

# PRINSIRI PLC

No. 47/2024  
29 March 2024

## CORPORATES

|                        |        |
|------------------------|--------|
| <b>Company Rating:</b> | BBB-   |
| <b>Issue Ratings:</b>  |        |
| Senior unsecured       | BBB-   |
| <b>Outlook:</b>        | Stable |

**Last Review Date:** 16/02/24

### Company Rating History:

| Date     | Rating | Outlook/Alert    |
|----------|--------|------------------|
| 13/03/19 | BBB-   | Stable           |
| 21/02/18 | BB+    | Positive         |
| 17/03/16 | BB+    | Stable           |
| 03/07/15 | BBB-   | Alert Developing |
| 29/10/14 | BBB-   | Negative         |
| 21/08/12 | BBB-   | Stable           |
| 24/11/11 | BBB-   | Negative         |
| 24/05/11 | BBB-   | Stable           |

### Contacts:

Preeyaporn Kosakam

preeyaporn@trisrating.com

Hattayanee Pitakpatapee

hattayanee@trisrating.com

Auyporn Vachirakanjanaporn

auyporn@trisrating.com

Bundit Pommata

bundit@trisrating.com

Jutamas Bunyawanichkul

jutamas\_b@trisrating.com

Suchada Pantu, Ph.D.

suchada@trisrating.com



WWW.TRISRATING.COM

## RATIONALE

TRIS Rating affirms the company rating on Prinsiri PLC (PRIN) as well as the ratings on PRIN's existing and proposed senior unsecured debentures at "BBB-", with a "stable" rating outlook. The ratings reflect the company's modest business scale and tight but manageable liquidity. However, the ratings are supported by its satisfactory profitability and anticipated improving financial leverage. The ratings also incorporate our concerns over unfavorable market sentiment in the residential property market caused by the reimposition of stringent loan-to-value (LTV) rules in 2023, lingering high interest rates, and high household debts.

## KEY RATING CONSIDERATIONS

### Modest business scale

We view that PRIN's business scale remains modest as its revenue and earnings was relatively small compared with other rated property developers. PRIN's operating revenue ranged from THB2.2-THB2.5 billion and its earnings before interest, taxes, depreciation, and amortization (EBITDA) was THB0.6-THB0.8 billion in 2020-2023. Given its limited capital base, PRIN will require time to expand its business scale to align with leading property developers.

With its portfolio focus on the middle- to low- income segment, we anticipate PRIN's operating performance to remain susceptible to challenges arising from a high bank rejection rate and lingering high interest rates. Under TRIS Rating's base case, PRIN is expected to generate revenue of around THB2.5-THB2.7 billion annually in 2024-2026, while its EBITDA is expected to remain around THB0.6-THB0.7 billion per annum during the same period.

As of December 2023, PRIN had 41 active projects. The value of unsold units (including built and un-built units) was THB12.6 billion, comprising townhouses (THs, 47%), single detached houses (SDHs) and semi-DHs (44%), and low-rise condominiums (9%). Since PRIN's backlog amounted to only THB223 million, its projected revenue will heavily rely on its capacity to generate new sales from both existing and forthcoming projects.

### Challenges to sustain satisfactory profit margin

PRIN's ability to procure land and control construction costs efficiently benefited the company's high gross profit margin of 41%-43% in 2022-2023. The very high gross margins incorporated the cost revisions and low land costs of some landed property projects. PRIN has reported an EBITDA margin of 27%-33% over the past four years, well above the average of 23%-26% among our rated property developers. Its net profit margin has remained within the 11%-16% range, aligning with the average 13%-15% among rated peers.

Although PRIN's profitability may face challenges due to intense competition from top-tier developers and the higher cost of newly-acquired land plots, we expect PRIN's profitability to remain in line with the industry average throughout the forecast period. We project PRIN to sustain its gross profit margin at least 37% and its EBITDA margin to slightly decrease to around 25%. PRIN's bottom line is expected to be around 10% of total operating revenue.

### Anticipated improvement in financial leverage

We anticipate a slight decrease in PRIN's debt level as the company is expected to reduce its land acquisitions for the next couple of years and focus on

developing several existing land plots. As a result, we project PRIN's debt to capitalization ratio to gradually improve to 45%-49% in 2024-2026 from 51% in 2023.

Our base-case scenario projects the company to launch new projects worth around THB3 billion per annum. We also estimate the annual budget for land acquisition at THB0.5 billion in 2024-2025 and THB1 billion in 2026. We incorporate capital expenditures for construction of THB0.8-THB1.0 billion annually in our assumption. With projected revenue based on EBITDA margin of around 25%, we expect PRIN's adjusted net debt to EBITDA ratio to be 7-8 times in 2024-2026 and its funds from operations (FFO) to total debt ratio above 5% from 2025 onwards.

