

HOME PRODUCT CENTER PLC

No. 67/2022
30 June 2022

CORPORATES

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

Last Review Date: 20/09/21

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) 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 THB3.0 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 well managed working capital. However, HMPRO’s strengths are offset by cyclicalities in the housing market, intensifying competitive pressures, and decelerating economic growth in Thailand.

HMPRO’s total operating revenue remained in line with TRIS Rating’s projection for 2021. Its total revenue was pressured by the impacts of COVID-19 lockdowns in the third quarter of 2021; however, the total revenue bounced back by 26% quarter-on-quarter (q-o-q) in the last quarter of 2021 following the gradual easing of COVID-19 restrictions. Thus, total operating revenue grew by 3.5% year-on-year (y-o-y) to THB63.9 billion in 2021.

HMPRO’s gross margin increased to 25.8% in 2021, compared with 25.3% in 2020. The company’s strategy is to focus more on high-margin products. Sales of house and imported brands, which carry higher margins, accounted for 19.5% of total sales in 2021. HMPRO aims to maintain the proportion of house and imported brands at 20%-20.5% of sales in 2022. The company’s earnings before interest, taxes, depreciation, and amortization (EBITDA) increased by 4% y-o-y to THB10.3 billion in 2021. The company reported a net profit of THB5.4 billion in 2021, compared with THB5.2 million in 2020.

During the first quarter of 2022, HMPRO’s total operating revenue and net profit remained satisfactory. Total operating revenue grew by 5.3% y-o-y. EBITDA also improved by 6.1% y-o-y, rising to THB2.8 billion in the first three months of 2022. HMPRO reported a net profit of THB1.5 billion in the first quarter of 2022, compared with THB1.4 billion in the same period of the prior year.

We expect HMPRO’s financial profile to remain strong over the forecast period. HMPRO’s total debt to capitalization ratio was 38.7% as of December 2021, down from 41.7% at the end of December 2020. In our base-case projection, HMPRO’s total debt to capitalization ratio is projected to remain in the 32%-35% range during 2022-2024.

We expect HMPRO to have ample liquidity over the next 12-18 months. The company has scheduled debt repayments of THB3.2-THB5.2 billion per annum during 2022-2024. At the end of March 2022, its cash on hand and short-term investments stood at THB4.7 billion, with unused credit facilities of more than THB11.7 billion.

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 leverage to remain at an acceptable level even as the company continues its business expansion.

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.

RATING SENSITIVITIES

The rating could be upgraded if the company significantly enlarges cash generation while maintaining a strong balance sheet. In contrast, HMPRO's rating 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 drop in operating performance.

RELATED CRITERIA

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

Home Product Center PLC (HMPRO)

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

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