

PRUKSA REAL ESTATE PLC

No. 17/2013

20 March 2013

Company Rating: A

Outlook: Stable

New Issue Rating: A

Rating History:

Date	Company	Issue (Secured/ Unsecured)
14/08/12	A/Sta	-/A
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 Bunyanichkul
jutamas@trising.com

 Yingyong Chiaravutthi, CFA
yingyong@trising.com

 Chaiwat Nontnoraset
chaiwat@trising.com

 Suchada Pantu, Ph. D.
suchada@trising.com
WWW.TRISRATING.COM
Rating Rationale

TRIS Rating affirms the company and current senior debenture ratings of Pruksa Real Estate PLC (PS) at "A". At the same time, TRIS Rating assigns the rating of "A" to PS's proposed issue of up to Bt6,000 million in senior debentures. The proceeds of new debentures will be used to repay debentures due in 2013 and other outstanding loans. The ratings reflect PS's leading position in the middle- to low-priced townhouse segment, the proven track record in the middle- to low-income residential property segment, cost competitiveness, and strong backlog which partly secures the company's future revenue stream. These strengths are partially offset by rising construction costs, a labour shortage, 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 February 2013, PS had a huge project portfolio comprising 216 residential projects. The portfolio consists of townhouse (48% of total remaining value), single-detached house (SDH, 37%), condominium (14%), and overseas (1%) projects. The average unit price across the entire portfolio was Bt2 million. As of February 2013, the value of the remaining unsold units was around Bt50,000 million and the total backlog was Bt36,653 million.

PS's competitive edge is derived from employing the precast and prefabrication technologies 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.

Presales in 2012 improved by 15% year-on-year (y-o-y) to Bt29,396 million, due mainly to a rise in presales of townhouses and condominiums. Presales of townhouse units increased by 19% y-o-y to Bt14,896 million in 2012. Condominiums generated a presales value of Bt6,730 million in 2012, rising from Bt4,265 million in 2011. Presales reached Bt4,623 million during the first two months of 2013, a sharp increase from Bt2,415 million during the same period of 2012. The growth was driven by higher presales of both townhouse and SDH units.

PS's ability to manage the transfer of finished residential units to customers remained satisfactory. Total revenue reached a record high of Bt27,023 million in 2012, a 16% jump from Bt23,263 million in 2011. Revenue from townhouse and SDH units in 2012 increased by 30% and 23% y-o-y, respectively, while revenue from condominium dropped by 37% y-o-y. The gross profit margin fell to 34% of total revenue in 2012, from 37% in 2011 and 38% during 2008-2010. Rising land and construction costs pushed the gross profit margin lower. However, PS's selling, general, and administrative expenses (SG&A) decreased to 15% of total revenue in 2012 from 20% in 2011. Subsequently, operating income as a percentage of sales increased to 20.64% in 2012 from 18.16% in 2011. Slow new project expansion and lower new land plots acquired in 2012 brought down the company's financial

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leverage. As of December 2012, the total debt to capitalization ratio decreased to 47.26% from 54.92% as of December 2011. Improved profitability and lower debt raised cash flow protection. The ratio of funds from operations (FFO) to total debt improved to 19.17% in 2012, up from 13.55% in 2011.

Rating Outlook

The “stable” outlook reflects the expectation that PS will be able to sustain its operating performance in the medium term. In addition, the company is expected to deliver its large amount of backlog on schedule. Despite an aggressive expansion plan in 2013, PS’s financial leverage should not be higher than 55%.

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
PS163A: Bt600 million senior debentures due 2016	A
PS163B: Bt2,400 million senior debentures due 2016	A
PS179A: Bt600 million senior debentures due 2017	A
PS179B: Bt1,400 million senior debentures due 2017	A
Up to Bt6,000 million senior debentures due within 2018	A
Rating Outlook:	Stable

Financial Statistics and Key Financial Ratios*

Unit: Bt million

	----- Year Ended 31 December -----					
	2012	2011	2010	2009	2008	2007
Revenue	27,023	23,263	23,307	18,966	12,969	9,055
Gross interest expense	942	865	269	187	133	46
Net income from operations	3,898	2,835	3,488	3,622	2,551	1,364
Funds from operations (FFO)	3,449	2,806	3,249	4,095	2,848	1,557
Inventory investment	(679)	(7,678)	(14,638)	(439)	(4,133)	(718)
Total assets	43,821	41,982	34,091	18,871	16,292	11,095
Total debts	17,995	20,703	14,683	2,450	3,900	1,453
Shareholders' equity	20,081	16,997	15,263	13,023	10,110	8,206
Operating income before depreciation and amortization as % of sales	20.64	18.16	20.38	26.33	25.24	19.74
Pretax return on permanent capital (%)	14.22	12.31	21.17	33.32	27.85	19.08
Earnings before interest, tax, depreciation, and amortization (EBITDA) interest coverage (times)	6.04	5.07	18.06	27.08	25.94	40.13
FFO/total debt (%)	19.17	13.55	22.13	167.11	73.02	107.18
Total debt/capitalization (%)	47.26	54.92	49.03	15.84	27.84	15.04

* Consolidated financial statements

TRIS Rating Co., Ltd.

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

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