

PRUKSA REAL ESTATE PLC

No. 22/2014

27 March 2014

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 Bt4,000 million in senior debentures. The proceeds of the new debentures will be used to repay loans from banks.

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 expected higher financial leverage, along with the cyclical and competitive nature of the property development industry, plus pressures from construction costs and labor shortage. The ratings also take into consideration the expected slowdown in demand for residential property due to political instability.

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 December 2013, the Vijitpongpan family continued to be the company's largest shareholder, owning a 74% stake. As of February 2014, PS had a huge project portfolio comprising 237 residential projects. The value of the remaining unsold units (including built and un-built units) across PS's project portfolio was around Bt61,000 million while the total backlog was around Bt37,000 million.

PS's competitive edge is derived from employing the precast and prefabrication technologies and managing the construction processes for townhouse and single-detached house (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 in 2013 reached a record high of Bt41,282 million, a 41% year-on-year (y-o-y) growth. Presales during the first three quarters of 2013 was around Bt10,000-Bt12,000 million per quarter. Due to the political protest beginning in late October 2013, presales declined to Bt7,515 million in the last quarter of 2013. Presales during the first two months of 2014 was Bt3,554 million, a 23% y-o-y drop. TRIS Rating expects PS's presales will recover to the Bt10,000 million level per quarter in the second half of 2014.

Total revenue in 2013 was Bt38,848 million, sharply increasing from an average revenue of Bt25,000 million per year during 2010-2012. Its revenue in 2013 ranked no.1 among the property developers and broke the highest record in the industry. PS's revenue during 2014-2016 is partly secured by the units in

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backlog worth Bt20,000 million in 2014, Bt13,000 million in 2015, and Bt4,000 million in 2016.

The operating margin, as measured by operating income before depreciation and amortization as a percentage of sales, was 18%-21% during 2010-2013. TRIS Rating expects PS will be able to maintain the operating margin at least 18% over the next three years. Total debt to capitalization ratio ranged from 47% to 55% during past four years. With its continued business expansion, PS's financial leverage should not exceed 55%. The company's liquidity remained acceptable as the ratio of funds from operations (FFO) to total debt was 23% in 2013. Also, PS had a sizable undrawn credit facility of around Bt30,000 million as of December 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
PS171A: Bt2,000 million senior debentures due 2017	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 Bt4,000 million senior debentures due within 2021	A
Rating Outlook:	Stable

Financial Statistics and Key Financial Ratios*

Unit: Bt million

	Year Ended 31 December					
	2013	2012	2011	2010	2009	2008
Revenue	38,848	27,023	23,263	23,307	18,966	12,969
Gross interest expense	1,090	942	865	269	187	133
Net income from operations	5,802	3,898	2,835	3,488	3,622	2,551
Funds from operations (FFO)	5,658	3,449	2,806	3,249	4,095	2,848
Inventory investment	(10,649)	(679)	(7,678)	(14,638)	(439)	(4,133)
Total assets	56,194	43,821	41,982	34,091	18,871	16,292
Total debts	24,160	17,995	20,703	14,683	2,450	3,900
Shareholders' equity	24,933	20,081	16,997	15,263	13,023	10,110
Operating income before depreciation and amortization as % of sales	20.07	20.64	18.16	20.38	26.33	25.24
Pretax return on permanent capital (%)	18.24	14.22	12.31	21.17	33.32	27.85
Earnings before interest, tax, depreciation, and amortization (EBITDA) interest coverage (times)	7.33	6.04	5.07	18.06	27.08	25.94
FFO/total debt (%)	23.42	19.17	13.55	22.13	167.11	73.02
Total debt/capitalization (%)	49.21	47.26	54.92	49.03	15.84	27.84

* Consolidated financial statements

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