

Press Release

No. 43/2017
22 March 2017

TRIS Rating Affirms Company Rating and Outlook of "PRIN" at "BB+/Stable"

TRIS Rating has affirmed the company rating of Prinsiri PLC (PRIN) at "BB+" with "stable" outlook. The rating reflects the company's acceptable track record in the low-rise segment of the residential property development industry and small revenue base. The rating also takes into consideration the company's volatile operating performance, despite the recent improvement, the high level of household debt nationwide, and the cyclical and competitive nature of the residential property industry.

The "stable" outlook reflects the expectation that PRIN's operating performance will stay at the current level. The rating and/or outlook could be revised upward if the operating performance keeps improving, while the level of leverage stays steady. In contrast, the rating could be downgraded if PRIN's operating performance or financial position drops significantly below the current level.

PRIN was established in 2000 by the Kovitchindachai family and listed on the Stock Exchange of Thailand (SET) in 2005. The Kovitchindachai family continues to be the company's largest shareholder, with a combined 41% stake at the end of December 2016. PRIN focuses on developing low-rise housing projects and targets the middle-income segment in the Greater Bangkok area. As of December 2016, PRIN had 19 active projects. The remaining unsold units in all of its active projects were valued at around Bt11,200 million. About half of the values of the unsold units were in the single detached house (SDH) and semi-detached house (Semi-DH) segments. About one-third (34%) was in the townhouse segment, and 14% was in the condominium segment. The company had a small backlog, worth about Bt180 million, because most of its products are semi-prebuilt or prebuilt low-rise housing projects.

PRIN's revenue has increased steadily over the last three years, reaching about Bt3,000 million in 2016. The problem with construction delays in some of its projects has eased after PRIN changed its policy to sell finished housing units. TRIS Rating forecasts PRIN's revenue will rise, ranging between Bt3,000-Bt3,600 million annually over the next three years. Due to the small backlog, the company's future revenue stream will be based mainly on its ability to generate new sales.

Profitability has improved recently due to PRIN's cost-cutting efforts. Marketing expenses also fell, partly because the company launched less new projects in 2016. The operating margin, or operating income before depreciation and amortization as a percentage of sales, rose to 13.3% in 2016, from below 10% during 2014 and 2015. Selling, general and administrative (SG&A) expenses as a percentage of sales declined to 18% in 2016, from 23%-24% during 2014 and 2015. Moreover, PRIN's first community mall, the Plearnary Mall, turned profitable in 2016, recording Bt2.5 million in net profit. The Plearnary Mall was launched in October 2014, and had suffered from net losses for the first two years of operations. PRIN is expected to keep the operating margin above 10% over the next three years.

Leverage has declined during the last two years as PRIN has focused on selling its existing projects and purchased less new land plots. The smaller amounts of investment have reduced its funding requirements. As a result, the total debt to capitalization ratio fell to 53% in 2016, from a peak of 60% in 2014. As the company has no massive investment plans, the total debt to capitalization ratio is expected to stay around 50% over the next three years.

Cash flow protection has improved recently as profitability has been rising and leverage has been falling. The adjusted earnings before interest, taxes, depreciation, and amortization (EBITDA) interest coverage ratio (adjusted for capitalized interest expense) rose to 2.1 times in 2016, compared with about 1 times during 2014 and 2015. The fund from operation (FFO) to total debt ratio increased to 6.2% in 2016, compared with below 3% during 2014 and 2015. PRIN has debts, worth about Bt1,300 million, coming due in 2017. FFO in 2017 is projected to be about Bt250 million. As of December 2016, the company had undrawn committed credit facilities of about Bt100 million, plus cash and marketable securities of about Bt430 million. As a result, sources of cash will total approximately Bt780 million. This means the company may have to refinance some of the debts which come due during the year.

(Continue on page 2)

Prinsiri PLC (PRIN)
Company Rating:
Rating Outlook:

BB+
Stable

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