

# GOLDEN LAND PROPERTY DEVELOPMENT PLC

No. 187/2022  
20 October 2022

## CORPORATES

<b>Company Rating:</b>	A
<b>Issue Ratings:</b>	
Senior unsecured	A
<b>Outlook:</b>	Stable

**Last Review Date:** 14/10/21

### Company Rating History:

Date	Rating	Outlook/Alert
14/10/21	A	Stable
17/09/19	A-	Stable
01/03/19	BBB+	Alert Positive
08/09/16	BBB+	Stable
02/09/15	BBB	Stable

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## RATIONALE

TRIS Rating affirms the company rating on Golden Land Property Development PLC (GOLD) and the ratings on GOLD's existing senior unsecured debentures at "A", with a "stable" rating outlook. The rating primarily reflects the company's status as a core subsidiary of Frasers Property (Thailand) PLC (FPT). The rating on GOLD is equivalent to the company rating on FPT (rated "A/Stable" by TRIS Rating).

## KEY RATING CONSIDERATIONS

### Core subsidiary of FPT

We consider GOLD to be a core subsidiary of FPT as the company is 99.5% owned by FPT. GOLD's business portfolio, consisting of residential properties for sale, offices for rent, and hotels, serves as an integral part of the group, supplementing FPT's inclusive real estate business portfolio.

GOLD's revenue contribution to FPT also remains significant. The company contributed around 80% of FPT's total operating revenue for the fiscal year (FY) 2021 through the first nine months of FY2022. GOLD's earnings before interest, taxes, depreciation, and amortization (EBITDA) contribution was around 50% for the first nine months of FY2022. We expect the company to remain a major revenue contributor to the group over the forecast period. In addition, as a core subsidiary, we expect GOLD to continue to receive strong business and financial supports from FPT.

### Real estate sales pressured by challenging operating environment

GOLD's revenues from real estate sales in FY2021 and the first nine months of FY2022 were impacted by the economic downturn induced by the protracted pandemic. Its revenue from real estate sales dropped by 22% year-on-year (y-o-y) for FY2021 and 8% y-o-y for the first nine months of 2022. Looking ahead, we expect GOLD's real estate sales to remain pressured by high levels of household debt and rising inflation, which are likely to drive up development and funding costs while weakening the purchasing power of homebuyers.

In our base-case forecast, we expect GOLD's revenue from real estate sales to remain flat in FY2022 and gradually improve by 6%-10% per annum over the next two years with the revenue ranging from THB11-THB13 billion in FY2022-FY2024. As of June 2022, GOLD's backlog stood at THB1.9 billion, all of which is expected to be recognized as revenue in FY2022. We also expect GOLD's gross profit margin from sales of residential properties to recover to around 31%-32% from below 30% in the past two years.

### Gradual recovery of hotel operations and office rentals

We expect GOLD's hotel operations to continue to recover thanks to pent-up demand and the easing of travel restrictions around the world. The occupancy rate of each of GOLD's hotels is expected to gradually improve over the next three years, reverting to the pre-pandemic level by FY2025. We also expect the average room rate of each of its properties to remain 20%-30% below the FY2019 level over the next two years but to gradually revive to the normal level by FY2025. Our base case projects revenue from hotel operations to range from THB300-THB400 million per annum in FY2022-FY2024 with the gross profit margin to return to the pre-pandemic level by FY2025.

We expect GOLD's office rentals to remain affected to a certain degree by sluggish demands for office space caused by the hybrid working model. In addition, the influx of new supply expected in 2023-2024 could pressure both occupancy and rental rates. We expect the rental rate of FYI Center to stay flat while the occupancy rate may slightly soften but should stay above 90% for FY2022-2024. Office rental income from GOLD's new office building "Silom Edge" should also support the company's rental revenue base, replacing its "Golden Land Building", whose lease contract expired in August 2022. Our base case forecast projects office rental revenue to range from THB500-THB600 million per annum during FY2022-FY2024.

### Financial leverage to gradually decline

We expect GOLD's financial leverage to gradually decline from the current level as its operations improve. GOLD's adjusted debt to EBITDA ratio is expected to range from around 6-8 times during FY2022-FY2024. The company's ratio of funds from operations (FFO) to adjusted debt is also expected to be around 8%-10% over the next three years. This is based on our assumptions that the company will launch new residential projects worth THB17-THB22 billion per annum during FY2022-FY2024. The budget for land acquisition and rental and service business is expected to be around THB4-THB6 billion per annum during the forecast period. We project the company's total operating revenue to range from THB13-THB15 billion per annum over the next three years. Based on our assumption that EBITDA margin should hover around 22%-23% during FY2022-FY2024, GOLD's EBITDA will range from THB2.5-THB3.5 billion over the next three years.

