

## Preuksa Real Estate Public Company Limited

<b>Company Rating:</b>	A-
<b>Issue Ratings:</b>	
PS098A: Bt400 million senior debentures due 2009	A-
PS108A: Bt600 million senior debentures due 2010	A-
PS121A: Bt1,500 million senior debentures due 2012	A-
<b>Rating Outlook:</b>	Positive

Rating History:	Company Rating	Issue Rating	
		Secured	Unsecured
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 ratings of Preuksa Real Estate PLC (PS) and its existing debentures at “A-”. The ratings reflect PS’s leading position in the low-priced townhouse market, acceptable track record in the middle- to low-income residential property market, cost competitiveness, and strong financial position. The strengths are partially offset by the slowing economy which will cause a slowdown of demand in the property industry, the cyclical nature of the industry, and commercial banks’ tighter credit policies, which limit access to mortgage financing for homebuyers.

PS is one of the leading residential property developers in Thailand. The company was established in 1993 by Mr. Thongma Vijitpongpan and was listed on the Stock Exchange of Thailand (SET) in December 2005. As of March 2009, the Vijitpongpan family continued to be the largest shareholder owning a 77% stake. PS has a huge project portfolio with approximately 100 residential property development projects with the remaining value available for sales of Bt24,538 million and backlog of Bt11,588 million as of March 2009. The projects consist of townhouses (49% of total project value), single-detached houses (SDHs, 34%), and condominiums (17%). The average price across the entire portfolio increased to Bt1.58 million per unit from Bt1.39 million in 2008, resulting from the effort to diversify the product portfolio into the middle-income segments. During 2007 through the first quarter of 2009, townhouses remained a major source of revenue, contributing 58% of total revenue, while SDHs constituted around 30%-43%. Condominiums generated more revenue during the first three months of 2009 with an 11% contribution, increasing from 4% in 2008. By employing pre-cast and prefabrication techniques and managing the construction process itself, the company has been able to effectively control the construction period and costs. It enables PS to produce residential units at lower cost than its peers, which helps the company to offer residential units at very competitive prices.

PS’s presales in 2008 grew by 19% to Bt16,188 million from Bt13,646 million in 2007. Its presales of Bt4,045 million during the first quarter of 2009 declined by 17% from the same period of 2008, resulting from the slowing residential property demand due to unfavourable economic conditions and lower consumer confidence. However, total revenue continued to grow, jumping to Bt3,766 million during the

first quarter of 2009, a 70% growth from the same period of 2008. Benefiting from tax incentive packages and economy of scale, PS's profitability has been improving; the adjusted operating profit margin was 25%-26% during 2008 through the first quarter of 2009, compared with the 20%-21% levels achieved during 2006-2007. Despite an aggressive business expansion, PS's leverage remained relatively low. The total debt to capitalization ratio was 25.67% at the end of March 2009. Cash flow generating ability remained strong as the funds from operations (FFO) to total debt ratio reached 98.22% in 2008 and 27.49% (non-annualized) for the first three months of 2009.

The residential property market was volatile over the past year, reflecting the political instability in the country and global financial crisis. Despite the government tax incentives, which allow a new house transaction of up to Bt300,000 to be deducted from personal income tax, the residential property market in the Greater Bangkok is expected to track the overall economy, and will remain sluggish in 2009. To maintain credit quality, developers must prudently manage liquidity and preserve sufficient financial flexibility to meet obligations during a slowing economy.

#### **Rating Outlook**

The "positive" outlook reflects the expectation that PS will still be able to outperform other developers in the residential property market during the economic slowdown and low consumer confidence. The ratings should be upgraded if the company continues to deliver strong operating performance and sustains its conservative financial policy.

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