inability to pay interest and repay principal on time, and is dependent upon favourable business, economic or other external conditions to meet its obligations.
- D** The rating for a company or a debt instrument for which payment is in default.

The ratings from AA to C may be modified by the addition of a plus (+) or minus (-) sign to show relative standing within a rating category. TRIS Rating's short-term ratings focus entirely on the likelihood of default and do not focus on recovery in the event of default. Each of TRIS Rating's short-term debt instrument covers the period of not more than one year. The symbols and definitions for short-term ratings are as follows:

- T1** Issuer has strong market position, wide margin of financial protection, appropriate liquidity and other measures of superior investor protection. Issuer designated with a "+" has a higher degree of these protections.
- T2** Issuer has secure market position, sound financial fundamentals and satisfactory ability to repay short-term obligations.
- T3** Issuer has acceptable capacity for meeting its short-term obligations.
- T4** Issuer has weak capacity for meeting its short-term obligations.
- D** The rating for an issuer for which payment is in default.

All ratings assigned by TRIS Rating are local currency ratings; they reflect the Thai issuers' ability to service their debt obligations, excluding the risk of convertibility of the Thai baht payments into foreign currencies.

TRIS Rating also assigns a "**Rating Outlook**" that reflects the potential direction of a credit rating over the medium to long term. In formulating the outlook, TRIS Rating will consider the prospects for the rated company's industry, as well as business conditions that might have an impact on the fundamental creditworthiness of the company. The rating outlook will be announced in conjunction with the credit rating. In most cases, the outlook of each debt obligation is equal to the outlook assigned to the issuer or the obligor. The categories for "**Rating Outlook**" are as follows:

- Positive** The rating may be raised.
- Stable** The rating is not likely to change.
- Negative** The rating may be lowered.
- Developing** The rating may be raised, lowered or remain unchanged.

TRIS Rating may announce a "**CreditAlert**" as a part of its monitoring process of a publicly announced credit rating when there is a significant event that TRIS Rating considers to potentially exerting a substantial impact on business or financial profiles of the rated entity. Due to an insufficient data or incomplete developments of the event, such as merger, new investment, capital restructuring, and etc., current credit rating remains unchanged. The announcement aims to forewarn investors to take a more cautious stance in investment decision against debt instruments of the rated entity. CreditAlert report consists of a "Rational" indicating warning reasons, a "CreditAlert Designation", and a current credit rating. Rating Outlook is withheld in the announcement.

CreditAlert Designation illustrates a short-term rating outlook indicative of the characteristics of impacts on the credit rating in one of the three directions (1) *Positive* (2) *Negative* and (3) *Developing*.

For subscription information, contact

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