

GRAND CANAL LAND PLC

No. 67/2018

18 September 2018

CORPORATES

Company Rating: BBB-
Outlook: Positive

Company Rating History:

Date	Rating	Outlook/Alert
27/07/17	BBB-	Stable

Contacts:

Auyporn Vachirakanjanaporn
auyporn@trisrating.com

Jutamas Bunyawanichkul
jutamas@trisrating.com

Rapeepol Mahapant
rapeepol@trisrating.com

Hattayanee Pitakpatapee
hattayanee@trisrating.com

Suchada Pantu, Ph. D.
suchada@trisrating.com



WWW.TRISRATING.COM

RATIONALE

TRIS Rating revises upward the rating outlook on Grand Canal Land PLC (GLAND) to “positive” from “stable”. The company rating on GLAND is affirmed at “BBB-”. The rating action follows GLAND’s announcement on 12 September 2018 that the Charoenkij Group, the major shareholder that held 50.43% stake in GLAND, has sold all of its stake in GLAND to CPN Pattaya Co., Ltd., a wholly-owned subsidiary of Central Pattana PLC (CPN). CPN Pattaya is launching a mandatory tender offer for the remaining shares in GLAND. The tender offer period will end on 31 October 2018.

The “positive” outlook reflects our expectation that GLAND’s business position and financial profile will be strengthened after becoming a subsidiary of CPN (rated “AA/Developing Alert” by TRIS Rating). The business line of GLAND is in sync with CPN’s. GLAND’s land banks are located in the prime areas which, in our view, are suitable for CPN to develop projects in the future.

The rating continues to reflect the relatively stable income streams GLAND receives from its rental properties and the moderate use of leverage. However, the rating is constrained by the tenant concentration risk and the relatively small business scale of the company.

RATING OUTLOOK

The “positive” outlook reflects the expected support GLAND will receive due to its status as a subsidiary of CPN. The acquisition should help enhance GLAND’s business position and financial profile.

RATING SENSITIVITIES

The rating downside is limited. The rating of GLAND could be upgraded once the transaction completes and TRIS Rating is able to assess the status of GLAND within the CPN Group.

COMPANY OVERVIEW

GLAND was formerly known as Media of Medias PLC (MMP). MMP was established in 1985 and listed on the Stock Exchange of Thailand (SET) in 1996. In 2009, Grand Canal Land Co., Ltd. completed a reverse takeover of MMP and changed its business from media and television to real estate development. A year later, MMP changed its company name to “Grand Canal Land PLC” or “GLAND”. As of March 2018, GLAND’s major shareholder was Charoenkij Group, the founder of GLAND, which held approximately 51% of the company.

GLAND’s properties are located on a 73-rai plot of land at the heart of the Rama IX intersection, Ratchadapisek road. GLAND has already developed three office buildings on Rama IX road: The 9th Towers, Unilever House, and G Tower. The three buildings hold a total lettable area of 148,749 square meters (sq.m.) plus a retail space of 25,397 sq.m.

The rental properties have started generating income since 2014, however, the contribution was quite small. GLAND’s revenue from the condominium segment comprised 80%-97% of total revenues during 2012-2015, while revenue from rental and service business gradually increased to more than

75% in 2017 from 7% in 2014.

GLAND plans to build the tallest building in Thailand, the “Super Tower”. The Super Tower will have a total lettable area of 143,000 sq.m., comprising 120,000 sq.m. of office space and 23,000 sq.m. of retail space. The expected rental rate of the Super Tower’s office space will be around Bt1,200 per sq.m. per month. The investment in the Super Tower project, excluding the land cost, will be around Bt22,000 million. The construction period will run from 2018 to 2024.

Grand Canal Land PLC (GLAND)

Company Rating:	BBB-
Rating Outlook:	Positive

TRIS Rating Co., Ltd.

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

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