

# PRUKSA HOLDING PLC

No. 25/2019  
22 March 2019

## CORPORATES

<b>Company Rating:</b>	A
<b>Issue Ratings:</b>	
Guaranteed	A
<b>Outlook:</b>	Stable

**Last Review Date:** 28/02/19

### 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". At the same time, TRIS Rating assigns the rating to PSH's proposed guaranteed debentures of up to Bt3,500 million at "A". The debentures are unconditionally and irrevocably guaranteed by Pruksa Real Estate PLC (PS); PSH's subsidiary, rated "A" with a "stable" outlook by TRIS Rating. The guaranteed debentures are ranked pari passu to PS's senior unsecured debentures. The new issue rating replaces the issue rating previously assigned on 28 February 2019, following PSH's request to increase the issue size to up to Bt3,500 million, from Bt2,500 million. The proceeds from the proposed debentures will be used to replace debentures issued by PS maturing in March 2019 and for working capital.

The ratings reflect PSH's creditworthiness as the holding company of the Group. PSH's major subsidiary is PS, in which PSH holds a 98.23% equity stake. The ratings are based on the significant stream of dividends PSH receives from PS. After the reorganization in 2016, PS's residential property business remains a major revenue contributor of PSH. As a result, PS is considered as a "core" subsidiary of PSH. Therefore, the issuer ratings of PSH and PS are equivalent.

The ratings of PSH take into consideration the strengths of PS in the residential property market. PS's competitiveness is derived from its relatively diversified product portfolio, cost competitiveness, and large backlog partly securing the company's future revenue stream. The ratings also take into consideration the Group's moderate financial leverage level, the cyclical and competitive environment in the residential property development business, and the impact from the introduction of new loan-to-value (LTV) rules by the Bank of Thailand (BOT).

PSH's operating revenue was Bt44,000-Bt47,000 million per annum during 2016-2018. Its operating revenue has ranked highest among all leading property developers in Thailand over the past three years. Revenue from townhouse, PSH's major products, accounted for around 50% of total operating revenue, while revenue from condominium and single detached house (SDH) accounted for 30% and 20%, respectively. Under TRIS Rating's base case, PSH's operating revenue over the next three years is expected to stay above Bt45,000 million per annum. The townhouse segment will remain a major contributor of total revenue.

As of December 2018, PSH had around 200 existing projects, with the remaining unsold units (including built and un-built units) worth Bt100,470 million. Landed property projects (including townhouse and SDH projects) accounted for 76% of unsold value, while condominium projects accounted for the rest. The total backlog was valued at around Bt33,000 million and partly secures PSH's future revenue stream during 2019-2021.

Operating income is expected to keep at least 15% per annum. Despite its aggressive expansion in the residential property business and its plan to invest in healthcare business, PSH is expected to keep the debt to capitalization ratio at lower than 50%. As of December 2018, PSH's debt to capitalization ratio was 41%.

**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.

PSH's liquidity on a consolidated basis is acceptable. At the end of December 2018, PSH held Bt1,445 million in cash plus undrawn committed credit facilities from financial institutions of around Bt8,000 million. Funds from operations (FFO) over the next 12 months are forecast at a minimum of Bt5,000 million. Debt due over the next 12 months amounts to Bt14,754 million, comprising Bt6,400 million in debentures and Bt8,354 million in short-term loans from banks.

#### RATING OUTLOOK

The "stable" outlook reflects the expectation that PSH will be able to sustain its operating performance over the next three years. The company's property subsidiary should be able to deliver a large number of the units in its backlog as scheduled. Despite more intense competition in the residential property market, PSH is expected to keep its operating income at least 15%. The debt to capitalization ratios of PSH and PS should stay below 50%.

#### RATING SENSITIVITIES

PSH's ratings will depend on the operating performance and financial position of the Group. A successful diversification into new businesses will be positive for the Group. On the contrary, the ratings of PSH will be negatively affected if the investment in new businesses drags down the financial position of the Group.

#### RELATED CRITERIA

- Key Financial Ratios and Adjustments, 5 September 2018
- Rating Methodology – Corporate, 31 October 2007

#### Pruksa Holding PLC (PSH)

<b>Company Rating:</b>	A
<b>Issue Ratings:</b>	
PSH215A: Bt4,750 million guaranteed debentures due 2021	A
PSH235A: Bt750 million guaranteed debentures due 2023	A
Up to Bt3,500 million guaranteed debentures due within 5 years	A
<b>Rating Outlook:</b>	Stable

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