

PRINSIRI PLC

No. 124/2022
2 December 2022

CORPORATES

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

Last Review Date: 25/04/22

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 existing senior unsecured debentures at "BBB-", with a "stable" rating outlook. At the same time, we assign the rating of "BBB-" to PRIN's proposed issue of up to THB450 million senior unsecured debentures due within three and a half years. The company plans to use the proceeds from the new debentures to refinance the debentures coming due in February 2023 and to fund business operation.

The ratings reflect PRIN's relatively small revenue base, satisfactory profitability, rising financial leverage, and adequate liquidity. The ratings also incorporate our concerns over the relatively high household debt level and rising inflation which could impact the purchasing power of homebuyers in the short- to medium-term while pushing up development and funding costs for developers.

PRIN's operating revenues during the first nine months of 2022 were THB1.8 billion, up 23% year-on-year (y-o-y) and in line with our forecast. The company's profitability exceeded our expectations, thanks to the improving gross profit margin from residential sales. The company's earnings before interest, taxes, depreciation, and amortization (EBITDA) during the first nine months of 2022 reached at THB613 million, achieving our full-year target.

As of September 2022, PRIN had 38 projects, comprising 28 landed property projects and 10 condominium projects. The total unsold value of these projects was THB9.7 billion (including built and unbuilt units). Landed property projects accounted for 86% of the total remaining value, while the rest comprised condominium projects. Its backlog was THB348 million which will be transferred during the last quarter of 2022.

PRIN's leverage is rising. Nonetheless, we expect the company to keep its debt to capitalization ratio below 50%. As of September 2022, the ratio was 48.7%, increasing slightly from 45.4% at the end of 2021. The company had debts of THB5.2 billion, comprising THB223 million bridge loans, THB1.5 billion project loans, THB3 billion debentures, and THB521 million long-term aval for land purchases. Around THB2.2 billion of its total debts were considered priority debts translating to a priority debt to total debt ratio of 42%.

We assess PRIN to have adequate liquidity to cover its debt repayments over the next 12 months. At the end of September 2022, its sources of liquidity included cash on hand of THB355 million and undrawn committed credit facilities of THB212 million. We expect funds from operations (FFO) of around THB250-THB350 million per annum. PRIN also has unencumbered assets at cost worth THB2.2 billion, which can be pledged as collateral for new credit facilities. The company had debts of THB558 million coming due in the next 12 months, comprising THB223 million bridge loans and THB335 million maturing debentures.

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 September 2022 were 1 times and 1.3 times, respectively. Thus, the company should comfortably comply with the financial covenants over the next 12 months.

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 OUTLOOK

The “stable” outlook reflects our expectation that PRIN will maintain its operating performance and financial position as targeted. We expect PRIN’s revenues to stay in the THB2.4-THB3.2 billion range with the EBITDA margin hovering around 24% during 2022-2024. We also expect the company to keep the debt to capitalization ratio below 50% and the FFO to debt ratio above 5% over the forecast period.

RATING SENSITIVITIES

We could revise PRIN’s ratings or outlook upward if the company can significantly enlarge its revenue and earnings base, while maintaining its financial profile at the current level. In contrast, we would revise the ratings and/or outlook downward if its operating performance and/or financial profile deteriorate materially from our base-case forecast.

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

Prinsiri PLC (PRIN)

Company Rating:	BBB-
Issue Ratings:	
PRIN25DA: THB500 million senior unsecured debentures due 2025	BBB-
Up to THB450 million senior unsecured debentures due within 3 years 6 months	BBB-
Rating Outlook:	Stable

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