# PRUKSA REAL ESTATE PLC

No. 60/2013 7 August 2013

**Company Rating:** A

**Outlook:** Stable

**New Issue Rating:** -

**Rating History:**

| Date | Company | Issue (Secured/ Unsecured) |
|---|---|---|
| 14/08/12 | A/Sta | -/A |
| 24/11/11 | A/Neg | -/A |
| 07/05/10 | A/Sta | -/A |
| 30/06/09 | A-/Pos | -/A- |
| 25/06/08 | A-/Sta | -/A- |
| 18/04/06 | BBB+/Pos | -/BBB+ |
| 12/07/04 | BBB/Sta | -/BBB |
| 31/07/03 | BBB | -/BBB |
| 19/06/03 | BBB | - |
| 05/02/02 | BB+ | - |

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**Rating Rationale**

TRIS Rating affirms the company rating of Pruksa Real Estate PLC (PS) and the ratings of PS's senior debentures at "A". The ratings reflect PS's leading position in the middle- to low-priced townhouse segment, its proven track record in the middle- to low-income residential property segment, PS's cost competitiveness, and its large backlog, which partly secures the company's future revenue stream. These strengths are partially offset by the company's relatively high leverage, the cyclical and competitive nature of the property development industry, plus concerns over rising project development costs and the labor shortage problem.

PS is one of the leading residential property developers in Thailand. The company was established in 1993 by Mr. Thongma Vijitpongpun and was listed on the Stock Exchange of Thailand (SET) in December 2005. As of March 2013, the Vijitpongpun family continued to be the company's largest shareholder, owning a 74% stake. As of June 2013, PS had a huge project portfolio comprising 234 residential projects. The value of the remaining unsold units across PS's project portfolio was around Bt61,000 million while the total backlog was around Bt43,000 million. The project portfolio consists of townhouse (51% of the total value of the remaining unsold units), single-detached house (SDH, 26%), condominium (22%), and overseas (1%) projects. The average unit price across the entire portfolio was Bt1.9 million.

PS's competitive edge is derived from employing the precast and prefabrication technologies and managing the construction processes for townhouse and SDH projects by itself. With large production volumes, the precast and prefabrication techniques enable the company to control construction costs and shorten the construction period. As a result, PS has been able to offer residential units at competitive prices.

Presales of PS in 2012 improved by 15% year-on-year (y-o-y) to Bt29,396 million, due mainly to a rise in presales of townhouses and condominiums, by 19% y-o-y and 58% y-o-y, respectively. Presales in the first half of 2013 was Bt22,670 million, a sharp increase from Bt12,688 million during the same period of 2012. The company's presales grew across all product types.

PS's total revenue was Bt27,023 million in 2012, up from around Bt23,000 million per annum in 2010 and 2011. Revenue from townhouse projects increased by 30% y-o-y to Bt14,908 million in 2012. SDH projects generated revenue of Bt8,775 million in 2012, up from Bt7,140 million in 2011. Revenue from condominium projects declined by 37% y-o-y to Bt2,837 million in 2012. Revenue in the first quarter of 2013 was Bt6,312 million, a 36% rise from Bt4,655 million in the same period of 2012. The growth was mainly driven by higher sales of townhouse and SDH projects since only three condominium projects were finished and ready for transfer to customers in the first half of 2013. Revenue from townhouse and SDH projects soared by 59% y-o-y and 28% y-o-y, respectively. Based on its backlog of Bt43,000 million as of June 2013, the company plans to

recognize around Bt24,500 million of the backlog as revenue during the second half of 2013, and approximately Bt8,000-Bt10,000 million per annum during 2014-2015.

PS's operating income as a percentage of sales ranged from 17% to 21% during 2010 through the first quarter of 2013, down from 26% in 2009 and 25% in 2008 when the company benefited from the government's tax incentive program. PS's total debt to capitalization ratio during 2010 through the end of March 2013 ranged from 47% to 55%. The ratio was higher than in the past due to PS's rapid expansion and because PS is now developing more condominium projects. However, PS's liquidity remained acceptable. The ratio of funds from operations (FFO) to total debt was 19% in 2012 and 17% (annualized with trailing 12 months) in the first three months of 2013. PS had a sizable undrawn credit facility of Bt16,000 million as of May 2013, which gives it a sufficient amount of financial flexibility.

**Rating Outlook**

The "stable" outlook reflects the expectation that PS will be able to sustain its operating performance in the medium term. The company is expected to deliver a large number of the units in its backlog as planned. In addition, PS's total debt to capitalization ratio should be kept below 55%.

## Pruksa Real Estate PLC (PS)

| **Company Rating:** | A |
|---|---|
| **Issue Ratings:** | |
| PS13NA: Bt3,000 million senior debentures due 2013 | A |
| PS156A: Bt1,000 million senior debentures due 2015 | A |
| PS15NA: Bt2,000 million senior debentures due 2015 | A |
| PS163A: Bt600 million senior debentures due 2016 | A |
| PS163B: Bt2,400 million senior debentures due 2016 | A |
| PS166A: Bt3,000 million senior debentures due 2016 | A |
| PS179A: Bt600 million senior debentures due 2017 | A |
| PS179B: Bt1,400 million senior debentures due 2017 | A |
| PS185A: Bt3,000 million senior debentures due 2018 | A |
| **Rating Outlook:** | Stable |

**Financial Statistics and Key Financial Ratios***

*Unit: Bt million*

| | | ---------- Year Ended 31 December ---------- | | | | |
|---|---|---|---|---|---|---|
| | Jan-Mar 2013 | 2012 | 2011 | 2010 | 2009 | 2008 |
| Revenue | 6,312 | 27,023 | 23,263 | 23,307 | 18,966 | 12,969 |
| Gross interest expense | 250 | 942 | 865 | 269 | 187 | 133 |
| Net income from operations | 773 | 3,898 | 2,835 | 3,488 | 3,622 | 2,551 |
| Funds from operations (FFO) | 794 | 3,449 | 2,806 | 3,249 | 4,095 | 2,848 |
| Inventory investment | (3,821) | (679) | (7,678) | (14,638) | (439) | (4,133) |
| Total assets | 48,688 | 43,821 | 41,982 | 34,091 | 18,871 | 16,292 |
| Total debts | 21,478 | 17,995 | 20,703 | 14,683 | 2,450 | 3,900 |
| Shareholders' equity | 20,961 | 20,081 | 16,997 | 15,263 | 13,023 | 10,110 |
| Operating income before depreciation and amortization as % of sales | 17.21 | 20.64 | 18.16 | 20.38 | 26.33 | 25.24 |
| Pretax return on permanent capital (%) | 14.46 ** | 14.22 | 12.31 | 21.17 | 33.32 | 27.85 |
| Earnings before interest, tax, depreciation, and amortization (EBITDA) interest coverage (times) | 4.45 | 6.04 | 5.07 | 18.06 | 27.08 | 25.94 |
| FFO/total debt (%) | 16.81 ** | 19.17 | 13.55 | 22.13 | 167.11 | 73.02 |
| Total debt/capitalization (%) | 50.61 | 47.26 | 54.92 | 49.03 | 15.84 | 27.84 |

* *Consolidated financial statements*
** *Annualized with trailing 12 months*

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