As of June 2022, GOLD's debt to capitalization ratio stood at around 53%. Looking ahead, the ratio should decline gradually to around 49%-52% over the next 2-3 years. The financial covenants on its bonds and bank loans require GOLD to maintain its interest-bearing debt (excluding lease liabilities) to equity ratio below 2 times. The ratio at the end of June 2022 was around 1 time. We believe that GOLD should have no problem complying with the financial covenants over the forecast period. In addition, GOLD's priority debt to total debt ratio at the end of June 2022 was only 19%.

### Adequate liquidity

We assess GOLD's liquidity over the next 12 months to be adequate. As of June 2022, the company had maturing debt over the next 12 months totaling THB9.3 billion (excluding THB5.4 billion of short-term loans from the parent company). This included THB5.0 billion of debentures, THB3.3 billion of short-term loans from financial institutions, THB0.9 billion of long-term loans, and THB0.1 billion of lease liability. As of June 2022, the company's sources of funds included THB0.5 billion of cash on hand, THB5.4 billion of undrawn committed credit facilities, and THB3.1 billion of undrawn uncommitted credit facilities. GOLD also had unencumbered land banks at book value of THB5.1 billion and remaining finished units in debt-free residential projects totaling THB3.5 billion. FFO is expected to be around THB1.7-THB2.1 billion per annum.

### RATING OUTLOOK

The "stable" outlook mirrors the outlook on the parent company and reflects our expectation that GOLD will maintain its status as a core subsidiary of FPT.

### RATING SENSITIVITIES

The ratings and/or outlook on GOLD hinge not only on its operating performance but also on the financial position of the group. A stronger operating result and/or financial profile of the group will help enhance the ratings on GOLD. On the contrary, the credit metrics on GOLD will be negatively affected if the group operating performance and/or financial profile significantly deviates from the target level and/or the linkage with FPT weakens materially.

### COMPANY OVERVIEW

GOLD was founded in 1978 by the Srivikorn family and listed on the Stock Exchange of Thailand (SET) in 1994. GOLD's major shareholders and key executives have changed several times during the past decades. In late 2012, Univentures PLC (UV) acquired a 50.64% stake in GOLD and became the major shareholder. At the beginning of 2016, GOLD increased its capital under a private placement to Frasers Property Holdings (Thailand) Co., Ltd. (FPHT). In August 2019, FPT acquired a 94.5% stake in GOLD and became the company's major shareholder. Currently, FPT holds a 99.58% stake in GOLD. GOLD was delisted from the SET in August 2020.

GOLD has become a core subsidiary of FPT, undertaking the residential property for sale and commercial property for rent businesses. GOLD's residential portfolio covers single detached house (SDH), semi-detached house, and townhouse units, with unit prices ranging from THB2-THB40 million. Its existing commercial property assets include three office buildings; Sathorn Square, FYI Center, and Golden Land Building, as well as three hotels; Mayfair Marriott, The Ascott Sathorn, and Modena.

Landed properties for sale have contributed around 90% of GOLD's total operating revenues during the past five years. The revenue contribution from office buildings for rent was 5%, while the contribution from hotel operations was 3%. Revenues from other businesses remained negligible.

**KEY OPERATING PERFORMANCE**

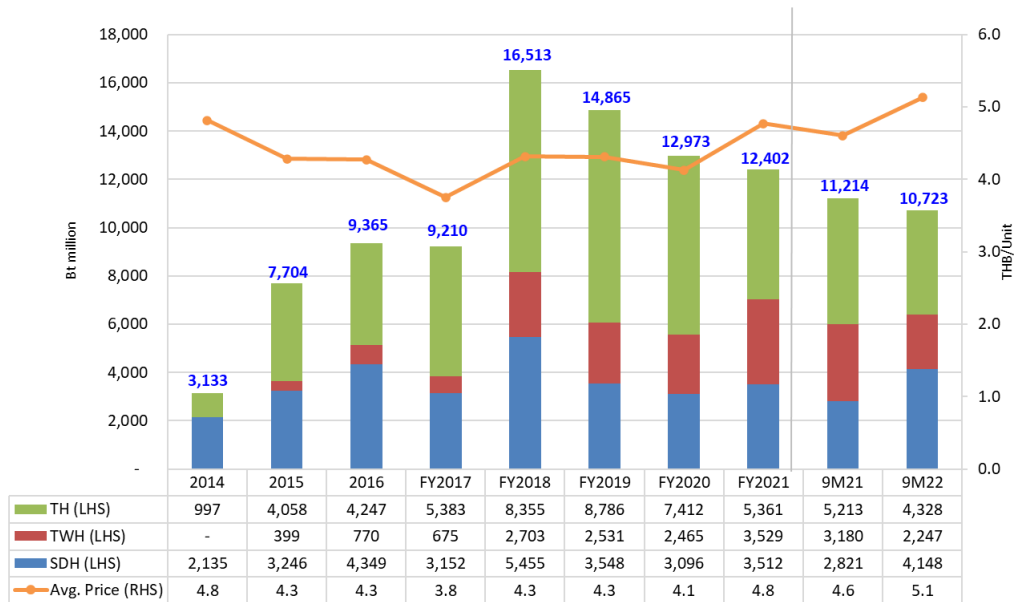
**Table 1: Revenue Contribution by Business**

