

FRASERS PROPERTY (THAILAND) PLC

No. 35/2024
24 April 2024

CORPORATES

Company Rating:	A
Issue Ratings:	
Senior unsecured	A
Outlook:	Stable

Last Review Date: 25/10/23

Company Rating History:

Date	Rating	Outlook/Alert
14/10/21	A	Stable
17/09/19	A-	Stable
01/03/19	A	Alert Negative
25/05/17	A	Stable
27/04/16	A-	Stable
07/05/15	A	Negative
02/05/12	A	Stable
14/10/11	A	Alert Negative
21/11/05	A	Stable

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RATIONALE

TRIS Rating assigns a rating of “A” to Frasers Property (Thailand) PLC (FPT)’s proposed issue of up to THB5.0 billion senior unsecured debentures. The proceeds from the new debentures will be used for debt repayments and/or working capital. At the same time, we affirm the company rating on FPT and the ratings on FPT’s existing senior unsecured debentures at “A”, with a “stable” rating outlook.

The company rating incorporates a rating enhancement of three notches from its stand-alone credit profile (SACP) to reflect the company’s status as a “strategically important” subsidiary of Frasers Property Ltd. (FPL, rated “AA-/Stable”), a multinational property development company listed on the Singapore Stock Exchange. We expect FPT to remain a strategically important member of FPL and an investment arm of FPL’s real estate business in Thailand in the foreseeable future. FPT’s earnings before interest, taxes, depreciation, and amortization (EBITDA) contribute around 14% of FPL’s total EBITDA.

FPT’s SACP of “bbb” reflects its diversified and balanced real estate business portfolio, expected improving performance in its key business lines, and healthier profitability. The SACP is weighed down by the company’s high financial leverage. The ratings also incorporate the negative impacts of interest rate hikes and reimposition of the loan-to-value (LTV) rules which could suppress housing demand in the short to medium term.

FPT’s total operating revenue in the first three months (3M) of fiscal year 2024 (FY2024), covering October 2023 to December 2023, fell slightly below our forecast. The company reported total operating revenue of THB2.8 billion and EBITDA of THB915 million in the first three months of the fiscal year (FY) 2024, achieving only 18% of our full-year forecast. This variance was mainly due to lower-than-expected presales and transfers of residential units. However, its EBITDA margin aligned with our forecast of 32%, underpinned by an improved gross profit margin in the hospitality business and lower-than-expected operating expenses.

Looking ahead, we expect FPT’s EBITDA to range from THB5.0-THB5.3 billion in FY2024-FY2025, and its EBITDA margin is likely to remain above 30% over the forecast period. Despite the lower-than-expected transfers of housing units in the first quarter of its fiscal year, we expect that the government’s measures to reduce transfer and mortgage fees from 2% and 1%, respectively, to 0.01% for housing priced up to THB7 million per unit, will likely bolster its housing sales and transfers in the second half of this year.

We expect FPT’s financial leverage to remain relatively high due to its business expansion in both the residential and industrial property segments. As of December 2023, FPT’s adjusted debt to capitalization ratio, including guarantees on its joint ventures’ debts, held steady at around 58%. Its funds from operations (FFO) to adjusted debt ratio, annualized with the trailing 12 months, remained above 5%. Additionally, its adjusted debt to EBITDA ratio, also annualized with the trailing 12 months, remained within the 10-11 times range.

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.

Going forward, we project FPT's debt to capitalization ratio to slightly improve to around 57%-58% during FY2024-FY2025 and its FFO to debt ratio to stay around 6% during the forecast period. The adjusted debt to EBITDA ratio is likely to remain at around 10 times in FY2024-FY2025 given the company's current asset recycling plan of around THB1.5 billion per annum.

The financial covenants on FPT's debentures require maintenance of an interest-bearing debt (excluding lease liability) to equity ratio below 3 times. As of December 2023, the ratio was 1.4 times. We believe FPT should have no problems complying with the financial covenants over the next 12 to 18 months. FPT's priority debt to total debt ratio was around 27% at the end of December 2023.

We assess FPT's liquidity as manageable over the next 12 months. As of December 2023, the company had maturing debt over the next 12 months totaling THB15.5 billion, comprising THB7.2 billion debentures, THB5.4 billion short-term loans, THB2.6 billion long-term project loans, and THB0.3 billion lease liability. FPT's sources of funds included THB0.9 billion of cash on hand, THB2.3 billion undrawn committed credit facilities, and THB7.6 billion undrawn uncommitted credit facilities. FFO is projected to be around THB3.0-THB3.2 billion per annum. FPT also had unencumbered land banks at book value of THB8.2 billion and remaining finished units in debt-free residential projects totaling THB3.7 billion, which can be pledged as collateral for new loans (if needed). In addition, we expect FPL to provide financial support to FPT, if needed.

RATING OUTLOOK

The "stable" outlook reflects our expectation that FPT will be able to maintain its market position and deliver operating performance as targeted and will keep its FFO to total debt ratio above 5%. We also expect FPT to remain a strategically important member of FPL.

RATING SENSITIVITIES

A rating upgrade would materialize if FPT delivers significantly better-than-expected operating results and/or its financial profile improves with a FFO to adjusted debt ratio of around 10% for a sustained period. On the contrary, the ratings and/or outlook could be revised downward if we expect the company's FFO to adjusted debt ratio to fall below 5% for a prolonged period, either from weakening operating performance or aggressive debt-funded business expansion. Change in the company's linkage with FPL could also lead to a revision in the company rating on FPT.

RELATED CRITERIA

- Homebuilders and Real Estate Developers Rating Methodology, 12 January 2023
- Group Rating Methodology, 7 September 2022
- Corporate Rating Methodology, 15 July 2022
- Key Financial Ratios and Adjustments for Corporate Issuers, 11 January 2022
- Issue Rating Criteria, 15 June 2021

Frasers Property (Thailand) PLC (FPT)

Company Rating:	A
Issue Ratings:	
FPT251A: THB1,800 million senior unsecured debentures due 2025	A
FPT256A: THB1,000 million senior unsecured debentures due 2025	A
FPT25NA: THB971 million senior unsecured debentures due 2025	A
FPT262A: THB3,000 million senior unsecured debentures due 2026	A
FPT268A: THB2,400 million senior unsecured debentures due 2026	A
FPT260A: THB1,900 million senior unsecured debentures due 2026	A
FPT271A: THB500 million senior unsecured debentures due 2027	A
FPT275A: THB500 million senior unsecured debentures due 2027	A
FPT276A: THB2,000 million senior unsecured debentures due 2027	A
FPT277A: THB1,400 million senior unsecured debentures due 2027	A
FPT27NA: THB689 million senior unsecured debentures due 2027	A
FPT282A: THB500 million senior unsecured debentures due 2028	A
TICON283A: THB1,000 million senior unsecured debentures due 2028	A
FPT292A: THB200 million senior unsecured debentures due 2029	A
FPT301A: THB1,200 million senior unsecured debentures due 2030	A
FPT302A: THB500 million senior unsecured debentures due 2030	A
FPT305A: THB500 million senior unsecured debentures due 2030	A
FPT309A: THB300 million senior unsecured debentures due 2030	A
Up to THB5,000 million senior unsecured debentures due within 10 years	A
Rating Outlook:	Stable

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