

GOLDEN LAND PROPERTY DEVELOPMENT PLC

No. 9/2020

17 February 2020

CORPORATES

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

Last Review Date: 11/10/19

Company Rating History:

Date	Rating	Outlook/Alert
17/09/19	A-	Stable
01/03/19	BBB+	Alert Positive
08/09/16	BBB+	Stable
02/09/15	BBB	Stable

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RATIONALE

TRIS Rating affirms the company rating on Golden Land Property Development PLC (GOLD) at “A-” with a “stable” outlook. At the same time, TRIS Rating assigns the rating of “A-” to GOLD’s proposed senior unsecured debentures of up to Bt1.5 billion. The proceeds from the debentures are intended to be used for working capital and loan repayment.

The ratings reflect GOLD’s status as a core subsidiary of Frasers Property (Thailand) PLC (FPT), growing brand recognition and revenue in the landed property market, and reliable stream of income from rental properties. The ratings also take into consideration the company’s rising leverage, resulting from its aggressive business expansion, and concerns over the introduction of new loan-to-value (LTV) rules by the Bank of Thailand (BOT), which has partly caused a slowdown in the industry.

GOLD’s total operating revenues grew by 10% year-on-year (y-o-y) to Bt17.4 billion in fiscal year (FY) 2019, but decreased by 5% y-o-y to Bt4 billion in the first three months of FY2020. Under TRIS Rating’s base case scenario, we expect GOLD’s total operating revenue to stay at Bt17-Bt18 billion per annum during FY2020-FY2022. We expect GOLD’s residential properties for sale to remain a major contributor accounting for around 90% of total operating revenues. We also expect that rental properties will generate income of Bt1.2 billion, or around 10% of total operating revenues, in FY2020. The income from rental properties will likely decrease to Bt0.7 billion per annum, or around 4% of total operating revenue, during FY2021-FY2022.

As of December 2019, GOLD had 52 existing landed property projects. Around 90% of the projects are located in Bangkok and its vicinity, with the remainder located upcountry. Total unsold project value (including built and un-built units) was Bt29.2 billion and the total backlog was Bt3.9 billion. The backlog will be delivered to customers during the remainder of FY2020 through FY2021.

GOLD’s earnings before interest, tax, depreciation, and amortization (EBITDA) margin was 18%-20% during 2015-FY2019, but decreased to 16% in the first three months of FY2020. Despite the drop, its EBITDA margin remained above the industry average of 15%. GOLD’s net profit margin was 12%-13% during FY2017-FY2019, but dropped to 9% in the first three months of FY2020. Going forward, GOLD’s profitability could be pressured by rising land costs and more intense competition in the landed property segment. In any case, we expect GOLD to keep its EBITDA margin around 15% and its net profit margin above 10% during FY2020-FY2022.

Despite its continued growth plan, TRIS Rating expects GOLD’s need for capital to remain moderate due to the shorter development period of landed properties than that of condominiums. We expect GOLD to maintain its debt to capitalization ratio below 55% and its funds from operations (FFO) to total debt ratio to stay above 10% over the next three years.

We assess GOLD to have adequate liquidity over the next 12 months. As of December 2019, GOLD’s sources of funds consisted of Bt0.7 billion in cash on hand plus undrawn committed credit facilities of project loans of Bt0.8 billion and undrawn credit facilities of short-term loans of Bt4.3 billion. TRIS Rating forecasts GOLD’s FFO over the next 12 months to be around Bt2 billion. Debts due over the next 12 months will amount to Bt11.3 billion, comprising Bt7.8 billion in short-term bills of exchange (B/Es) and promissory notes (P/Ns), Bt2

billion in debentures, and Bt1.4 billion in project loans. Short-term B/Es and P/Ns will either be rolled over or repaid within the next 12 months, and project loans will likely be repaid with cash flow from the transfers of residential unit. Debentures will likely be refinanced with new bond issuance or loans from the parent company.

RATING OUTLOOK

The “stable” outlook reflects TRIS Rating’s expectation that GOLD will remain a core subsidiary of FPT. Despite more intense competition in the residential property market, TRIS Rating expects GOLD to keep its EBITDA margin around 15% during FY2020-FY2022. The company should maintain its debt to capitalization ratio below 55%.

RATING SENSITIVITIES

GOLD’s ratings and/or outlook will depend not only on its operating performance but also on the financial position of the Group. A stronger operating performance and/or financial profile of the Group will help support the ratings of GOLD. On the contrary, a weaker operating performance and/or financial profile of the Group will negatively impact the ratings of GOLD.

RELATED CRITERIA

- Rating Methodology – Corporate, 26 July 2019
- Key Financial Ratios and Adjustments, 5 September 2018
- Group Rating Methodology, 10 July 2015

Golden Land Property Development PLC (GOLD)

Company Rating:	A-
Issue Ratings:	
GOLD22NA: Bt3,000 million senior unsecured debentures due 2022	A-
Up to Bt1,500 million senior unsecured debentures due within 5 years	A-
Rating Outlook:	Stable

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