

# PRINSIRI PLC

No. 29/2023  
3 March 2023

## CORPORATES

<b>Company Rating:</b>	BBB-
<b>Issue Ratings:</b>	
Senior unsecured	BBB-
<b>Outlook:</b>	Stable

Last Review Date: 02/12/22

### Company Rating History:

Date	Rating	Outlook/Alert
13/03/19	BBB-	Stable
21/02/18	BB+	Positive
17/03/16	BB+	Stable
03/07/15	BBB-	Alert Developing
29/10/14	BBB-	Negative
21/08/12	BBB-	Stable
24/11/11	BBB-	Negative
24/05/11	BBB-	Stable

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## RATIONALE

TRIS Rating affirms the company rating on Prinsiri PLC (PRIN) and the ratings on PRIN's senior unsecured debentures at "BBB-", with a "stable" rating outlook. The ratings reflect the company's modest business scale, moderately high financial leverage, and tight liquidity. However, the ratings are supported by its steady performance and satisfactory profitability. The ratings also incorporate our concerns over the persistently high household debt levels and rising inflation which could impact the purchasing power of homebuyers in the middle- to low-income segments, which are the target segments of PRIN.

## KEY RATING CONSIDERATIONS

### Ratings constrained by modest business scale

PRIN's revenue and earnings base remains modest compared with other rated property developers. PRIN's revenue ranged between THB2.2-THB2.5 billion and its earnings before interest, taxes, depreciation, and amortization (EBITDA) between THB600-THB800 million in 2020-2022. With its small capital base, PRIN has limited capacity to enlarge its business scale to that of higher-rated peers. Also, its aggressive project expansion could pose significant risk to its balance sheet.

We expect PRIN's operating performance will be supported by expected growth in the domestic economy and pent-up demand in the landed property market. Our base-case scenario projects PRIN's revenue to increase by 5%-7% per annum to the THB2.6-THB3.0 billion level in 2023-2025. We expect the company's EBITDA to remain at THB600-THB700 million with an EBITDA margin of 24%.

As of December 2022, PRIN had 37 active projects. The value of unsold units (including built and un-built units) was THB9.4 billion, comprising townhouses (THs) (53%), single detached houses (SDHs) and semi-detached houses (DHs) (33%), and condominiums (14%). The company's backlog was only THB199 million, all of which is expected to be recognized as revenue in 2023.

### Satisfactory profitability

PRIN's profit margins improved steadily in the past few years. Its EBITDA margins grew from 23% in 2019 to more than 30% in 2022. The very high margins in 2022 incorporated cost revisions and very high margins of some housing projects. However, given the depletion of high-profit inventories and the absence of cost revision, we expect PRIN's profit margin to revert to its normal level in 2023.

Despite intense competition and rising project development costs, we expect PRIN's profitability will be in line with the industry average. PRIN's gross profit margin should return to the normal range of around 32%-33% in 2023-2025, declining from 43% in 2022 and 36% in 2021. The average gross profit margin of the industry is around 30%-33%. We also expect PRIN's operating margin to reach the average of 15%, in line with other rated property developers. Its bottom line will likely amount to THB230-THB260 million or 8%-10% of total operating revenue.

### Moderately high financial leverage

We view PRIN's debt level as heading upward in the wake of its continued project expansion. PRIN acquired land plots with total purchasing prices of

THB1.1-THB1.3 billion per annum in 2021-2022. This amount was much higher than that spent in recent years. PRIN also launched four landed property projects worth THB3.4 billion in 2022. The large spending on its land plots and new projects pushed PRIN's debt to capitalization ratio to rise to 48% as of December 2022, from 45% in 2021 and 41% in 2020.

Given its plan to continually launch new projects every year, PRIN's debt to capitalization ratio is expected to hang at around 50% in 2023-2025. Our base-case scenario projects the company to launch landed property projects worth THB4 billion per annum. We also incorporate the annual budget for land acquisition of THB1 billion and annual capital expenditures for construction of THB1.0-THB1.4 billion in our assumption. With projected modest revenue growth plus the EBITDA margin of 24%, we expect PRIN should be able to sustain its net debt to EBITDA ratio at 7-8 times and its funds from operations (FFO) to total debt ratio at 5%-6% over the forecast period.

