

PRUKSA REAL ESTATE PLC

No. 70/2016

14 July 2016

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 rating and the senior unsecured debenture ratings of Prukha Real Estate PLC (PS) at "A". The ratings reflect PS's leading position in the middle- to low-priced townhouse segment, proven track record in the middle- to low-income residential property market, cost competitiveness, and large backlog, which partly secures the company's future revenue stream. The ratings also take into consideration the relatively high level of household debts nationwide, coupled with the current slowdown in the domestic economy, which may impact the demand in the residential property market in the short-to-medium term.

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 2016, the Vijitpongpan family remained the company's largest shareholder, owning a 69% stake. At the end of May 2016, PS had a large project portfolio, with around 200 existing projects. Its residential project portfolio comprises townhouses (41% of total project value), condominiums (31%), and single detached houses (SDHs, 28%). PS's main focus is the middle- to low-end segment of the residential property market. However, the company is moving to higher-priced products to expand its project portfolio and meet customer's demand. As of May 2016, the value of remaining unsold units (including built and un-built units) across PS's project portfolio was Bt73,000 million. The total backlog was valued at Bt25,000 million and is expected to be delivered during the remainder of 2016 through 2018.

On 28 April 2016, PS's shareholders approved a business restructuring plan and the delisting of PS's shares from the SET. Under the restructuring plan, Prukha Holding PLC (PS Holding) was incorporated on March 2016. The holding company will make a tender offer for all securities of PS at the swap ratio of 1:1. After the completion of the tender offer, the holding company will become the major shareholder of PS and its securities will be listed on the SET in place of PS, whose securities will be delisted from the SET simultaneously. The restructuring process is expected to be completed by the end of 2016. The new structure will provide more flexibility for the group in its expansion into new businesses and facilitate alliance with strategic partners. Currently, the holding company is in the process of exploring new business opportunities, especially ones that can generate recurring income for the group.

After the reorganization, PS still focuses on the residential real estate for sale. All operating assets and key management team of PS remain intact. Since PS will be the major contributor to the group over the next several years, PS will be considered as a "core" subsidiary of the group. Thus, the issuer ratings of PS and the group will be equivalent. Going forward, given higher contribution from other subsidiaries, the ratings of the group and PS in the future may be revised.

PS's performance in 2015 is better than projected. The company's presales in 2015 grew by 8% year-on-year (y-o-y) to Bt42,386 million. Presales during the first five months of 2016 slightly dropped by 9% y-o-y to Bt17,823 million. The drop was due mainly to fewer new projects launched as compared with the same period of the previous year. Revenue in 2015 reached a record high of Bt51,240 million, a

20% y-o-y growth. PS's revenue over the past three years ranked the highest among those of all SET-listed property developers and hit a new record high for the industry. PS's revenue during the first quarter of 2016 rose by 24% y-o-y to Bt10,284 million. Revenue during the remainder of 2016 is partly secured by a backlog worth around Bt12,000 million. The remaining backlog worth Bt12,000 million is expected to be realized as revenue during 2017-2018.

PS's operating profit margin, as measured by operating income before depreciation and amortization as a percentage of sales, stayed at 20%-21% during 2012-2015. Its operating profit margin decreased to 17% in the first three months of 2016. However, the ratio remained higher than the industry average of around 15%. The debt to capitalization ratio improved to 42% as of December 2015 and 41% as of March 2016, from 45%-49% during 2012-2014. Despite a sluggish demand in the residential property market, TRIS Rating expects PS to be able to maintain the operating profit margin of at least 15% over the next three years. The debt to capitalization ratio of PS and the holding company should be kept at around 50%. PS's liquidity remained acceptable as the ratio of funds from operations (FFO) to total debt was 30%-36% during 2014 through the first quarter of 2016. Its financial flexibility was enhanced by a sizable undrawn credit facility worth around Bt27,000 million as of May 2016.

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. The total debt to capitalization ratio of PS and the holding company should stay at around 50%.

PS's future outlook depends on not only its performance but also the financial position of the group. A successful diversification into new businesses will be positive for the group. On the contrary, the ratings of PS will be negatively affected if the investment in new businesses of the holding company drags down the financial position of the group.

Pruksa Real Estate PLC (PS)

Company Rating:	A
Issue Ratings:	
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
PS18NA: Bt1,000 million senior unsecured debentures due 2018	A
PS193A: Bt2,300 million senior unsecured debentures due 2019	A
PS199A: Bt1,700 million senior unsecured debentures due 2019	A
PS205A: Bt2,000 million senior unsecured debentures due 2020	A
Rating Outlook:	Stable

Financial Statistics and Key Financial Ratios*

Unit: Bt million

		----- Year Ended 31 December -----				
	Jan-Mar 2016	2015	2014	2013	2012	2011
Revenue	10,284	51,240	42,781	38,848	27,023	23,263
Gross interest expense	224	1,039	1,105	1,090	942	865
Net income from operations	1,266	7,680	6,655	5,802	3,898	2,835
Funds from operations (FFO)	1,606	8,317	7,287	6,333	3,449	2,806
Inventory investment	1,418	(2,976)	(4,491)	(10,649)	(679)	(7,678)
Total assets	67,001	65,309	61,029	56,194	43,821	41,982
Total debts	24,627	24,783	24,395	24,160	17,995	20,703
Shareholders' equity	35,499	34,218	29,707	24,933	20,081	16,997
Operating income before depreciation and amortization as % of sales	17.38	19.56	20.93	20.07	20.64	18.16
Pretax return on permanent capital (%)	17.71 **	17.32	17.14	17.47	14.06	11.96
Earnings before interest, tax, depreciation, and amortization (EBITDA) interest coverage (times)	8.50	10.40	8.86	7.91	6.42	5.27
FFO/total debt (%)	35.51 **	33.56	29.87	26.21	19.17	13.55
Total debt/capitalization (%)	40.96	42.00	45.09	49.21	47.26	54.92

* Consolidated financial statements

** Annualized with trailing 12 months

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