

PRINSIRI PLC

No. 60/2024
12 July 2024

CORPORATES

Company Rating: BBB-
Issue Ratings:
Senior unsecured BBB-
Outlook: Stable

Last Review Date: 29/03/24

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

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RATIONALE

TRIS Rating assigns a rating of “BBB-” to Prinsiri PLC’s (PRIN) proposed issue of up to THB1 billion senior unsecured debentures due within three years and six months. The proceeds from the new debentures are intended for debt repayments and working capital. At the same time, we affirm the company rating on PRIN and the ratings on PRIN’s existing senior unsecured debentures at “BBB-”, with a “stable” 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 the impact of higher bank rejection rates for mortgage loan applications amid lingering high interest rates and high household debts.

PRIN’s operating results in the first three months of 2024 (3M24) were softer than we expected. The company reported total operating revenue of THB378 million in 3M24, achieving 15% of our full-year target. Although PRIN’s gross profit margin remained satisfactory at 39% in 3M24, weaker-than-expected revenue resulted in a higher percentage of selling, general, and administrative (SG&A) expenses than we projected. As a result, PRIN’s EBITDA was only THB70 million in 3M24, or around 10% of our full-year target, with an EBITDA margin of 19%.

However, we expect PRIN’s operating performance to gradually improve in the second half of this year, alongside the potential recovery in domestic economy. Under TRIS Rating’s base case, we project the company’s revenue to range THB2.5-THB2.7 billion annually in 2024-2026. Its EBITDA is expected to remain around THB0.6-THB0.7 billion per annum, or an EBITDA margin of around 25%. Thus, a further decline in revenue and earnings could negatively impact the ratings and/or outlook.

As of March 2024, PRIN had 43 active projects. The value of unsold units (including built and un-built units) was THB13.7 billion, comprising townhouses (THs, 49%), single detached houses (SDHs) and semi-DHs (40%), and low-rise condominiums (11%). Since PRIN’s backlog amounted to only THB408 million, its projected revenue will heavily rely on its capacity to generate new sales from both existing and forthcoming projects.

We anticipate a slight decrease in PRIN’s debt level as the company is expected to reduce its land acquisitions over the next couple of years and focus on developing existing land plots. As a result, we project PRIN’s debt to capitalization ratio to gradually improve to 45%-49% in 2024-2026 from 53% as of March 2024.

At the end of March 2024, PRIN’s total consolidated debt was THB6.8 billion. PRIN’s priority debt, including its own secured debts and total debts at its subsidiaries, was THB2.7 billion. These translate to a priority debt to total consolidated debt ratio of 40%.

We assess PRIN’s liquidity to be tight but manageable over the next 12 months. As of March 2024, the company had maturing debts over the next 12 months totaling THB2.3 billion, including THB1.7 billion debentures, THB0.4 billion

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long-term project loans, and THB0.2 billion short-term loans. We estimate PRIN's net working capital outflow for land and construction to total THB1.5 billion in 2024.

At the end of March 2024, PRIN's sources of liquidity included cash on hand of THB813 million and undrawn unconditional committed credit facilities of THB60 million. We project the company's funds from operations (FFO) to be around THB300 million in 2024. PRIN also has unencumbered land banks worth THB1.3 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 promissory notes (P/N) 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 March 2024 were 1.3 times and 1.5 times, respectively. We believe the company should have no difficulty complying with the financial covenants over the next 12 months.

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.

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)

Company Rating:	BBB-
Issue Ratings:	
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-
Up to THB1,000 million senior unsecured debentures due within 3 years and 6 months	BBB-
Rating Outlook:	Stable

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