At the end of December 2023, PRIN's total consolidated debt was THB5.8 billion. PRIN's priority debt, including its own secured debts and total debts at its subsidiaries, was THB2.5 billion. These translate to a priority debt to total consolidated debt ratio of 42%.

### **Tight but manageable liquidity**

We assess PRIN's liquidity to be tight but manageable over the next 12 months. As of December 2023, the company had maturing debts over the next 12 months totaling THB2.3 billion, including THB1.2 billion in debentures, THB0.5 billion in land aval promissory notes (P/Ns), THB0.4 billion in long-term project loans, and THB0.2 billion in short-term loans. We estimate PRIN's net working capital outflow for land and construction to total THB1.5 billion in 2024. The company recently announced no dividend payment for the 2023 operation.

At the end of December 2023, PRIN's sources of liquidity included cash on hand of THB212 million and undrawn unconditional committed credit facilities of THB17 million. Estimated FFO will be around THB300 million in 2024. PRIN also has unencumbered land banks worth THB1.8 billion at cost, which can be pledged as collateral for new credit facilities, if needed. PRIN usually refinances its matured debentures by new debenture issuances and converts its matured P/Ns to long-term project loans thereafter. Project loans are normally repaid with the proceeds from the underlying projects' unit transfers.

The financial covenants on PRIN's debt obligations require the company to keep its interest-bearing debt to equity (IBD/E) ratio below 2.5 times and the total liabilities to total equity (D/E) ratio below 2 times. The ratios at the end of December 2023 were 1.1 times and 1.3 times, respectively. We believe the company should have no difficulty complying with the financial covenants over the next 12 months.

### **BASE-CASE ASSUMPTIONS**

TRIS Rating's base-case assumptions for PRIN's operations in 2024-2026 are as follows:

- New project launches of around THB3 billion per annum with an annual budget for land acquisition of THB0.5-THB1.0 billion
- Operating revenues to range between THB2.5-THB2.7 billion per annum
- Gross profit margin to stay at least 37% and EBITDA margin to stay around 25%

### **RATING OUTLOOK**

The "stable" outlook reflects our expectation that PRIN will be able to deliver its operating performance and sustain its financial profile as per our targets. We expect PRIN's EBITDA margin to stay around 25% and debt to capitalization ratio to stay below 50%. We also expect the company's FFO to debt ratio to remain above 5% from 2025 onwards.

### **RATING SENSITIVITIES**

A credit upward revision on PRIN is unlikely in the near term. Nonetheless, PRIN's ability to significantly enlarge its revenue and earnings base as well as maintain its financial profile at the current level could be a positive factor for the ratings and/or outlook. Conversely, the ratings and/or outlook could be revised downward if its operating performance and/or financial profile fall short of our base-case forecast.

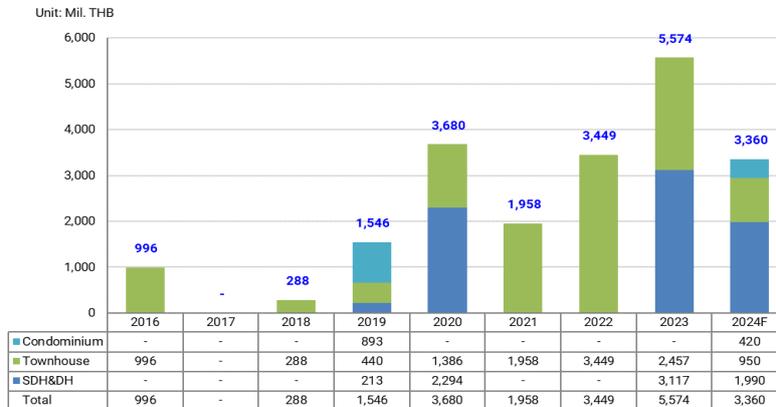
### **COMPANY OVERVIEW**

PRIN was established by the Kovitchindachai family in 2000 and listed on the Stock Exchange of Thailand (SET) in 2005. The Kovitchindachai family has been the company's major shareholder since its inception, owning a 38% stake as of December 2023. PRIN focuses on developing low-rise housing projects and targets the middle- to low-income segment in the Greater Bangkok area. The company offers a wide range of residential property products, including SDHs, semi-DHs, THs, and low-rise condominiums. Most of its products have average selling prices in the THB2-THB6 million per unit range.

As of December 2023, PRIN had 41 active projects. The value of unsold units (both built and un-built units) was THB12.6 billion, comprising THs (47%), SDHs and semi-DHs (44%), and condominiums (9%). PRIN's revenue mainly stemmed from landed property projects, contributing 90% of total revenue in 2023.

