

GOLDEN LAND PROPERTY DEVELOPMENT PLC

No. 75/2019

11 October 2019

CORPORATES

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

Last Review Date: 17/09/19

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

Contacts:

Jutamas Bunyanichkul

jutamas@trisrating.com

Auyporn Vachirakanjanaporn

auyporn@trisrating.com

Hattayanee Pitakpatapee

hattayanee@trisrating.com

Tulyawat Chatkam

tulyawat@trisrating.com

Suchada Pantu, Ph. D.

suchada@trisrating.com



WWW.TRISRATING.COM

RATIONALE

TRIS Rating affirms the company rating on Golden Land Property Development PLC (GOLD) at "A-". At the same time, TRIS Rating assigns the rating to GOLD's proposed senior unsecured debentures of up to Bt3 billion at "A-". The proceeds from the debentures are intended to be used to replace debentures maturing in November 2019 and for working capital.

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, improving profitability, and reliable stream of income from rental properties. The rating also takes 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 sharply to Bt15.8 billion in fiscal year (FY)2018 from Bt9.3 billion in FY2017. Its total operating revenues increased by 13% year-on-year (y-o-y) to Bt13 billion in the first nine months of FY2019. Under TRIS Rating's base case scenario, we expect GOLD's total operating revenue to stay at Bt15-Bt18 billion per annum during FY2019-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-Bt1.5 billion per annum, or around 10% of total operating revenues, during FY2019-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 June 2019, GOLD had 44 existing landed property projects. Around 95% 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 Bt21.6 billion and the total backlog was Bt4.5 billion. The backlog will be delivered to customers during the remainder of FY2019 through FY2020.

GOLD's operating margin increased to 19%-20% during FY2017 through the first nine months of FY2019, from 17%-18% during 2014-2016. Its operating margin remained above the industry average of 15%. The company's net profit margin was 12%-13% during FY2017 through the first nine months of FY2019, up from 8%-10% during 2014-2016. Its net profit margin was in line with the industry average of 10%-12%. However, 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 operating margin around 15% and its net profit margin above 10% during FY2019-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 June 2019, GOLD's sources of funds consisted of Bt1.1 billion in cash on hand plus undrawn committed credit facilities of project loans of Bt1.2 billion and undrawn credit facilities of short-term loans of Bt3.1 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 Bt9.7 billion, comprising Bt4.6

billion in short-term bills of exchange (B/Es) and promissory notes (P/Ns), Bt4 billion in debentures, and Bt1.1 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 operating margin around 15% during FY2019-FY2022. The company should maintain its debt to capitalization ratio below 55%.

RATING SENSITIVITIES

GOLD’s rating 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 rating of GOLD. On the contrary, a weaker operating performance and/or financial profile of the Group will negatively impact the rating 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 Rating:	
Up to Bt3,000 million senior unsecured debentures due within 3 years	A-
Rating Outlook:	Stable

TRIS Rating Co., Ltd.

Silom Complex Building, 24th Floor, 191 Silom Road, Bangkok 10500, Thailand Tel: 0-2098-3000

© Copyright 2019, TRIS Rating Co., Ltd. All rights reserved. Any unauthorized use, disclosure, copying, republication, further transmission, dissemination, redistribution, or storing for subsequent use for any purpose, in whole or in part, in any form or manner or by any means whatsoever, by any person, of the credit rating reports or information is prohibited, without the prior written permission of TRIS Rating Co., Ltd. The credit rating is not a statement of fact or a recommendation to buy, sell or hold any debt instruments. It is an expression of opinion regarding credit risks for that instrument or particular company. The opinion expressed in the credit rating does not represent investment or other advice and should therefore not be construed as such. Any rating and information contained in any report written or published by TRIS Rating has been prepared without taking into account any recipient’s particular financial needs, circumstances, knowledge and objectives. Therefore, a recipient should assess the appropriateness of such information before making an investment decision based on this information. Information used for the rating has been obtained by TRIS Rating from the company and other sources believed to be reliable. Therefore, TRIS Rating does not guarantee the accuracy, adequacy, or completeness of any such information and will accept no liability for any loss or damage arising from any inaccuracy, inadequacy or incompleteness. Also, TRIS Rating is not responsible for any errors or omissions, the result obtained from, or any actions taken in reliance upon such information. All methodologies used can be found at www.trisrating.com/rating-information/rating-criteria