

# PRUKSA HOLDING PLC

No. 34/2021

6 May 2021

## CORPORATES

Company Rating:	A
Issue Ratings:	
Guaranteed	A
Outlook:	Stable

Last Review Date: 26/10/20

### Company Rating History:

Date	Rating	Outlook/Alert
27/04/18	A	Stable

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## RATIONALE

TRIS Rating affirms the company rating on Pruksa Holding PLC (PSH) and the ratings on PSH's existing guaranteed debentures at "A", with a "stable" rating outlook. At the same time, we assign the rating of "A" to PSH's proposed issue of up to THB3 billion in guaranteed debentures. The debentures are unconditionally and irrevocably guaranteed by Pruksa Real Estate PLC (PS), PSH's subsidiary, rated "A" with a "stable" rating outlook by TRIS Rating. The guaranteed debentures are ranked pari passu to PS's senior unsecured debentures. The proceeds from the new debentures are intended to be used to refinance debentures coming due at the end of May 2021.

The ratings reflect PSH's creditworthiness as the holding company of PS, in which PSH holds a 98.23% equity stake, and the significant dividend stream PSH receives from PS. PS is considered a "core" subsidiary of PSH in accordance with our "Group Rating Methodology".

The ratings on PSH are derived from the strengths of PS as one of the largest players in the residential property market. PS's competitiveness is derived from its relatively diverse product portfolio, cost competitiveness, and large backlog, which partly secures the company's future revenue stream. The ratings also take into account the group's moderate financial leverage and concerns over the prolonged Coronavirus Disease 2019 (COVID-19) pandemic, which could put further pressure on the demand for residential property and the profitability of property developers.

PSH is regarded as a market leader in the low- to middle-end property segment. However, the severe impacts of the COVID-19 outbreak hit PSH's operating performance and profitability in 2020. PSH's presales contracted by 38% year-on-year (y-o-y) to THB22 billion in 2020, and its total operating revenue decreased by 26% y-o-y to THB29.5 billion. The lower revenue base coupled with higher promotional expenses and the fixed operating costs of its precast concrete factories hurt PSH's profitability. PSH's earnings before interest, taxes, depreciation, and amortization (EBITDA) margin dropped to 17% in 2020, from 21% in 2019 and 20% in 2018. Net profit margin decreased to 9% of total operating revenue in 2020, from 12%-13% during 2016-2019.

We believe that revenue and profit from the real estate business will remain the key contributor of the group during the next three years. Revenue from the healthcare business from Vimut Hospital (VIMUT), which is scheduled to commence operations in mid-2021, and a share profit from the company's investment in Theptarin Hospital, in which PSH acquired a 51% stake in February 2021, will make only a minor contribution to the overall earnings of the group. VIMUT is expected to incur a loss during the initial phase of its operations. However, we do not expect the loss incurred by VIMUT to significantly impact the overall performance of PSH.

As of March 2021, PSH's real estate business had around 200 existing projects. The total unsold value of these projects was THB81.2 billion (including built and un-built units). Landed property projects accounted for 80% of total remaining value, while condominium projects accounted for the rest. Due to the lower condominium presales, PSH's backlog at the end of March 2021 was only THB22

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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.

billion, lower than in the past. Backlog worth THB10 billion is expected to be transferred to customers during the remainder of 2021, THB10.7 billion in 2022, and the rest in 2023-2024. The backlog should partly secure future operating revenues amid the unfavorable economic environment.

We expect PSH to retain its prudent financial policy. Despite its ongoing business expansion, we anticipate that PSH will keep its debt to capitalization ratio below 50%. As of December 2020, the ratio was only 37%.

On a consolidated basis, we assess PSH to have adequate liquidity over the next 12 months. As of December 2020, PSH's sources of funds consisted of THB1.3 billion in cash, THB6.8 billion undrawn committed credit facilities, and THB17.3 billion undrawn uncommitted credit facilities. Funds from operations (FFO) over the next 12 months is forecast to be THB4-THB4.5 billion. Debts due over the next 12 months will amount to THB9 billion, comprising THB6.8 billion debentures, THB1.5 billion short-term loans, THB0.5 billion aval promissory notes (P/Ns) for land purchases, and THB0.2 billion long-term loans.

## **RATING OUTLOOK**

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The "stable" outlook reflects our expectation that PSH will be able to deliver operating performance as targeted. PSH's property subsidiary should be able to transfer its backlog as scheduled. Despite sluggish demand in the residential property market, which has been affected by the prolonged COVID-19 pandemic, we expect PSH to keep its FFO to total debt ratio at a level of 15% at least. The debt to capitalization ratio should stay below 50% on a sustained basis.

## **RATING SENSITIVITIES**

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The ratings on PSH will depend on the operating performance and financial position of the group. Successful diversification into new businesses would be a positive factor for the ratings. On the contrary, the ratings on PSH could be revised downward should the operating performance of its property subsidiary significantly deviate from the target level and/or the operation of the healthcare business materially weigh down the financial position of the group.

## **RELATED CRITERIA**

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- Group Rating Methodology, 13 January 2021
- Rating Methodology – Corporate, 26 July 2019
- Key Financial Ratios and Adjustments, 5 September 2018

**Pruksa Holding PLC (PSH)**

<b>Company Rating:</b>	A
<b>Issue Ratings:</b>	
PSH215A: THB4,750 million guaranteed debentures due 2021	A
PSH223A: THB3,500 million guaranteed debentures due 2022	A
PSH225A: THB2,000 million guaranteed debentures due 2022	A
PSH22NA: THB3,500 million guaranteed debentures due 2022	A
PSH22NB: THB500 million guaranteed debentures due 2022	A
PSH235A: THB750 million guaranteed debentures due 2023	A
PSH23NA: THB2,000 million guaranteed debentures due 2023	A
PSH24NA: THB3,000 million guaranteed debentures due 2024	A
Up to THB3,000 million guaranteed debentures due within 5 years	A
<b>Rating Outlook:</b>	Stable

**TRIS Rating Co., Ltd.**

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