

PRUKSA REAL ESTATE PLC

No. 80/2013

20 December 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+	-

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Rating Rationale

TRIS Rating affirms the company and current senior debenture ratings of Prukha 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 Bt2,000 million in senior debentures. The proceeds from the new debentures will be used to repay short-term borrowings in the beginning of 2014. The ratings reflect PS's leading position in the middle- to low-priced townhouse segment, its proven track record in the middle- to low-income residential property segment, PS's cost competitiveness, and its large backlog, which partly secures the company's future revenue stream. These strengths are partially offset by the company's high financial leverage, along with the cyclical and competitive nature of the property development industry, plus concerns over rising operating costs and the widespread labor shortage among contractors.

PS is one of the leading residential property developers in Thailand. The company was established in 1993 by Mr. Thongma Vijitpongpon and was listed on the Stock Exchange of Thailand (SET) in December 2005. As of March 2013, the Vijitpongpon family continued to be the company's largest shareholder, owning a 74% stake. As of November 2013, PS had a huge project portfolio comprising around 200 residential projects. The value of the remaining unsold units (including built and un-built units) across PS's project portfolio was around Bt63,000 million while the total backlog was around Bt42,000 million. The project portfolio consists of townhouse (41% of the total value of the remaining unsold units), single-detached house (SDH, 34%), condominium (24%), and overseas (1%) projects. The average unit price across the entire portfolio was Bt1.7 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.

PS's presales during the first 11 months of 2013 was Bt40,435 million, higher than the full year presales of 2012 at Bt29,365 million. Presales from condominium projects during the first 11 months of 2013 was Bt15,349 million, rising from Bt6,759 million in 2012. Townhouse and SDH presales grew by 11% and 8%, respectively.

Total revenue during the first nine months of 2013 increased by 35% year-on-year (y-o-y) to Bt25,143 million. Revenue from townhouse projects soared by 35% y-o-y to Bt13,716 million in the first nine months of 2013. The revenue contribution of townhouse remained more than 50% of total revenue. Based on its backlog of

Bt42,000 million as of November 2013, the company plans to recognize around Bt12,000 million per annum of the backlog as revenue during 2014-2015.

The operating margin, as measured by operating income before depreciation and amortization as a percentage of sales ranged from 18% to 21% during 2010 through the first nine months of 2013. PS's total debt to capitalization ratio during 2010 through September 2013 was 47%-55%. The ratio was higher than in the past due to PS's rapid expansion and because PS is now developing more condominium projects. However, PS's liquidity remained acceptable as the ratio of funds from operations (FFO) to total debt was 19% in 2012 and 16% (annualized with trailing 12 months) in the first nine months of 2013. PS had a sizable undrawn credit facility of around Bt19,000 million as of November 2013, which gives it a sufficient amount of financial flexibility.

Rating Outlook

The "stable" outlook reflects the expectation that PS will be able to sustain its operating performance in the medium term. The company is expected to deliver a large number of the units in its backlog as planned. In addition, PS's total debt to capitalization ratio should be kept below 55%.

Pruksa Real Estate PLC (PS)

Company Rating:	A
Issue Ratings:	
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
PS166A: Bt3,000 million senior debentures due 2016	A
PS179A: Bt600 million senior debentures due 2017	A
PS179B: Bt1,400 million senior debentures due 2017	A
PS185A: Bt3,000 million senior debentures due 2018	A
Up to Bt2,000 million senior debentures due within 2019	A
Rating Outlook:	Stable

Financial Statistics and Key Financial Ratios*

Unit: Bt million

		----- Year Ended 31 December -----				
	Jan-Sep 2013	2012	2011	2010	2009	2008
Revenue	25,143	27,023	23,263	23,307	18,966	12,969
Gross interest expense	784	942	865	269	187	133
Net income from operations	3,540	3,898	2,835	3,488	3,622	2,551
Funds from operations (FFO)	2,982	3,449	2,806	3,249	4,095	2,848
Inventory investment	(10,421)	(679)	(7,678)	(14,638)	(439)	(4,133)
Total assets	55,452	43,821	41,982	34,091	18,871	16,292
Total debts	26,085	17,995	20,703	14,683	2,450	3,900
Shareholders' equity	22,632	20,081	16,997	15,263	13,023	10,110
Operating income before depreciation and amortization as % of sales	19.05	20.64	18.16	20.38	26.33	25.24
Pretax return on permanent capital (%)	15.00 **	14.22	12.31	21.17	33.32	27.85
Earnings before interest, tax, depreciation, and amortization (EBITDA) interest coverage (times)	6.26	6.04	5.07	18.06	27.08	25.94
FFO/total debt (%)	15.90 **	19.17	13.55	22.13	167.11	73.02
Total debt/capitalization (%)	53.54	47.26	54.92	49.03	15.84	27.84

* Consolidated financial statements

** Annualized with trailing 12 months

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