At the end of December 2022, PRIN's total consolidated debt was THB5.2 billion. PRIN's priority debt, including secured debt of the parent company and total debt of its operating subsidiaries, was THB2.2 billion. These translate to a priority debt to total consolidated debt ratio of 42%.

### **Tight but manageable liquidity**

We assess PRIN's liquidity to be tight but manageable over the next 12 months. As of December 2022, the company had maturing debts over the next 12 months totaling THB1.6 billion, comprising THB1.1 billion in debentures, THB0.2 billion in short-term loans from financial institutions, and THB0.2 billion in long-term project loans. We estimate PRIN's aggregated expenditures for land and construction will be around THB2 billion in 2023 and the dividend payment to be 30% of net profit. At the end of December 2022, PRIN's sources of liquidity included cash on hand of THB0.3 billion and undrawn unconditional committed credit facilities of THB0.2 billion. We forecast FFO to be around THB0.3 billion in 2023. PRIN also has unencumbered land banks worth THB2.2 billion at cost, which can be pledged as collateral for new credit facilities, if needed. PRIN usually refinances its matured debentures by new debenture issuances and converts its matured short-term promissory notes (P/Ns) to long-term project loans thereafter. Project loans are normally repaid with the proceeds from the underlying projects' unit transfers.

The financial covenants on PRIN's debt obligations require the company to keep the interest-bearing debt to equity (IBD/E) ratio below 2.5 times and the total liabilities to total equity (D/E) ratio below 2 times. The ratios at the end of December 2022 were 1.0 times and 1.3 times, respectively. We believe the company should have no difficulty complying with the financial covenants over the next 12 months.

### **BASE-CASE ASSUMPTIONS**

These are the key assumptions in TRIS Rating's base-case forecast for PRIN's operations during 2023-2025:

- New project launches of around THB4 billion per annum with annual budget for land acquisition of THB1 billion
- Operating revenues to range between THB2.6-THB3.0 billion per annum
- Gross profit margin to range between 32%-33%, and EBITDA margin to range between 23%-25%

### **RATING OUTLOOK**

The "stable" outlook reflects our expectation that PRIN will be able to deliver its operating performance and sustain its financial profile as per our targets. We expect PRIN's EBITDA margin to range around 23%-25% and debt to capitalization ratio to hover around 50%. We also expect the company's FFO to debt ratio to remain above 5% over the forecast period.

### **RATING SENSITIVITIES**

PRIN's credit upside would materialize if the company can significantly enlarge its revenue and earnings base, while maintaining its financial profile at the current level. Conversely, the ratings and/or outlook could be revised downward if its operating performance and/or financial profile deteriorate materially from our base-case forecast.

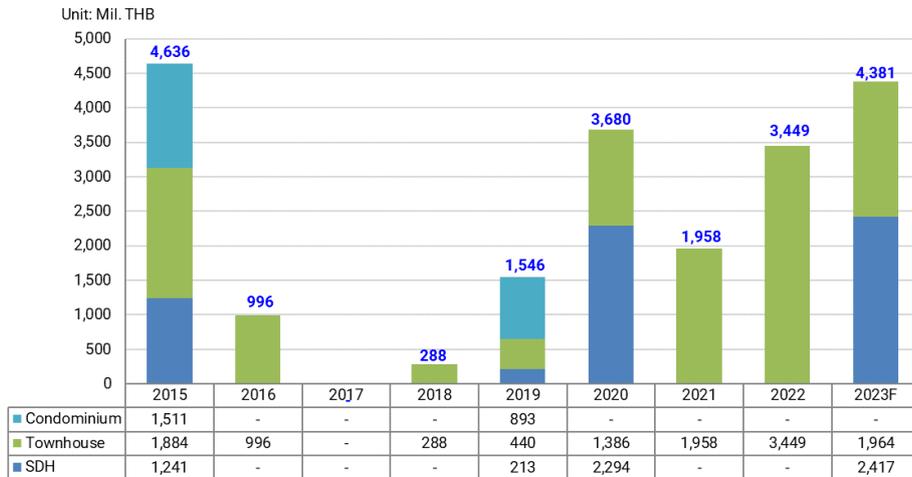
### **COMPANY OVERVIEW**

PRIN was established by the Kovitchindachai family in 2000 and listed on the Stock Exchange of Thailand (SET) in 2005. The Kovitchindachai family has been the company's major shareholder since its inception, owning a 38% stake as of December 2022. PRIN focuses on developing low-rise housing projects and targets the middle- to low-income segment in the Greater Bangkok area. The company offers a wide range of residential property products, including SDHs, semi-DHs, THs, and low-rise condominiums. Most of its products have average selling prices in the THB2-THB6 million per unit range.

