TRIS RATING
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CreditUpdate เครดิตวาระ
New Issue Report

PRUKSA HOLDING PLC

No. 40/2022
19 April 2022

CORPORATES

Company Rating:	A
Issue Ratings:	
Guaranteed	A
Outlook:	Stable

Last Review Date: 06/07/21

Company Rating History:

Date	Rating	Outlook/Alert
27/04/18	A	Stable

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RATIONALE

TRIS Rating affirms the company rating on Pruksa Holding PLC (PSH) and the ratings on its existing guaranteed debentures at "A", with a "stable" rating outlook. At the same time, we assign the rating of "A" to PSH's proposed issue of up to THB3 billion guaranteed debentures. The debentures are unconditionally and irrevocably guaranteed by Pruksa Real Estate PLC (PS), PSH's subsidiary, rated "A" with a "stable" outlook by TRIS Rating. The guaranteed debentures are ranked pari passu to PS's senior unsecured creditors. The proceeds from the new debentures are intended to be used to refinance debentures coming due in May 2022 and replace short-term loans drawn in March 2022.

The ratings reflect PSH's creditworthiness as the holding company of PS, in which PSH holds a 98.23% equity stake, and the significant dividend stream PSH receives from PS. PS is considered a "core" subsidiary of PSH in accordance with our "Group Rating Methodology".

PSH's credit profile is derived mainly from the strengths of PS as one of the largest players in the Thai residential property market. PS's competitiveness is underpinned by its relatively diverse product portfolio and large backlog, which partly secures the company's future revenue stream. The ratings also incorporate the PS Group's moderate financial leverage and our concerns over the drawn-out Coronavirus Disease 2019 (COVID-19) pandemic, which is likely to continue to pressure the demand for residential properties for an extended period.

PSH's operating revenues in 2021 were only THB28.4 billion, almost 10% lower than our target. Its profit margin also declined but remained in line with our projection. Its earnings before interest, taxes, depreciation, and amortization (EBITDA) margin and net profit margin were 15% and 9%, respectively, of total operating revenue in 2021, around 1% better than our forecast.

Looking forward, we view that revenue and profit from the real estate business will remain the key contributor to PSH in the next 2-3 years. We expect PSH's residential sales to revive to the THB37-THB38 billion per annum level during 2022-2023. Revenues from the healthcare business will only be THB0.3-THB0.4 billion per annum in the next couple of years. PSH has to absorb the loss incurred by Vimut hospital during the initial phase of its operations, but this should not significantly drag down the overall profitability of the group.

As of March 2022, PSH's real estate business had around 170 existing projects. The total unsold value of these projects was THB73.7 billion (including built and unbuilt units). Landed property projects accounted for 80% of total remaining value, while condominium projects accounted for the rest. The drop in condominium presales during 2020-2021 resulted in PSH's backlog reaching its lowest point in a decade at THB20.3 billion at the end of March 2022. Around 93% of total backlog is expected to be transferred to customers during the remainder of 2022, and the rest during 2023-2025. The backlog should partly secure operating revenues amid an unfavorable economic environment this year.

On a consolidated basis, we assess PSH to have adequate liquidity over the next 12 months. As of December 2021, PSH's sources of funds comprised THB3.3

billion in cash, THB6.6 billion in undrawn committed credit facilities, and THB15.7 billion in undrawn uncommitted credit facilities. We forecast PSH's funds from operations (FFO) in 2022 to be THB4.9 billion. PSH also had unencumbered land at book value of THB12 billion, which could be pledged as collateral for new loans, if needed. Debts due over the next 12 months will amount to THB9.9 billion, comprising THB9.5 billion in debentures and THB400 million in long-term loans. PSH already repaid the THB3.5 billion debentures due in March 2022 with internal cash and bank loans.

As of December 2021, PSH had THB19.1 billion in debt. PSH's priority debt to total debt ratio was at a very low level of 5%. Thus, we view that PSH's unsecured creditors are not significantly disadvantaged with respect to claims against the company's assets.

RATING OUTLOOK

The "stable" outlook reflects our expectation that PSH will be able to deliver operating results as targeted. PSH's property subsidiary should be able to transfer its backlog as scheduled. Despite continued sluggish demand in the residential property market caused by the prolonged COVID-19 pandemic, we expect PSH to keep its FFO to total debt ratio at least 15%. We also expect PSH to improve its debt to EBITDA ratio to around 3 times over the forecast period.

RATING SENSITIVITIES

PSH's ratings will depend largely on the operating performance and financial position of the group. Successful diversification into new businesses would be a positive factor for the ratings. On the contrary, a downward revision would materialize if the operating performance of PSH's property subsidiary significantly deviates from the target level and/or weak operating results of its healthcare business materially weigh down the credit profile of the group.

RELATED CRITERIA

- Key Financial Ratio and Adjustments for Corporate Issuers, 11 January 2022
- Issue Rating Criteria, 15 June 2021
- Group Rating Methodology, 13 January 2021
- Rating Methodology – Corporate, 26 July 2019

Pruksa Holding PLC (PSH)

Company Rating:	A
Issue Ratings:	
PSH225A: THB2,000 million guaranteed debentures due 2022	A
PSH22NA: THB3,500 million guaranteed debentures due 2022	A
PSH22NB: THB500 million guaranteed debentures due 2022	A
PSH235A: THB750 million guaranteed debentures due 2023	A
PSH23NA: THB2,000 million guaranteed debentures due 2023	A
PSH245A: THB3,000 million guaranteed debentures due 2024	A
PSH24NA: THB3,000 million guaranteed debentures due 2024	A
Up to THB3,000 million guaranteed debentures due within 5 years	A
Rating Outlook:	Stable

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