Unit: % of total operating revenue

Revenue Contribution	2016	FY2017	FY2018	FY2019	FY2020	FY2021	Oct 2021- Jun 2022
Real estate sales	88	87	89	89	90	92	91
Office building for rent	6	7	6	6	6	4	5
Hotel operation	4	4	4	3	2	1	2
Management fee income	1	1	1	1	1	2	2
Other operating revenue	1	1		1	1	1	1
<b>Total operating revenue</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>
<b>Total operating revenue (mil. THB)</b>	<b>10,831</b>	<b>9,252</b>	<b>15,747</b>	<b>17,384</b>	<b>16,360</b>	<b>12,454</b>	<b>9,315</b>

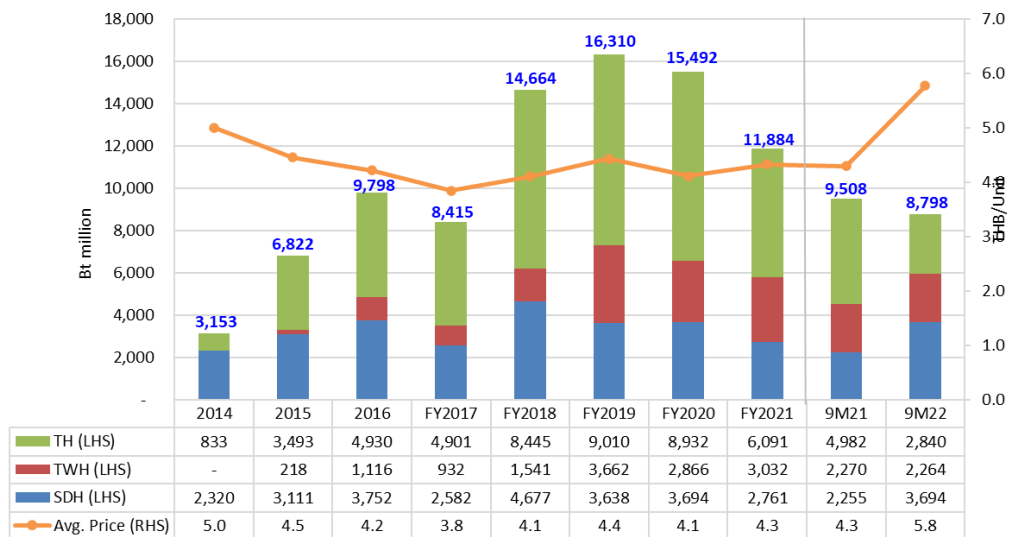
Source: GOLD

**Chart 1: Presales Performance**



Source: GOLD

**Chart 2: Transfer Performance**



Source: GOLD

**FINANCIAL STATISTICS AND KEY FINANCIAL RATIOS\***

Unit: Mil. THB

	Oct 2021- Jun 2022	-----Year Ended 30 September-----			
		FY2021	FY2020	FY2019	FY2018
Total operating revenues	9,315	12,454	16,360	17,384	15,747
Earnings before interest and taxes (EBIT)	1,576	1,327	2,286	2,837	2,621
Earnings before interest, taxes, depreciation, and amortization (EBITDA)	2,022	2,218	3,333	3,621	3,209
Funds from operations (FFO)	1,225	1,381	1,949	2,325	2,234
Adjusted interest expense	506	509	805	641	341
Real estate development investments	33,402	32,359	32,878	31,078	23,509
Total assets	48,683	46,145	46,993	47,198	39,202
Adjusted debt	23,026	22,076	20,252	19,497	12,943
Adjusted equity	20,436	19,459	17,487	16,991	15,890
<b>Adjusted Ratios</b>					
EBITDA margin (%)	21.70	17.81	20.38	20.83	20.38
Pretax return on permanent capital (%)	3.70 **	3.29	5.98	8.38	10.09
EBITDA interest coverage (times)	3.99	4.35	4.14	5.65	9.41
Debt to EBITDA (times)	9.89 **	9.95	6.08	5.38	4.03
FFO to debt (%)	5.86 **	6.25	9.62	11.93	17.26
Debt to capitalization (%)	52.98	53.15	53.66	53.43	44.89

\* Consolidated financial statements

\*\* Annualized with trailing 12 months

**RELATED CRITERIA**

- Group Rating Methodology, 7 September 2022
- Corporate Rating Methodology, 15 July 2022
- Key Financial Ratios and Adjustments for Corporate Issuers, 11 January 2022
- Issue Rating Criteria, 15 June 2021

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**Golden Land Property Development PLC (GOLD)**

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<b>Company Rating:</b>	A
<b>Issue Ratings:</b>	
GOLD22NA: THB3,000 million senior unsecured debentures due 2022	A
GOLD252A: THB1,500 million senior unsecured debentures due 2025	A
<b>Rating Outlook:</b>	Stable

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**TRIS Rating Co., Ltd.**

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