

Press Release

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TRIS Rating Assigns "A/Stable" Rating to Senior Unsecured Debt Worth Up to Bt2,500 Million of "PS"

TRIS Rating has assigned the rating of "A" to the proposed issue of up to Bt2,500 million in senior unsecured debentures of Prukha Real Estate PLC (PS). At the same time, TRIS Rating has affirmed the company rating and the ratings of the existing senior unsecured debentures of PS at "A". The outlook remains "stable". The proceeds from the new debentures will be used to refinance the Bt2,000 million debentures maturing in June 2017, and the rest will be repaid for short-term loans.

PS's ratings reflect its 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 debts 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.

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 at around 50%.

PS's future outlook will depend on not only its performance but also 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.

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, Prukha 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, whose securities were delisted from the SET simultaneously. The Vijitpongpun family is currently PSH's largest shareholder, owning a 75% stake.

At the end of March 2017, PS had a large project portfolio, with around 200 existing projects. Its residential project portfolio comprises 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. However, the company is moving to higher-priced products to expand its project portfolio and meet customer's demand. As of March 2017, the value of remaining unsold units (including built and un-built units) across PS's project portfolio was Bt89,000 million. The total backlog was valued at Bt29,000 million and is expected to be recognized during the rest of 2017 through 2019.

After the reorganization, PS still focuses on the residential real estate for sale. All operating assets and key management team of PS 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 in its expansion 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 Hospital". PSH will invest around Bt4,900 million over the next three years. The hospital is expected to commence its operation and generate revenue from 2020 onwards. Going forward, given its higher contribution from other subsidiaries of PSH, the ratings of the Group and PS in the future may be revised.

PS's presales in 2016 increased by 5% year-on-year (y-o-y) to Bt44,414 million. Presales during the first quarter of 2017 was Bt13,303 million, a 36% y-o-y growth. Presales from condominiums drove the growth, while presales from townhouses, SDHs, and overseas 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 three months of 2017 was Bt8,072 million, a 22% y-o-y drop. Revenue during the remainder of 2017 is partly secured by a backlog worth around Bt14,000 million. The remaining backlog worth Bt15,000 million is expected to be realized as revenue during 2018-2019.

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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% in 2016 and 13% in the first quarter of 2017. The debt to capitalization ratio improved to 39% as of December 2016 and 40% as of March 2017, from 42%-49% during 2012-2015. Despite a sluggish demand in the residential property market, TRIS Rating expects PS to be able to maintain the operating profit margin of at least 15% over the next three years. The debt to capitalization ratio of PS and the holding company should be kept at around 50%. PS's liquidity remained acceptable as the ratio of funds from operations (FFO) to total debt was 27% in 2016 and 23% (annualized with trailing 12 months) in the first three months of 2017. Its financial flexibility is enhanced by a sizable undrawn credit facility worth around Bt14,000 million as of March 2017.

Pruksa Real Estate PLC (PS)

Company Rating:

A

Issue Ratings:

PS176A: Bt2,000 million senior unsecured debentures due 2017	A
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
Up to Bt2,500 million senior unsecured debentures due within 7 years	A
Rating Outlook:	Stable

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