

FRASERS PROPERTY (THAILAND) PLC

No. 14/2019
5 February 2019

CORPORATES

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

Last Review Date: 24/05/18

Company Rating History:

Date	Rating	Outlook/Alert
25/05/17	A	Stable
27/04/16	A-	Stable
07/05/15	A	Negative
02/05/12	A	Stable
14/10/11	A	Alert Negative
21/11/05	A	Stable

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RATIONALE

TRIS Rating affirms the company rating on Frasers Property (Thailand) PLC (FPT), formerly known as TICON Industrial Connection PLC (TICON), and the ratings on FPT's outstanding senior unsecured debentures at "A" with a "stable" outlook. At the same time, TRIS Rating assigns a rating on FPT's proposed issue of up to Bt5,000 million in senior unsecured debentures due within 10 years at "A". The proceeds from the new debentures will be used for business operations.

The ratings on FPT and its debentures reflect the company's leading position and proven track record in both ready-built factories (RBFs) and warehouses for rent. The ratings also reflect FPT's status as a strategically important subsidiary of Frasers Property Holdings Thailand Co., Ltd. (FPHT), a wholly-owned subsidiary of Frasers Property Ltd. Frasers Property is one of the leading real estate companies in Singapore, listed on the main board of the Singapore Exchange (SGX). The company is 89.5% directly owned by the Fraser Group. Frasers Property's scope of business covers residential, commercial, retail, and industrial property in Singapore and Australia, as well as the hospitality business in more than 80 cities worldwide.

FPT's occupancy rate (OR) improved modestly to 66% at the end of September 2018 (FYE2018)^{1/}, from 57% at the end of September 2017. An improved OR was driven by both a 84,343 square meters (sq.m.) rise in leased areas from logistics providing industry, electronics industry, and food and beverage industry. Moreover, a 25,375 sq.m. rise in RBFs was from ongoing asset enhancements.

Revenue from assets sold to Frasers Property Thailand Industrial Freehold and Leasehold Real Estate Investment Trust (FTREIT), formerly known as TICON Freehold and Leasehold Real Estate Investment Trust (TREIT), became the largest revenue contribution in FYE2018^{2/}. Revenue from asset sales was Bt1,569 million in FYE2018, much lower an average asset sales of the Bt3,000-Bt4,700 million per annum. FPT's rental income increased 10% year-on-year (y-o-y) to Bt1,151 million in FYE2018.

FPT's profitability declined; however, the gross margin of the RBFs and warehouse space remained satisfactory at 82% and 66%, respectively, in FYE2018. A higher contribution from the asset sales to FTREIT pressured the operating margin (operating income before depreciation and amortization as a percentage of sales), dropping from 61.3% during the first nine months of 2017 to 37.0% in FYE2018.

^{1/}Note that FPT has changed its financial year end from 31 December to 30 September. Consequently, the financial statements for the accounting period from 1 January 2018 to 30 September 2018 comprise only 9 months, whereas the comparative information for the year ended 31 December 2017 is information of 12 months.

^{2/}Note that no asset sale to FTREIT during 2016-2017

The company's leverage gradually rose, but remained healthy. The total debt to capitalization ratio rose to 37.5% in FYE2018 from 35.2% in 2017, following business expansion. In FYE2018, FPT had cash on hand and marketable securities totaling Bt6,448 million to partially support the planned capital expenditures and investment in 2019-2021, which are estimated to be in the range of Bt3,300-Bt7,500 million per year.

RATING OUTLOOK

The "stable" outlook reflects the expectation that FPT will be able to maintain its leading position in factories and warehouses for rent. The company is expected to remain a strategically important subsidiary of FPHT and gradually increase its OR as planned.

Under TRIS Rating's base-case scenario, FPT's funds from operations (FFO) are projected to be around Bt1,000-Bt1,500 million per year in 2019-2021. The total debt to capitalization ratio is projected to be around 40%-50%.

RATING SENSITIVITIES

A rating upside will materialize should the company increase its OR and enlarge its rental income base considerably on a sustainable basis while its capital structure remains healthy. A rating downgrade could occur if its operating performance was weaker than expected for an extended period of time, or any aggressive investments drive the total debt to capitalization ratio significantly higher than expected, weakening its cash flow protection.

RELATED CRITERIA

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

Frasers Property (Thailand) PLC (FPT)

Company Rating:	A
Issue Ratings:	
TICON195A: Bt1,000 million senior unsecured debentures due 2019	A
TICON190A: Bt620 million senior unsecured debentures due 2019	A
TICON205A: Bt500 million senior unsecured debentures due 2020	A
TICON205B: Bt100 million senior unsecured debentures due 2020	A
TICON208A: Bt600 million senior unsecured debentures due 2020	A
TICON213A: Bt1,500 million senior unsecured debentures due 2021	A
TICON217A: Bt800 million senior unsecured debentures due 2021	A
TICON225A: Bt1,000 million senior unsecured debentures due 2022	A
TICON229A: Bt1,000 million senior unsecured debentures due 2022	A
TICON233A: Bt2,500 million senior unsecured debentures due 2023	A
TICON235A: Bt2,300 million senior unsecured debentures due 2023	A
TICON238A: Bt700 million senior unsecured debentures due 2023	A
TICON283A: Bt1,000 million senior unsecured debentures due 2028	A
Up to Bt5,000 million senior unsecured debentures due within 10 years	A
Rating Outlook:	Stable

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