

AP (THAILAND) PLC

No. 4/2014

10 January 2014

Company Rating: A-

Outlook: Stable

New Issue Rating: A-

Rating History:

Date	Company	Issue (Secured/ Unsecured)
21/06/11	A-/Sta	-/A-
12/07/10	BBB+/Pos	-/BBB+
28/06/07	BBB+/Sta	-/BBB+

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Rating Rationale

TRIS Rating affirms the company and current issue ratings of AP (Thailand) PLC (AP) at "A-". At the same time, TRIS Rating assigns a rating of "A-" to AP's proposed issue of up to Bt1,500 million in senior debentures. The company plans to use the proceeds from the new debentures for business expansion. The ratings reflect AP's proven track record in the residential property development industry, strong business profile, product diversification, and secured revenues from high backlog. The strengths are partially offset by the cyclical nature of the property development industry, pressures from higher construction costs and labor shortage, and AP's moderate financial leverage.

AP was established in 1990 by Mr. Anuphong Assavabhokhin and Mr. Pichet Vipavasuphakorn who together owned approximately 30% of the company as of July 2013. In 2012, AP's revenue stood at Bt17.2 billion, ranking it the fourth-largest property developer listed on the Stock Exchange of Thailand (SET), in terms of revenue. The company's average revenue growth during the past five years was 18% per annum. AP generated average presales of Bt17 billion per annum for the past three years.

AP's products cover almost all key segments priced over Bt1 million per unit. Each product segment has generated strong presales and captured respectable market sizes and shares. The company's track record is particularly strong in the middle- to high-end townhouse and condominium segments. Geographic focus of AP's products is within the Greater Bangkok area.

AP's financial profile for the first three quarters of 2013 was in line with TRIS Rating's expectation. TRIS Rating's base-case expects AP's revenue to grow in a range of 8%-10% per annum over the next three years, or revenues in a range of Bt19-Bt22 billion per annum. The downside risk on AP's revenue growth is limited given the company's sizable condominium backlog. As of 5 November 2013, AP's condominium backlog stood at Bt26 billion. About Bt9-Bt10 billion of the condominium backlog is expected to be recognized as revenue per annum during 2014-2015.

For the next three years, TRIS Rating expects AP's operating margins (operating income before depreciation and amortization as a % of revenue) to stay around 17%-18%. Downward pressures on operating margins include rising construction and land costs, as well as necessary operating costs to drive business growth. AP sets target for the net debt to equity ratio at 1.0 time. At the end of September 2013, the ratio was at 1.3 times. The company expects the ratio to fall to about 1.0 time by year-end 2013. In TRIS Rating's view, the target ratio of 1.0 time is in line with the company's credit ratings and should provide adequate headroom to support business expansion appetite. AP's debt to capitalization ratio is expected to stay around 50%-55% over the next three years.

AP's liquidity profile is acceptable. For the next three years, TRIS Rating expects AP to generate funds from operations (FFO) in a range of Bt2.5-Bt3 billion per annum. The FFO to total debt ratio is expected to stay above 14% (trailing 12 months), while the EBITDA (earnings before interest, tax, depreciation, and amortization) interest coverage is expected to stay above 4 times. At the end of September 2013, AP's cash on-hand stood at Bt549 million. The undrawn long-

CreditUpdate reviews ratings of companies or debt issues that have already been rated by TRIS Rating. The *CreditUpdate* occurs when new debt instruments are issued or if significant events have taken place that may impact a company's current ratings or when current ratings are cancelled. The *CreditUpdate* announces whether a rating has been "upgraded," "downgraded," "affirmed" or "cancelled." The update includes information to supplement the previously published ratings.

CreditUpdates are part of TRIS Rating's monitoring process. TRIS Rating monitors every rating it assigns until either the debt instrument matures or the rating contract ends. To keep the public informed of changing situations, TRIS Rating periodically issues announcements about the credit ratings it monitors.

term credit lines were reported at Bt12.6 billion. The long-term debts maturing over the next 12 months were Bt2.4 billion. AP typically matches the maturities of its short-term debts with expected cash received from condominium transfers. Meanwhile, the company expects to refinance most of the maturing bonds with new bond issues. The maturing bonds will also be backed up by AP's credit lines from banks. Working capital for real estate inventories is expected at Bt4-Bt5.5 billion per annum for the next three years. AP's dividend policy is to pay no more than 50% of net profits, or around Bt700-Bt800 million per annum. TRIS Rating views that AP's funding needs to support investments and dividends should not add an upward pressure on the company's debt to capitalization ratio above 60%, or debt to equity ratio over 1.5 times.

Rating Outlook

The "stable" outlook reflects an expectation that AP will remain competitive in its core business franchise and will consistently be able to rebalance its product portfolio alongside market dynamic. The outlook is also based on the expectation that AP will continue to follow a prudent financial policy and keep its debt to capitalization ratio at around 50%-55% in the medium term.

AP (Thailand) PLC (AP)

Company Rating:	A-
Issue Ratings:	
AP141A: Bt1,000 million senior debentures due 2014	A-
AP147A: Bt850 million senior debentures due 2014	A-
AP147B: Bt400 million senior debentures due 2014	A-
AP151A: Bt1,500 million senior debentures due 2015	A-
AP157A: Bt500 million senior debentures due 2015	A-
AP161A: Bt1,000 million senior debentures due 2016	A-
AP169A: Bt1,200 million senior debentures due 2016	A-
AP179A: Bt1,000 million senior debentures due 2017	A-
AP181A: Bt1,250 million senior debentures due 2018	A-
AP188A: Bt1,250 million senior debentures due 2018	A-
Up to Bt1,500 million senior debentures due within 2019	A-
Rating Outlook:	Stable

Financial Statistics and Key Financial Ratios*

Unit: Bt million

		----- Year Ended 31 December -----				
	Jan-Sep 2013	2012	2011	2010	2009	2008
Revenues	11,478	17,197	13,541	13,840	12,424	9,832
Finance cost	455	602	685	454	334	362
Net income from operations	1,080	2,329	1,718	2,358	2,003	1,677
Funds from operations (FFO)	971	2,190	1,914	2,179	2,025	1,743
Inventory investments (+increase/-decrease)	5,697	(532)	4,794	3,882	703	2,997
Total assets	35,253	29,472	29,375	24,114	19,159	17,378
Total debts	17,519	12,282	14,224	10,667	7,942	7,986
Total liabilities	22,178	16,792	18,714	14,600	11,124	10,590
Shareholders' equity	13,074	12,680	10,661	9,514	8,035	6,787
Depreciation & amortization	107	152	196	178	26	17
Dividends	715	509	422	750	584	350
Operating income before depreciation and amortization as % of sales	13.18	17.14	19.26	23.78	22.94	25.38
Pretax return on permanent capital (%)	10.48 **	12.40	11.48	8.30	8.93	18.99
Earnings before interest, tax, depreciation, and amortization (EBITDA) interest coverage (times)	3.65	5.39	4.32	7.67	9.04	7.00
FFO/total debt (%)	12.35 **	17.83	13.01	20.43	25.49	21.83
Total debt/capitalization (%)	57.26	49.20	57.16	52.86	49.71	54.05

* Consolidated financial statements

** Annualized with trailing 12 months

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