As of December 2022, PRIN had 37 active projects. The value of unsold units (both built and un-built units) was THB9.4 billion, comprising THs (53%), SDHs and semi-DHs (33%), and condominiums (14%). PRIN's revenue mainly stemmed from landed property projects, contributing 91% of the total revenue for the first nine months of 2022.

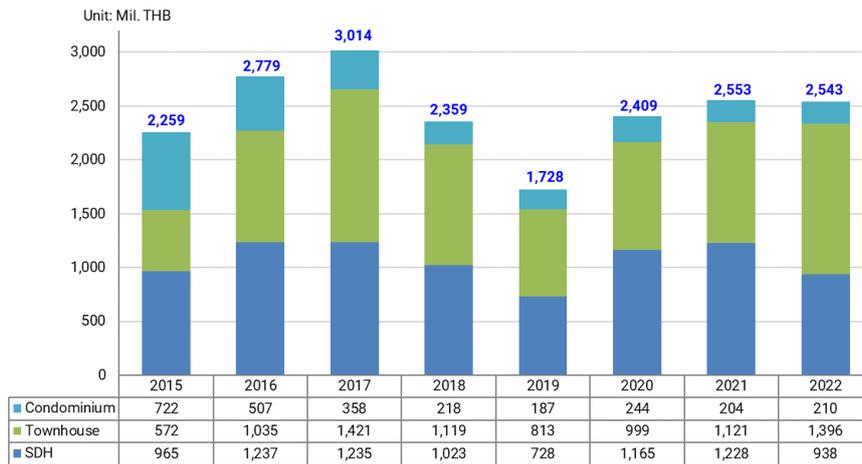
**KEY OPERATING PERFORMANCE**

**Chart 1: New Project Launches**



Source: PRIN

**Chart 2: Presales**



Source: PRIN

**Chart 3: Transfers**



Source: PRIN

**FINANCIAL STATISTICS AND KEY FINANCIAL RATIOS\***

Unit: Mil. THB

	-----Year Ended 31 December -----				
	2022	2021	2020	2019	2018
Total operating revenues	2,500	2,279	2,390	1,793	2,487
Earnings before interest and taxes (EBIT)	760	551	581	359	547
Earnings before interest, taxes, depreciation, and amortization (EBITDA)	817	610	639	418	608
Funds from operations (FFO)	470	343	340	140	341
Adjusted interest expense	244	193	206	235	195
Real estate development investments	9,880	8,564	7,458	7,720	6,708
Total assets	11,582	11,304	9,243	9,458	8,422
Adjusted debt	4,829	4,034	3,193	3,580	3,430
Adjusted equity	5,154	4,852	4,634	4,387	4,264
<b>Adjusted Ratios</b>					
EBITDA margin (%)	32.67	26.74	26.73	23.28	24.45
Pretax return on permanent capital (%)	7.39	6.04	7.04	4.38	6.86
EBITDA interest coverage (times)	3.35	3.16	3.10	1.78	3.12
Debt to EBITDA (times)	5.91	6.62	5.00	8.57	5.64
FFO to debt (%)	9.74	8.49	10.66	3.92	9.94
Debt to capitalization (%)	48.37	45.40	40.80	44.93	44.58

\* Consolidated financial statements

**RELATED CRITERIA**

- Homebuilders and Real Estate Developers Rating Methodology, 12 January 2023
- Corporate Rating Methodology, 15 July 2022
- Key Financial Ratios and Adjustments for Corporate Issuers, 11 January 2022
- Issue Rating Criteria, 15 June 2021

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**Prinsiri PLC (PRIN)**

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<b>Company Rating:</b>	BBB-
<b>Issue Ratings:</b>	
PRIN25DA: THB500 million senior unsecured debentures due 2025	BBB-
PRIN267A: THB450 million senior unsecured debentures due 2026	BBB-
<b>Rating Outlook:</b>	Stable

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**TRIS Rating Co., Ltd.**

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