**KEY OPERATING PERFORMANCE**

**Chart 1: New Project Launches**



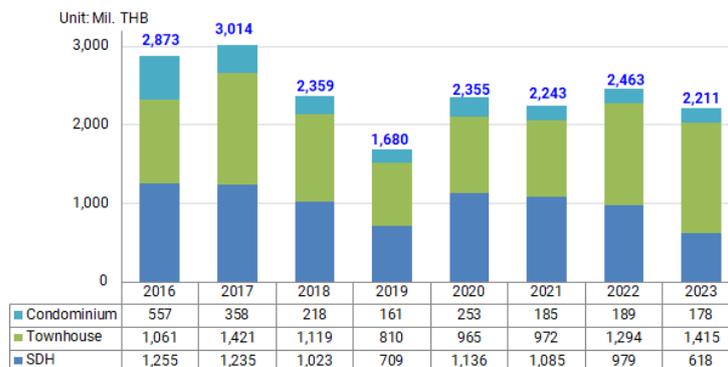
Source: PRIN

**Chart 2: Presales**



Source: PRIN

**Chart 3: Transfers**



Source: PRIN

**FINANCIAL STATISTICS AND KEY FINANCIAL RATIOS\***
*Unit: Mil. THB*

|  | -----Year Ended 31 December ----- |        |        |       |       |
|--|-----------------------------------|--------|--------|-------|-------|
|  | 2023                              | 2022   | 2021   | 2020  | 2019  |
| Total operating revenues   | 2,247                             | 2,500  | 2,279  | 2,390 | 1,793 |
| Earnings before interest and taxes (EBIT)                                | 565                               | 760    | 551    | 581   | 359   |
| Earnings before interest, taxes, depreciation, and amortization (EBITDA) | 619                               | 817    | 610    | 639   | 418   |
| Funds from operations (FFO)  | 258                               | 449    | 327    | 346   | 142   |
| Adjusted interest expense  | 293                               | 265    | 208    | 200   | 234   |
| Real estate development investments                                      | 10,720                            | 9,880  | 8,564  | 7,458 | 7,720 |
| Total assets   | 12,307                            | 11,582 | 11,304 | 9,243 | 9,458 |
| Adjusted debt  | 5,556                             | 4,829  | 4,034  | 3,193 | 3,580 |
| Adjusted equity  | 5,284                             | 5,154  | 4,852  | 4,634 | 4,387 |
| <b>Adjusted Ratios</b>   |                                   |        |        |       |       |
| EBITDA margin (%)  | 27.5                              | 32.7   | 26.7   | 26.7  | 23.3  |
| Pretax return on permanent capital (%)                                   | 5.2                               | 7.4    | 6.0    | 7.0   | 4.4   |
| EBITDA interest coverage (times)   | 2.1                               | 3.1    | 2.9    | 3.2   | 1.8   |
| Debt to EBITDA (times)   | 9.0                               | 5.9    | 6.6    | 5.0   | 8.6   |
| FFO to debt (%)  | 4.7                               | 9.3    | 8.1    | 10.9  | 4.0   |
| Debt to capitalization (%)   | 51.3                              | 48.4   | 45.4   | 40.8  | 44.9  |

\* Consolidated financial statements

**RELATED CRITERIA**

- Homebuilders and Real Estate Developers Rating Methodology, 12 January 2023
- Corporate Rating Methodology, 15 July 2022
- Key Financial Ratios and Adjustments for Corporate Issuers, 11 January 2022
- Issue Rating Criteria, 15 June 2021

**Prinsiri PLC (PRIN)**

|   |        |
|---|--------|
| <b>Company Rating:</b>  | BBB-   |
| <b>Issue Ratings:</b>   |        |
| PRIN24OA: THB223.6 million senior unsecured debentures due 2024 | BBB-   |
| PRIN253A: THB416.2 million senior unsecured debentures due 2025 | BBB-   |
| PRIN258A: THB123.5 million senior unsecured debentures due 2025 | BBB-   |
| PRIN25DA: THB500 million senior unsecured debentures due 2025   | BBB-   |
| PRIN264A: THB317.3 million senior unsecured debentures due 2026 | BBB-   |
| PRIN267A: THB450 million senior unsecured debentures due 2026   | BBB-   |
| PRIN26OA: THB283.8 million senior unsecured debentures due 2026 | BBB-   |
| PRIN26NA: THB294.2 million senior unsecured debentures due 2026 | BBB-   |
| <b>Rating Outlook:</b>  | Stable |

**TRIS Rating Co., Ltd.**

Silom Complex Building, 24th Floor, 191 Silom Road, Bangkok 10500, Thailand Tel: +66 2 098 3000

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