TRIS RATING
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CreditUpdate เครดิตวาระ
New Issue Report

PRINSIRI PLC

No. 99/2023
8 September 2023

CORPORATES

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

Last Review Date: 24/04/23

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

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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" outlook. At the same time, we assign the rating of "BBB-" to PRIN's proposed issue of up to THB900 million senior unsecured debentures due within three years and six months. The proceeds from the new debentures are intended to be used for debt repayments and 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 profit margin. The ratings also take into consideration our concerns over the reimposition of the loan-to-value (LTV) rules and interest rate hikes which could negatively impact housing demand in the short to medium term.

PRIN's operating performance in the first six months of 2023 was in line with our targets. PRIN reported total operating revenue of THB1.2 billion, around half of our full-year target of THB2.6 billion. Earnings before interest, taxes, depreciation, and amortization (EBITDA) also achieved around 50% of our full-year target of THB600 million, with an EBITDA margin of 27%. We expect PRIN's operating performance in 2023-2025 to be underpinned by an expected recovery in the domestic economy. We project the company's revenue to increase by 5%-7% per annum to THB2.6-THB3.0 billion. Its EBITDA is expected to range from THB600-THB700 million per annum with an EBITDA margin of 23%-25% in 2023-2025.

As of June 2023, PRIN had 37 active projects. The value of unsold units (including built and un-built units) was around THB12 billion, comprising townhouses (THs) (56%), single detached houses (SDHs) and semi-detached houses (DHs) (34%), and condominiums (10%). At the end of June 2023, the company's backlog was THB334 million, all of which is expected to be recognized as revenue in 2023.

We view that PRIN's debt level is heading upward following its continued project expansion. Its debt to capitalization ratio was 50% as of June 2023, up from 45%-48% in 2021-2022. We expect the company to sustain its debt to capitalization ratio at around 50% over the forecast period. With projected modest revenue growth and a sustained EBITDA margin, the company should be able to maintain its net debt to EBITDA ratio at 7-8 times and its funds from operations (FFO) to total debt ratio at 5%-6% in 2023-2025.

At the end of June 2023, PRIN's total consolidated debt was THB5.7 billion. Priority debt, including secured debt of the parent company and total debt of its operating subsidiaries, was THB2.3 billion. This translates 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 June 2023, the company had maturing debts over the next 12 months totaling THB2.3 billion. We estimate PRIN's net working capital outflow 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 June 2023, PRIN's sources of liquidity included cash on hand of around THB300 million and undrawn unconditional committed credit facilities of around THB100 million. We forecast FFO to be around THB300 million in 2023. PRIN also has unencumbered land banks worth THB2.3 billion at cost, which can be pledged as collaterals for new credit facilities, if needed.

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 June 2023 were 1.1 times and 1.4 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 operating performance and sustain its financial profile as per our targets. We expect PRIN's EBITDA margin to remain in the 23%-25% range and the 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 bases, 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 deteriorates 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-
PRIN26NA: THB294.2 million senior unsecured debentures due 2026	BBB-
Up to THB900 million senior unsecured debentures due within 3 years and 6 months	BBB-
Rating Outlook:	Stable

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