

PRUKSA REAL ESTATE PLC

No. 56/2014

10 July 2014

Company Rating:	A
Issue Rating:	
Senior unsecured	A
Outlook:	Stable

Company Rating History:

Date	Rating	Outlook/Alert
14/08/12	A	Stable
24/11/11	A	Negative
07/05/10	A	Stable
30/06/09	A-	Positive
25/06/08	A-	Stable
18/04/06	BBB+	Positive
12/07/04	BBB	Stable
31/07/03	BBB	-
19/06/03	BBB	-
05/02/02	BB+	-

Contacts:

Jutamas Bunyawanchkul
jutamas@trisrating.com

Auyporn Vachirakanjanaporn
auyporn@trisrating.com

Thanawat Pothong
thanawat@trisrating.com

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

WWW.TRISRATING.COM

Rating Rationale

TRIS Rating affirms the company and existing senior unsecured debenture ratings of Pruksa Real Estate PLC (PS) at "A". At the same time, TRIS Rating affirms the rating of "A" for PS's proposed issue of up to Bt4,000 million in senior unsecured debentures. The proceeds of the new debentures will be used to repay existing loans from banks.

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, its cost competitiveness, and its large backlog, which partly secures the company's future revenue stream. These strengths are partially offset by relatively high financial leverage, plus the cyclical and competitive nature of the property development industry. The ratings also take into consideration the expected gradual recovery in demand for residential property after the end of the prolonged political conflict beginning in late 2013.

PS is one of the leading residential property developers in Thailand. The company was established in 1993 by Mr. Thongma Vijitpongpan and was listed on the Stock Exchange of Thailand (SET) in December 2005. As of March 2014, the Vijitpongpan family continued to be the company's largest shareholder, owning a 70% stake. At the end of May 2014, PS had a huge project portfolio, comprising 247 residential projects. The value of the remaining unsold units (including built and un-built units) across PS's project portfolio was around Bt72,000 million. The total backlog was valued at around Bt37,000 million.

PS's competitive edge is derived from employing the precast and prefabrication technologies and managing the construction processes for townhouse and single-detached house (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 and increase the turnover of its products.

PS's presales in 2013 reached a record high of Bt41,282 million, a 40% year-on-year (y-o-y) growth. Presales during the first three quarters of 2013 was around Bt10,000-Bt12,000 million per quarter. Due to the political unrest in the last quarter of 2013, presales declined to Bt7,515 million. Presales during the first five months of 2014 was Bt13,641 million, a decline of 24% y-o-y. TRIS Rating expects PS's presales will recover to around Bt10,000 million per quarter in the second half of 2014.

Total revenue in 2013 was Bt38,848 million, a 44% y-o-y growth. Its revenue in 2013 ranked the first among all the property developers and reached a new record high for the industry. PS's transferred value during the first three months of 2014 increased by 27% y-o-y to Bt8,018 million. Its revenue during the remaining

of 2014 through 2016 is partly secured by the units in backlog worth Bt17,000 million in 2014, Bt15,000 million in 2015, and Bt4,700 million in 2016.

The operating margin, as measured by operating income before depreciation and amortization as a percentage of sales, was 18%-21% during 2010 through the first quarter of 2014. TRIS Rating expects PS will be able to maintain the operating margin at least 18% over the next three years. Total debt to capitalization ratio ranged from 47% to 55% during the past four years. Going forward, PS's financial leverage should be kept lower than 55%. The company's liquidity remained acceptable as the ratio of funds from operations (FFO) to total debt was 23% in 2013 and 24% (annualized with trailing 12 months) in the first three months of 2014. Also, PS had a sizable undrawn credit facility of around Bt26,000 million as of May 2014, 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 scheduled. In addition, PS's total debt to capitalization ratio should be kept below 55%.

Pruksa Real Estate PLC (PS)

Company Rating:	A
Issue Ratings:	
PS156A: Bt1,000 million senior unsecured debentures due 2015	A
PS15NA: Bt2,000 million senior unsecured debentures due 2015	A
PS163A: Bt600 million senior unsecured debentures due 2016	A
PS163B: Bt2,400 million senior unsecured debentures due 2016	A
PS166A: Bt3,000 million senior unsecured debentures due 2016	A
PS171A: 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
PS185A: Bt3,000 million senior unsecured debentures due 2018	A
Up to Bt4,000 million senior unsecured debentures due within 2021	A
Rating Outlook:	Stable

Financial Statistics and Key Financial Ratios*

Unit: Bt million

	Jan-Mar 2014	2013	2012	2011	2010	2009
Revenue	8,018	38,848	27,023	23,263	23,307	18,966
Gross interest expense	263	1,090	942	865	269	187
Net income from operations	1,065	5,802	3,898	2,835	3,488	3,622
Funds from operations (FFO)	1,230	5,658	3,449	2,806	3,249	4,095
Inventory investment	(3,028)	(10,649)	(679)	(7,678)	(14,638)	(439)
Total assets	59,259	56,194	43,821	41,982	34,091	18,871
Total debts	25,864	24,160	17,995	20,703	14,683	2,450
Shareholders' equity	26,023	24,933	20,081	16,997	15,263	13,023
Operating income before depreciation and amortization as % of sales	19.23	20.07	20.64	18.16	20.38	26.33
Pretax return on permanent capital (%)	17.13**	17.47	14.06	11.96	20.27	32.59
Earnings before interest, tax, depreciation, and amortization (EBITDA) interest coverage (times)	6.01	7.33	6.04	5.07	18.06	27.08
FFO/total debt (%)	23.56 **	23.42	19.17	13.55	22.13	167.11
Total debt/capitalization (%)	49.85	49.21	47.26	54.92	49.03	15.84

* Consolidated financial statements

** Annualized with trailing 12 months

TRIS Rating Co., Ltd.

Tel: 0-2231-3011 ext 500 / Silom Complex Building, 24th Floor, 191 Silom Road, Bangkok 10500, Thailand www.trisrating.com

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