

Press Release

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TRIS Rating Assigns "A/Stable" Rating to Senior Unsecured Debt Worth Up to Bt5,000 Million of "PS"

TRIS Rating has assigned the rating of "A" to the proposed issue of up to Bt5,000 million in senior unsecured debentures of Pruksha Real Estate PLC (PS). At the same time, TRIS Rating has affirmed the company rating and the existing senior unsecured debenture ratings of PS at "A". The outlook remains "stable". The proceeds from the new debentures will be used to refinance the Bt2,000 million debentures maturing in January 2017, and the rest will be replaced for short-term loans.

PS's ratings reflect its leading position in the middle-to-low-priced townhouse segment, proven track record in the middle-to-low-income residential property market, cost competitiveness, and large backlog, which partly secures the company's future revenue stream. The ratings also take into consideration the relatively high level of household debts nationwide, coupled with the current slowdown in the domestic economy, which may impact the demand in the residential property market in the short to medium term.

The "stable" outlook reflects the expectation that PS will sustain its operating performance over the next three years. The company is expected to deliver a large number of the units in its backlog as scheduled. The total debt to capitalization ratios of PS and Pruksha Holding PLC (PSH) should stay at around 50%.

PS's future outlook will depend on not only its performance but also the financial position of the Group. A successful diversification into new businesses will be positive for the Group. On the contrary, the ratings of PS will be negatively affected if the investment in new businesses of the holding company drags down the financial position of the Group.

PS is one of the leading residential property developers in Thailand. The company was established in 1993 by Mr. Thongma Vjittongpun and was listed on the Stock Exchange of Thailand (SET) in December 2005. After the completion of the tender offer following the restructuring plan in November 2016, PSH became the major shareholder of PS, with a 97.9% stake. On 1 December 2016, PSH's securities were listed on the SET in place of PS, whose securities were delisted from the SET simultaneously. The Vjittongpun family was PSH's largest shareholder, owning a 69% stake.

At the end of November 2016, PS had a large project portfolio, with around 200 existing projects. Its residential project portfolio comprises townhouses (50% of total project value), condominiums (30%), and single detached houses (SDHs, 20%). PS's main focus is the middle-to-low-end segment of the residential property market. However, the company is moving to higher-priced products to expand its project portfolio and meet customer's demand. As of November 2016, the value of remaining unsold units (including built and un-built units) across PS's project portfolio was Bt90,000 million. The total backlog was valued at Bt28,000 million and is expected to be delivered during the rest of 2016 through 2018.

After the reorganization, PS still focuses on the residential real estate for sale. All operating assets and key management team of PS remain intact. Since PS will be the major contributor to the Group over the next several years, PS will be considered as a "core" subsidiary of the Group. Thus, the issuer ratings of PS and the Group will be equivalent. The new structure under PSH will provide more flexibility for the Group in its expansion into new businesses and facilitate alliance with strategic partners. Currently, PSH is in the process of exploring new business opportunities, especially ones that can generate recurring income for the Group. Going forward, given higher contribution from other subsidiaries, the ratings of the Group and PS in the future may be revised.

PS's presales during the first 11 months of 2016 was around Bt43,000 million, increasing by 2% from the full-year presales of 2015. Presales from condominium drove the growth, while presales from townhouse, SDH, and overseas dropped. PS's revenue in 2015 reached a record high of Bt51,240 million, a 20% year-on-year (y-o-y) growth. PS's revenue over the past three years ranked the highest among those of all leading property developers and hit a new record high for the industry. Revenue during the first nine months of 2016 was Bt32,978 million, a 2% y-o-y drop. Revenue during the remainder of 2016 is partly secured by a backlog worth around Bt10,000 million. The remaining backlog worth Bt18,000 million is expected to be realized as revenue during 2017-2018.

PS's operating profit margin, as measured by operating income before depreciation and amortization as a percentage of sales, stayed at 20%-21% during 2012-2015. Its operating profit margin decreased to 17% in the first nine months of 2016. However, the ratio remained higher than the industry average of around 15%. The debt to capitalization ratio improved to 42% as of December 2015 and September 2016,

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from 45%-49% during 2012-2014. Despite a sluggish demand in the residential property market, TRIS Rating expects PS to be able to maintain the operating profit margin of at least 15% over the next three years. The debt to capitalization ratio of PS and the holding company should be kept at around 50%. PS's liquidity remained acceptable as the ratio of funds from operations (FFO) to total debt was 30%-34% during 2014 through the first nine months of 2016. Its financial flexibility was enhanced by a sizable undrawn credit facility worth around Bt22,000 million as of November 2016.

Pruksa Real Estate PLC (PS)

Company Rating:	A
Issue Ratings:	
PS171A: Bt2,000 million senior unsecured debentures due 2017	A
PS176A: Bt2,000 million senior unsecured debentures due 2017	A
PS179A: Bt600 million senior unsecured debentures due 2017	A
PS179B: Bt1,400 million senior unsecured debentures due 2017	A
PS183A: Bt2,000 million senior unsecured debentures due 2018	A
PS185A: Bt3,000 million senior unsecured debentures due 2018	A
PS18NA: Bt1,000 million senior unsecured debentures due 2018	A
PS193A: Bt2,300 million senior unsecured debentures due 2019	A
PS199A: Bt1,700 million senior unsecured debentures due 2019	A
PS205A: Bt2,000 million senior unsecured debentures due 2020	A
Up to Bt5,000 million senior unsecured debentures due within 2024	A
Rating Outlook:	Stable

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