PRUKSA REAL ESTATE PLC

No. 57/2017 25 August 2017

Company Rating: A

Issue Ratings:
Senior unsecured A

Outlook: Stable

Company Rating History:

Date	Rating	Outlook/Alert
14/08/12	A	Stable
24/11/11	A	Negative
07/05/10	A	Stable
30/06/09	A-	Positive
25/06/08	A-	Stable
18/04/06	BBB+	Positive
12/07/04	BBB	Stable
31/07/03	BBB	-
19/06/03	BBB	-
05/02/02	BB+	-

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Rating Rationale

TRIS Rating affirms the company rating of Pruksa Real Estate PLC (PS) and the ratings of PS's senior unsecured debentures at "A". At the same time, TRIS Rating assigns the rating of "A" to PS's proposed issue of up to Bt2,000 million in senior unsecured debentures. The proceeds from the new debentures will be used to refinance existing debentures maturing in September 2017.

The ratings reflect PS's leading position in the middle-to-low-priced townhouse segment, proven track record in the middle-to-low-income residential property market, cost competitiveness, and large backlog, which partly secures the company's future revenue stream. The ratings also take into consideration the relatively high level of household debt nationwide, coupled with the current slowdown in the domestic economy, which may impact the demand in the residential property market in the short to medium term.

PS is one of the leading residential property developers in Thailand. The company was established in 1993 by Mr. Thongma Vijitpongpun and was listed on the Stock Exchange of Thailand (SET) in December 2005. After the completion of the tender offer following the restructuring plan in November 2016, Pruksa Holding PLC (PSH) became the major shareholder of PS, with a 97.9% stake. On 1 December 2016, PSH's securities were listed on the SET in place of PS's shares, whose securities were delisted from the SET simultaneously. The Vijitpongpun family is currently PSH's largest shareholder, owning a 75% stake as of June 2017.

After the reorganization, PS retained its focus on the residential real estate for sale. All operating assets and the key members of the management team remain intact. Since the residential property business will continue to be the major revenue contributor to the Group over the next several years, PS is considered as a "core" subsidiary of the Group. Thus, the issuer ratings of PS and the Group will be equivalent. The new structure under PSH will provide more flexibility for the Group to expand into new businesses and facilitate alliance with strategic partners.

In the beginning of 2017, PSH established its subsidiaries to operate hospital business under the "Vimutti International Hospital". PSH plans to invest Bt4,900 million in the hospital during the second half of 2017 through 2019, using 50% of debt and 50% of equity. The hospital is expected to commence operations and generate revenue from beginning 2020 onwards. Going forward, the success of PSH's diversification into other businesses will be positive for the Group.

As of June 2017, PS had a large residential project portfolio, with around 200 existing projects, comprising townhouses (45% of total project value), condominiums (30%), and single detached houses (SDHs, 25%). PS's main focus is the middle-to-low-end segment of the residential property market. Furthermore, the company is expanding its products into the premium segment, the demand of which remains healthy.

PS's presales in 2016 increased by 5% year-on-year (y-o-y) to Bt44,414 million. Presales during the first half of 2017 was Bt26,150 million, a 21% y-o-y growth. Presales from condominium segment saw the highest growth, while presales from townhouses, SDHs, and international projects dropped. PS's revenue in 2016 decreased by 8% y-o-y to Bt46,926 million. Its revenue over the past four years ranked the highest among those of all leading property developers. Revenue during the first six months of 2017 was Bt20,554 million, a 14% y-o-y drop. Revenue during the remainder of 2017 is partly secured by a backlog worth around Bt15,000 million. The remaining backlog worth Bt14,000 million is expected to be realized as revenue during 2018-2019.

PS's operating profit margin, as measured by operating income before depreciation and amortization as a percentage of sales, remained at 20%-21% during 2012-2015. Its operating profit margin decreased to 17% during 2016 through the first six months of 2017. The debt to capitalization ratio improved to 39% as of December 2016, from a range of 42%-49% during 2012-2015. The ratio increased to 44% as of June 2017. Despite sluggish demand and intense competition in the residential property market, TRIS Rating expects PS to maintain the operating profit margin of at least 15% over the next three years. The debt to capitalization ratios of PS and the holding company should be kept below 50%. PS's liquidity is adequate as the ratio of funds from operations (FFO) to total debt was 27% in 2016 and 22% (annualized with trailing 12 months) in the first six months of 2017. Its financial flexibility is enhanced by an undrawn credit facilities worth Bt21,000 million (including unused committed credit lines worth around Bt10,000 million) as of June 2017. Debts due over the next 12 months will be around Bt13,000 million.

Rating Outlook

The "stable" outlook reflects the expectation that PS will sustain its operating performance over the next three years. The company is expected to deliver a large number of the units in its backlog as scheduled. The total debt to capitalization ratios of PS and PSH should stay below 50%.

PS's future outlook will depend not only on its performance but also on the financial position of the Group. A successful diversification into new businesses will be positive for the Group. On the contrary, the ratings of PS will be negatively affected if the investment in new businesses of the holding company drags down the financial position of the Group.

Pruksa Real Estate PLC (PS)

Company Rating:	A
Issue Ratings:	
PS179A: Bt600 million senior unsecured debentures due 2017	A
PS179B: Bt1,400 million senior unsecured debentures due 2017	A
PS183A: Bt2,000 million senior unsecured debentures due 2018	A
PS185A: Bt3,000 million senior unsecured debentures due 2018	A
PS18NA: Bt1,000 million senior unsecured debentures due 2018	A
PS193A: Bt2,300 million senior unsecured debentures due 2019	A
PS199A: Bt1,700 million senior unsecured debentures due 2019	A
PS19NA: Bt2,400 million senior unsecured debentures due 2019	A
PS205A: Bt2,000 million senior unsecured debentures due 2020	A
PS207A: Bt2,600 million senior unsecured debentures due 2020	A
PS20NA: Bt2,500 million senior unsecured debentures due 2020	A
Up to Bt2,000 million senior unsecured debentures due within 7 years	A
Rating Outlook:	Stable

Financial Statistics and Key Financial Ratios*

Unit: Bt million

		----------------------- Year Ended 31 December -----------------------				
	Jan-Jun 2017	2016	2015	2014	2013	2012
Revenue	20,554	46,926	51,240	42,781	38,848	27,023
Gross interest expense	388	803	1,039	1,105	1,090	942
Net income from operations	2,508	6,108	7,680	6,655	5,802	3,898
Funds from operations (FFO)	2,822	6,449	8,317	7,287	6,333	3,449
Inventory investment	(2,000)	(1,770)	(2,976)	(4,491)	(10,649)	(679)
Total assets	70,138	66,382	65,309	61,029	56,194	43,821
Total debts	27,737	23,548	24,783	24,395	24,160	17,995
Shareholders' equity	35,359	36,203	34,218	29,707	24,933	20,081
Operating income before depreciation and amortization as % of sales	16.94	17.22	19.56	20.93	20.07	20.64
Pretax return on permanent capital (%)	11.80**	13.26	17.32	17.14	17.47	14.06
Earnings before interest, tax, depreciation, and amortization (EBITDA) interest coverage (times)	9.72	10.96	10.40	8.86	7.91	6.42
FFO/total debt (%)	21.95**	27.39	33.56	29.87	26.21	19.17
Total debt/capitalization (%)	43.96	39.41	42.00	45.09	49.21	47.26

* *Consolidated financial statements*
** *Annualized with trailing 12 months*

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