

# QUALITY HOUSES PLC

No. 12/2024  
15 February 2024

## CORPORATES

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

**Last Review Date:** 31/07/23

### Company Rating History:

Date	Rating	Outlook/Alert
31/07/23	A-	Stable
26/07/22	A-	Negative
18/04/13	A-	Stable
24/11/11	A-	Negative
10/05/10	A-	Stable
02/07/09	A-	Negative
21/07/08	A-	Stable
12/07/04	BBB+	Stable
24/03/04	BBB+	-
23/07/03	BBB	-

### Contacts:

Hattayanee Pitakpatapee  
hattayanee@trisrating.com

Bundit Pommata  
bundit@trisrating.com

Jutamas Bunyawanichkul  
jutamas@trisrating.com

Suchada Pantu, Ph.D.  
suchada@trisrating.com



WWW.TRISRATING.COM

## RATIONALE

TRIS Rating affirms the company rating on Quality Houses PLC (QH) and the ratings on QH's existing senior unsecured debentures at "A-", with a "stable" rating outlook. At the same time, we assign the rating of "A-" to QH's proposed issue of up to THB2.5 billion senior unsecured debentures due within three years. The proceeds from the new debentures will be used to repay a portion of the debentures maturing in March 2024.

The ratings reflect QH's relatively diversified product portfolio, together with its significant dividend income and financial flexibility derived from its investments in affiliates. However, the ratings are weighed down by the cyclical nature of the residential property industry and our concerns over the reimposition of stringent loan-to-value (LTV) rules in 2023, interest rate hikes, and high household debts which could negatively impact demand for housing in the short to medium term.

QH's operating revenues in the first nine months of 2023 (9M2023) was THB6.7 billion, achieving only 68% of our full-year forecast. This was the result of inert housing demand and unfavorable market sentiment. However, QH's profitability remained satisfactory, thanks to the improving profit margin from the hospitality business and higher profit sharing from affiliates. As a result, its earnings before interest, taxes, depreciation, and amortization (EBITDA) in 9M2023 stood at THB2.5 billion, or around 85% of our full-year target.

As of December 2023, QH had 68 projects, comprising 56 landed property projects and 12 condominium projects. The total unsold value of these projects was THB40.1 billion (including built and unbuilt units). Landed property projects accounted for 74% of the total remaining value, while the rest comprised ready-to-transfer condominium projects. Its backlog was THB0.5 billion.

We expect QH's financial leverage to remain low over the next three years as it continues to focus on the launches of landed property projects. We forecast QH's debt to capitalization ratio to stay in the 25%-28% range and the debt to EBITDA ratio to hover around 3.5 times. As of September 2023, the ratios were 27% and 3.3 times respectively. QH had total debt of THB10.8 billion, comprising THB9.3 billion debentures and THB1.5 billion long-term loans. THB0.3 billion of its total debts were considered priority debts, which translates to a priority debt to total consolidated debt ratio of 3%.

We assess QH to have adequate liquidity over the next 12 months. At the end of September 2023, its sources of liquidity included cash on hand of THB1.6 billion and available short-term credit facilities of THB4.2 billion. We project QH's funds from operations (FFO) to be around THB2 billion over the next 12 months. The company also has unencumbered land at book value worth THB5.3 billion, which can be pledged as collateral for new credit facilities. The company had debts of THB5.4 billion coming due in the next 12 months, comprising THB4.5 billion maturing debentures and THB0.9 billion term loan repayments.

The financial covenant on QH's debentures and bank loans requires the company to maintain its net interest-bearing debt to equity ratio (net IBD/E) below 2 times. The ratio at the end of September 2023 was 0.4 times. Thus, the company should comfortably comply with the financial covenant over the next 12 months.

## RATING OUTLOOK

The “stable” outlook reflects our expectation that QH should be able to deliver operating performance in line with our forecast and maintain its financial profile at the current level. We expect QH to generate revenues of THB9.5-THB10 billion per annum and the EBITDA should stand above THB3 billion over the forecast period. The company should maintain the debt to capitalization ratio below 50% and the debt to EBITDA below 5 times over the next three years.

## RATING SENSITIVITIES

The ratings and/or outlook could be revised downward should the company’s operating results and/or financial profile deteriorate significantly from our expectations causing the debt to capitalization ratio to rise above 50% and the debt to EBITDA ratio to exceed 5 times on a sustainable basis. A credit upside would be limited in the near term. However, a credit upside scenario could emerge if the company improves its operating performance, such that the EBITDA stay around THB5 billion with the EBITDA from its own business operations above THB3 billion on sustained basis, while its financial profile does not significantly deteriorate from the current level.

## 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

## Quality Houses PLC (QH)

<b>Company Rating:</b>	A-
<b>Issue Ratings:</b>	
QH243A: THB3,000 million senior unsecured debentures due 2024	A-
QH246A: THB1,500 million senior unsecured debentures due 2024	A-
QH24NA: THB730 million senior unsecured debentures due 2024	A-
QH255A: THB1,000 million senior unsecured debentures due 2025	A-
QH25NA: THB720 million senior unsecured debentures due 2025	A-
QH25DA: THB550 million senior unsecured debentures due 2025	A-
QH25DB: THB1,000 million senior unsecured debentures due 2025	A-
Up to THB2,500 million senior unsecured debentures due within 3 years	A-
<b>Rating Outlook:</b>	Stable

## TRIS Rating Co., Ltd.

Silom Complex Building, 24th Floor, 191 Silom Road, Bangkok 10500, Thailand Tel: +66 2 098 3000

© Copyright 2024, TRIS Rating Co., Ltd. All rights reserved. Any unauthorized use, disclosure, copying, republication, further transmission, dissemination, redistribution or storing for subsequent use for any purpose, in whole or in part, in any form or manner or by any means whatsoever, by any person, of the credit rating reports or information is prohibited, without the prior written permission of TRIS Rating Co., Ltd. The credit rating is not a statement of fact or a recommendation to buy, sell or hold any debt instruments. It is an expression of opinion regarding credit risks for that instrument or particular company. The opinion expressed in the credit rating does not represent investment or other advice and should therefore not be construed as such. Any rating and information contained in any report written or published by TRIS Rating has been prepared without taking into account any recipient’s particular financial needs, circumstances, knowledge and objectives. Therefore, a recipient should assess the appropriateness of such information before making an investment decision based on this information. Information used for the rating has been obtained by TRIS Rating from the company and other sources believed to be reliable. Therefore, TRIS Rating does not guarantee the accuracy, adequacy, or completeness of any such information and will accept no liability for any loss or damage arising from any inaccuracy, inadequacy or incompleteness. Also, TRIS Rating is not responsible for any errors or omissions, the result obtained from, or any actions taken in reliance upon such information. All methodologies used can be found at [www.trisrating.com/rating-information/rating-criteria](http://www.trisrating.com/rating-information/rating-criteria)