

HOME PRODUCT CENTER PLC

No. 112/2022
25 October 2022

CORPORATES

Company Rating:	AA-
Issue Ratings:	
Senior unsecured	AA-
Outlook:	Stable

Last Review Date: 23/09/22

Company Rating History:

Date	Rating	Outlook/Alert
06/12/18	AA-	Stable
29/11/17	A+	Positive
18/11/11	A+	Stable
17/11/10	A	Positive
22/10/08	A	Stable
23/01/07	A-	Stable
15/10/04	BBB+	Stable
12/07/04	BBB	Positive
05/11/03	BBB	-

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RATIONALE

TRIS Rating affirms the company rating on Home Product Center PLC (HMPRO) and the rating on its existing senior unsecured debentures at “AA-” with a “stable” outlook. At the same time, TRIS Rating assigns the rating of “AA-” to HMPRO’s proposed issue of up to THB3 billion in senior unsecured debentures. The proceeds from the new debenture issuance will be used to refinance HMPRO’s outstanding debt.

The ratings reflect HMPRO’s leading competitive position in the home improvement retail business in Thailand, its sound financial standing, and manageable working capital. However, HMPRO’s strengths are offset by cyclicalities in the housing market, intensifying competitive pressures, and decelerating economic growth in Thailand.

During the first half of 2022, its total operating revenue grew by 3.6% year-on-year (y-o-y). HMPRO’s earnings before interest, taxes, depreciation, and amortization (EBITDA) margin increased to 17.3%, compared with 16.0% in the same period of the prior year. The company’s strategy is to focus more on high-margin products. Under our projection, HMPRO’s EBITDA margin is projected to stay in the 15%-17% range during 2022-2024.

We expect HMPRO’s financial profile to remain strong over the forecast period. Total debt to capitalization ratio increased to 41.2% at the end of June 2022, from 39.8% at the end of 2021, following higher working capital needs and lease liability. In our projection, HMPRO’s total debt to capitalization ratio is projected to remain in the 39%-41% range during 2022-2024. In addition, we forecast that the adjusted net debt to EBITDA ratio of HMPRO will stay at around 1.4-1.6 times, due mainly to improvement of EBITDA during the post-Coronavirus Disease 2019 (COVID-19) period.

We expect HMPRO to maintain sound liquidity over the next 12-18 months. The company has scheduled debt repayments of THB3.2-THB5.2 billion per year during 2022-2024. At the end of June 2022, its cash on hand and short-term investments stood at THB4.2 billion. During 2022-2024, we project its EBITDA of around THB11 billion per annum.

RATING OUTLOOK

The “stable” outlook reflects TRIS Rating’s expectation that HMPRO will remain Thailand’s leading home improvement retailer. We expect the company’s financial leverage to remain at low levels even as the company continues its business expansion.

RATING SENSITIVITIES

The ratings could be upgraded if the company significantly enlarges cash generation while maintaining a strong balance sheet. In contrast, HMPRO’s ratings could be revised downward if its financial performance is weaker than expected or if leverage rises significantly, either as a result of an aggressive expansion or a material drop in operating performance.

CreditUpdate, reviews ratings of companies or debt issues that have already been rated by TRIS Rating. The CreditUpdate occurs when new debt instruments are issued or if significant events have taken place that may impact a company’s current ratings or when current ratings are cancelled. The CreditUpdate announces whether a rating has been “upgraded,” “downgraded,” “affirmed” or “cancelled.” The update includes information to supplement the previously published ratings.

Credit Updates are part of TRIS Rating’s monitoring process. TRIS Rating monitors every rating it assigns until either the debt instrument matures or the rating contract ends. To keep the public informed of changing situations, TRIS Rating periodically issues announcements about the credit ratings it monitors.

RELATED CRITERIA

- Corporate Rating Methodology , 15 July 2022
- Key Financial Ratios and Adjustments for Corporate Issuers, 11 January 2022
- Issue Rating Criteria, 15 June 2021

Home Product Center PLC (HMPRO)

Company Rating:	AA-
Issue Ratings:	
HMPRO257A: THB3,000 million senior unsecured debentures due 2025	AA-
Up to THB3,000 million senior unsecured debentures due within 3 years	AA-
Rating Outlook:	Stable

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