TRIS RATING
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CreditUpdate เครดิตอัพเดท
New Issue Report

PRINSIRI PLC

No. 43/2020
5 June 2020

CORPORATES

Company Rating:	BBB-
Issue Rating:	
Senior secured	BBB
Outlook:	Stable

Last Review Date: 19/03/20

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) at "BBB-" with a "stable" outlook. At the same time, TRIS Rating assigns the rating of "BBB" to PRIN's proposed issue of up to Bt180 million in secured debentures due within one year. The proceeds from the new debentures will be used for debt refinancing.

The ratings reflect PRIN's relatively small size, moderate financial leverage, and acceptable profitability. The ratings also take into consideration the cyclicality of the residential property business and the slowdown in demand for residential property in the medium term due to the economic fallout from the COVID-19 pandemic, which has added pressure to the already weak economy.

The rating on PRIN's secured debentures is one notch higher than the company rating, reflecting a better recovery for secured bondholders in the event of default. The secured debentures are collateralized by three land plots totaling 132 rais in area and worth around Bt334 million (average appraised value from two appraisal companies), or 1.85 times the amount of the secured debentures. In order to maintain the one notch uplift for its secured debentures rating , the company must maintain the appraisal value of the collateral at least at 1.67 times the outstanding amount of the secured debentures and the company's secured debt to total assets must be kept lower than 20%. At the end of March 2020, PRIN's secured debt to total assets ratio was 12%.

PRIN's operating revenues in the first quarter of 2020 declined slightly by 6% year-on-year (y-o-y) to Bt444 million since the company did not launch any new residential projects. In addition, there was a demand shock resulting from the COVID-19 pandemic in March 2020. However, demand for residential property has shown signs of recovery since mid-April 2020 after the spread of the virus has slowed and most real estate developers have begun offering attractive promotions for homebuyers. PRIN's presales in April started to recover, with a 1% y-o-y rise to Bt572 million for the first four months of 2020.

In TRIS Rating's base case forecast, we project PRIN's revenue to be in the range of Bt2.0-Bt2.4 billion per annum over the next 2-3 years. PRIN's operating margin is expected to improve to around 14% from 12.5% in the first quarter of 2020 as the company will no longer incur expenses on its community mall after leasing it out to a trust. PRIN's debt to capitalization ratio is expected to stay at around 45%. The funds from operations (FFO) to debt ratio is expected to range between 4% and 6% while the EBITDA interest coverage ratio is forecast to stay above 2 times over the next three years.

TRIS Rating assesses PRIN's liquidity risk as tight but manageable. As of March 2020, the company had Bt950 million in debt due over the next 12 months, comprising debentures of Bt700 million, bills of exchange (B/Es) of Bt240 million, and other short-term loans of Bt10 million. PRIN's sources of liquidity consists of cash on hand of Bt302 million, undrawn committed credit facilities of around Bt140 million, and undrawn uncommitted short-term credit facilities of Bt70 million. The company recently sourced a back-up loan facility of Bt700 million from a financial institution. The FFO are expected to be around Bt150-Bt200 million per annum during 2020-2022. The company also has unencumbered land held for sale and development with a book value of around

Bt3.2 billion as an alternative source of liquidity, if needed. The financial covenants on its bonds and bank loans limit the interest-bearing debt to equity ratio at 2.5 times and total liabilities to total equity (D/E) at 2 times. As of March 2020, the ratios stood at 0.9 times and 1.1 times, respectively.

As of April 2020, PRIN had 19 active projects. The value of unsold units (both built and un-built) was around Bt5.8 billion, with 55% in the single detached house (SDH) and semi-detached house segments, 18% in the townhouse (TH) segment, and 27% in the condominium segment. PRIN plans to launch three new housing projects, worth Bt3.5 billion, during the second and third quarters of 2020.

RATING OUTLOOK

The "stable" outlook reflects our expectation that PRIN will be able to sustain its targeted operating performance, plus the ability to maintain its financial position at current levels. TRIS rating expects PRIN's revenue to be in the range of Bt2.0-Bt2.4 billion over the next three years, while maintaining the debt to capitalization ratio below 50%. The operating margin should stay above 10%.

RATING SENSITIVITIES

The rating upgrades are unlikely in the near term. However, the ratings and/or outlook of PRIN could come under downward pressure if its operating performance and/or financial profile further deteriorate from the target levels.

RELATED CRITERIA

- Rating Methodology – Corporate, 26 July 2019
- Key Financial Ratios and Adjustments, 5 September 2018

Prinsiri PLC (PRIN)

Company Rating:	BBB-
Issue Rating:	
Up to Bt180 million senior secured debentures due within 1 year	BBB
Rating Outlook:	Stable

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