

PRUKSA REAL ESTATE PLC

No. 22/2015

16 April 2015

Company Rating:	A
Issue Rating:	
Senior unsecured	A
Outlook:	Stable

Company Rating History:

Date	Rating	Outlook/Alert
14/08/12	A	Stable
24/11/11	A	Negative
07/05/10	A	Stable
30/06/09	A-	Positive
25/06/08	A-	Stable
18/04/06	BBB+	Positive
12/07/04	BBB	Stable
31/07/03	BBB	-
19/06/03	BBB	-
05/02/02	BB+	-

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Rating Rationale

TRIS Rating affirms the company and existing senior unsecured 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 Bt3,000 million in senior unsecured debentures. The proceeds from the new debentures will be used to repay short-term borrowings and debentures maturing in June 2015.

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, its cost competitiveness, and its large backlog, which partly secures the company's future revenue stream. These strengths are partially offset by the cyclical and competitive nature of the property development industry, plus concerns over the slower-than-expected growth in the domestic economy and high household debt levels which may lead to low purchasing power and stagnant demand in residential property development.

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 2015, the Vijitpongpan family continued to be the company's largest shareholder, owning a 69% stake. At the end of March 2015, PS had a huge project portfolio, comprising around 200 residential projects. PS's residential units mainly focus on the middle- to low-ended segment. However, the company is moving to a higher-priced product to expand the project portfolio and meet customer demand. The value of the remaining unsold units (including built and un-built units) across PS's project portfolio was around Bt83,000 million. The total backlog was valued at around Bt39,000 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 and increase the turnover of its products.

PS's presales in 2014 slightly decreased to Bt39,089 million, a 5% year-on-year (y-o-y) drop. Presales from townhouse and SDH increased by 8% y-o-y and 20% y-o-y, respectively, while presales from condominium declined by 34% y-o-y. Presales during the first quarter of 2015 was Bt12,761 million, a significant growth from Bt8,194 million during the same period of 2014. With its plan to launch a number of new projects in 2015, TRIS Rating expects PS will be able to generate stronger presales in 2015.

CreditUpdate reviews ratings of companies or debt issues that have already been rated by TRIS Rating. The CreditUpdate occurs when new debt instruments are issued or if significant events have taken place that may impact a company's current ratings or when current ratings are cancelled. The CreditUpdate announces whether a rating has been "upgraded," "downgraded," "affirmed" or "cancelled." The update includes information to supplement the previously published ratings.

CreditUpdates are part of TRIS Rating's monitoring process. TRIS Rating monitors every rating it assigns until either the debt instrument matures or the rating contract ends. To keep the public informed of changing situations, TRIS Rating periodically issues announcements about the credit ratings it monitors.

Total revenue in 2014 was Bt42,781 million, a 10% y-o-y growth. Its revenue in 2014 ranked the first among all the property developers and reached a new record high for the industry. PS's transferred value during the first three months of 2015 improved by around 4% y-o-y. Its revenue during the remaining of 2015 through 2017 is partly secured by the units in backlog worth Bt24,000 million in 2015, Bt8,400 million in 2016, and Bt3,500 million in 2017.

The operating margin, as measured by operating income before depreciation and amortization as a percentage of sales, was 18%-21% during 2010-2014. Under the sluggish demand in residential property market, 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 2010-2013. The ratio improved to 45% in 2014. With continued aggressive project expansion, PS's financial leverage should be kept lower than 55%. The company's liquidity remained acceptable as the ratio of funds from operations (FFO) to total debt was 26% in 2013 and 30% in 2014. Also, PS had a sizable undrawn credit facility of around Bt25,000 million as of December 2014, which gives it a sufficient amount of financial flexibility.

Rating Outlook

The "stable" outlook reflects the expectation that PS will sustain its operating performance over the next three years. The company is expected to deliver a large number of the units in its backlog as scheduled. In addition, PS's total debt to capitalization ratio should stay below 55%.

PS's future outlook will be influenced by the trends of the domestic economy as well as the company's operating performance. PS's credit upside would materialize if there are significant improvements in its operating performance and financial performance. However, the current slowdown in the domestic economy and rising household debt levels remain two challenges for PS.

Pruksa Real Estate PLC (PS)

Company Rating:	A
Issue Ratings:	
PS156A: Bt1,000 million senior unsecured debentures due 2015	A
PS15NA: Bt2,000 million senior unsecured debentures due 2015	A
PS163A: Bt600 million senior unsecured debentures due 2016	A
PS163B: Bt2,400 million senior unsecured debentures due 2016	A
PS166A: Bt3,000 million senior unsecured debentures due 2016	A
PS171A: Bt2,000 million senior unsecured debentures due 2017	A
PS176A: Bt2,000 million senior unsecured debentures due 2017	A
PS179A: Bt600 million senior unsecured debentures due 2017	A
PS179B: Bt1,400 million senior unsecured debentures due 2017	A
PS183A: Bt2,000 million senior unsecured debentures due 2018	A
PS185A: Bt3,000 million senior unsecured debentures due 2018	A
Up to Bt3,000 million senior unsecured debentures due within 2022	A
Rating Outlook:	Stable

Financial Statistics and Key Financial Ratios*

Unit: Bt million

	Year Ended 31 December					
	2014	2013	2012	2011	2010	2009
Revenue	42,781	38,848	27,023	23,263	23,307	18,966
Gross interest expense	1,105	1,090	942	865	269	187
Net income from operations	6,655	5,802	3,898	2,835	3,488	3,622
Funds from operations (FFO)	7,282	6,333	3,449	2,806	3,249	4,095
Inventory investment	(4,491)	(10,649)	(679)	(7,678)	(14,638)	(439)
Total assets	61,033	56,194	43,821	41,982	34,091	18,871
Total debts	24,395	24,160	17,995	20,703	14,683	2,450
Shareholders' equity	29,707	24,933	20,081	16,997	15,263	13,023
Operating income before depreciation and amortization as % of sales	20.91	20.07	20.64	18.16	20.38	26.33
Pretax return on permanent capital (%)	17.14	17.47	14.06	11.96	20.27	32.59
Earnings before interest, tax, depreciation, and amortization (EBITDA) interest coverage (times)	8.32	7.33	6.04	5.07	18.06	27.08
FFO/total debt (%)	29.85	26.21	19.17	13.55	22.13	167.11
Total debt/capitalization (%)	45.09	49.21	47.26	54.92	49.03	15.84

* Consolidated financial statements

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