

PRINSIRI PLC

No. 47/2023
24 April 2023

CORPORATES

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

Last Review Date: 03/03/23

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 Kosakarn

preeyaporn@trisrating.com

Hattayanee Pitakpatapee

hattayanee@trisrating.com

Auyporn Vachirakanjanaporn

auyporn@trisrating.com

Bundit Pommata

bundit@trisrating.com

Jutamas Bunyawanchikul

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) and the ratings on PRIN's existing senior unsecured debentures at "BBB-", with a "stable" rating outlook. At the same time, we assign the rating of "BBB-" to PRIN's proposed issue of up to THB600 million senior unsecured debentures due within 3 years and 6 months. The proceeds from the new debentures are intended for use as PRIN's working capital.

The ratings reflect the company's modest business scale, moderately high financial leverage, and tight liquidity. However, the ratings are supported by its steady performance and satisfactory profitability. The ratings also incorporate our concerns over the persistently high household debt levels and rising inflation which could impact the purchasing power of PRIN's customer target segment of middle- to low-income homebuyers.

We expect PRIN's operating performance in 2023-2025 will be underpinned by expected growth in the domestic economy and pent-up demand in the landed property market. Our base-case scenario projects PRIN's revenue to increase by 5%-7% per annum to the THB2.6-THB3.0 billion level. We expect the company's earnings before interest, taxes, depreciation and amortization (EBITDA) to range between THB600-THB700 million with an EBITDA margin of 23%-25%. We also expect PRIN's operating margin to reach the average of 15%, in line with other rated property developers. Its bottom line will likely amount to THB230-THB260 million or 8%-10% of total operating revenue.

As of March 2023, PRIN had 37 active projects. The value of unsold units (including built and un-built units) was THB11 billion, comprising townhouses (THs) (51%), single detached houses (SDHs) and semi-detached houses (DHs) (38%), and condominiums (12%). The company's backlog was THB326 million, all of which is expected to be recognized as revenue in 2023.

We view PRIN's debt level as heading upward in the wake of its continued project expansion. The company's debt to capitalization ratio will likely hang at around 50% in 2023-2025. With projected modest revenue growth and an EBITDA margin of 23%-25%, PRIN should be able to sustain its net debt to EBITDA ratio at 7-8 times and its funds from operations (FFO) to total debt ratio at 5%-6% over the forecast period.

At the end of December 2022, PRIN's total consolidated debt was THB5.2 billion. PRIN's priority debt, including secured debt of the parent company and total debt of its operating subsidiaries, was THB2.2 billion. These translate to a priority debt to total consolidated debt ratio of 42%.

We assess PRIN's liquidity to be tight but manageable over the next 12 months. As of December 2022, the company had maturing debts over the next 12 months totaling THB1.6 billion. We estimate PRIN's aggregated expenditures for land and construction to be around THB2 billion in 2023 and the dividend payment to be 30% of net profit. At the end of December 2022, PRIN's sources of liquidity included cash on hand of THB0.3 billion and undrawn unconditional committed credit facilities of THB0.2 billion. We forecast FFO to be around THB0.3 billion in 2023. PRIN also has unencumbered land banks worth THB2.2 billion at cost, which can be pledged as collateral for new credit facilities, if needed.

CreditUpdate, reviews ratings of companies or debt issues that have already been rated by TRIS Rating. The CreditUpdate occurs when new debt instruments are issued or if significant events have taken place that may impact a company's current ratings or when current ratings are cancelled. The CreditUpdate announces whether a rating has been "upgraded," "downgraded," "affirmed" or "cancelled." The update includes information to supplement the previously published ratings.

Credit Updates are part of TRIS Rating's monitoring process. TRIS Rating monitors every rating it assigns until either the debt instrument matures or the rating contract ends. To keep the public informed of changing situations, TRIS Rating periodically issues announcements about the credit ratings it monitors.

The financial covenants on PRIN’s debt obligations require the company to keep the 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 2022 were 1.0 times and 1.2 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 range around 23%-25% and debt to capitalization ratio to hover around 50%. We also expect the company’s FFO to debt ratio to remain above 5% over the forecast period.

RATING SENSITIVITIES

PRIN’s credit upside would materialize if the company can significantly enlarge its revenue and earnings base, while maintaining its financial profile at the current level. Conversely, the ratings and/or outlook could be revised downward if its operating performance and/or financial profile deteriorate materially from 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:	
PRIN25DA: THB500 million senior unsecured debentures due 2025	BBB-
PRIN267A: THB450 million senior unsecured debentures due 2026	BBB-
Up to THB600 million senior unsecured debentures due within 3 years and 6 months	BBB-
Rating Outlook:	Stable

TRIS Rating Co., Ltd.

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

© Copyright 2023, TRIS Rating Co., Ltd. All rights reserved. Any unauthorized use, disclosure, copying, republication, further transmission, dissemination, redistribution or storing for subsequent use for any purpose, in whole or in part, in any form or manner or by any means whatsoever, by any person, of the credit rating reports or information is prohibited, without the prior written permission of TRIS Rating Co., Ltd. The credit rating is not a statement of fact or a recommendation to buy, sell or hold any debt instruments. It is an expression of opinion regarding credit risks for that instrument or particular company. The opinion expressed in the credit rating does not represent investment or other advice and should therefore not be construed as such. Any rating and information contained in any report written or published by TRIS Rating has been prepared without taking into account any recipient’s particular financial needs, circumstances, knowledge and objectives. Therefore, a recipient should assess the appropriateness of such information before making an investment decision based on this information. Information used for the rating has been obtained by TRIS Rating from the company and other sources believed to be reliable. Therefore, TRIS Rating does not guarantee the accuracy, adequacy, or completeness of any such information and will accept no liability for any loss or damage arising from any inaccuracy, inadequacy or incompleteness. Also, TRIS Rating is not responsible for any errors or omissions, the result obtained from, or any actions taken in reliance upon such information. All methodologies used can be found at www.trisrating.com/rating-information/rating-criteria