TRIS RATING

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Announcement No. 703 7 May 2010

Pruksa Real Estate Public Company Limited

Company Rating:	A
Issue Ratings:	
PS108A: Bt600 million senior debentures due 2010	A
PS121A: Bt1,500 million senior debentures due 2012	A
Up to Bt2,500 million senior debentures due within 2015	A
Rating Outlook:	Stable

Rating History:	**Company Rating**	**Issue Rating**	
		Secured	**Unsecured**
30 Jun 2009	A-/Positive	-	A-
25 Jun 2008	A-/Stable	-	A-
18 Apr 2006	BBB+/Positive	-	BBB+
12 Jul 2004	BBB/Stable	-	BBB
31 Jul 2003	BBB	-	BBB
19 Jun 2003	BBB	-	-
5 Feb 2002	BB+	-	-

Rating Rationale

TRIS Rating upgrades the ratings of Pruksa Real Estate PLC (PS) and its existing debentures to “A” from “A-”. At the same time, TRIS Rating assigns the rating of “A” to PS’s proposed issue of up to Bt2,500 million in senior debentures. The upgrade reflects the company’s ability to consistently deliver strong operating performance and its improving financial position. The ratings take into consideration PS’s leading position in the townhouse segment with average unit price of Bt1 million, proven track record in the middle- to low-income residential property segment, cost competitiveness, and conservative financial policy. The strengths are partially offset by an uncertain political situation in Thailand and the cyclical nature of the property development industry.

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 December 2009, the Vijitpongpun family continued to be the largest shareholder, owning a 77% stake. PS has a huge project portfolio, which comprises 112 existing residential projects with the remaining value of Bt27,510 million available for sale and a backlog of around Bt17,000 million as of March 2010. The company offers a wide range of products including townhouses (43% of total project value), single-detached houses (SDH) (30%), and condominiums (27%). Although the revenue contribution from townhouses in 2009 was lower than in the past, it remained the largest portion of total revenue with a 51% contribution. Revenue from SDHs constituted 30% in 2009. Condominiums generated more revenue in 2009 with a 19% contribution. PS’s cost advantage is derived from employing pre-cast and prefabrication techniques and managing the construction process itself. This enables the company to control construction costs and the construction period efficiently. As a result, PS has been able to offer residential units at competitive prices.

PS’s presales improved consecutively during the past three years, with a growth of 41% to Bt22,775 million in 2009 from Bt16,188 million in 2008. During the first quarter of 2010, presales reached Bt8,587 million, significantly increasing from Bt4,045 million during the same period of 2009. Rising presales reflected the success of new projects. Moving in the same direction as presales, revenue jumped by 46% to Bt18,966 million in 2009 from Bt12,969 million in 2008. The revenue growth was mainly driven by the transfer of several condominium projects in the last quarter of 2009. The company's profitability has improved as the adjusted operating profit margin was 25%-26% during 2008-2009, up from 20% in 2007. Profitability benefited from economies of scale and government tax incentives. During an aggressive business expansion, PS's cash flow protection remained strong with the funds from operations (FFO) to total debt ratio at 193.40% as of December 2009. Financial leverage was maintained at the relatively low level of 13.89% at the end of 2009.

The residential property market was volatile in 2009, reflecting the national political instability and the global financial crisis. Although it recovered in the second half of 2009, the market remained relatively slow and has been increasingly dominated by major developers. Most of government tax incentives expired in 2009 and the rest will expire in 2010. Therefore, demand for residential property in 2010 will depend heavily on consumer confidence and the pace of economic recovery. TRIS Rating expects to see demand for residential property in 2010 to gradually recover alongside growth in the domestic economy.

Rating Outlook

The "stable" outlook reflects the expectation that PS will be able to maintain strong operating performance in the medium term. Despite more intense competition in the company's product segments, profitability should be at an acceptable level. The company is also expected to sustain strong cash flow protection and a conservative financial policy as it continues an aggressive expansion.

Key Rating Considerations

Strengths/Opportunities

- Leader in the low-priced townhouse segment
- Accepted brand name and proven record in middle- to low-income residential property segment
- Cost competitiveness due to large scale production and prefabrication technologies
- Strong financial position despite continued aggressive expansion

Weaknesses/Threats

- Uncertain political situation in Thailand
- Cyclical nature of the property development industry

Corporate Overview

PS was founded in 1993 by Mr. Thongma Vijitpongpun and was listed on the SET in December 2005. The Vijitpongpun family continues to be a major shareholder of the company, holding a 77% stake at the end of December 2009. PS is one of a few residential property developers in Thailand which employs pre-cast and pre-fabrication technologies in project construction. The company not only owns a pre-cast factory but also manages project construction itself. PS focuses on the middle- to low-income segment. In 2009, unit prices averaged Bt1.26 million for a townhouse, Bt3.09 million for a SDH, and Bt2.43 million for a condominium.

Townhouses had been the largest proportion of total revenue, constituting approximately 58% during 2006-2008 before decreasing to 51% in 2009. Revenue from SDHs was around 40% during 2006-2008 and dropped to 30% in 2009. Revenue from condominiums contributed 19% in 2009, rising from only 4% in 2008. The revenue contribution from condominiums will increase in the future as 52% of the backlog was condominium projects. These units, worth Bt8,892 million as of March 2010, will be transferred during 2010-2012.

Table 1: PS's Revenue Breakdown by Product Type

Unit: %

Product Type	2004	2005	2006	2007	2008	2009
Townhouses	79	57	60	57	58	51
SDHs	21	43	40	43	38	30
Condominiums	-	-	-	-	4	19
Total revenue	**100**	**100**	**100**	**100**	**100**	**100**
Total revenue (Bt mil.)	**4,868**	**7,621**	**8,181**	**9,055**	**12,969**	**18,966**

Source: PS

Recent Development

- ***Gradual expansion into overseas residential business***

After establishing Pruksa Oversea Co., Ltd. and Pruksa International Co., Ltd in late 2008, PS used these two companies as the investment arms to invest, develop, and construct overseas residential projects in India, Vietnam, and Maldives. The company indirectly owns 100% of two subsidiaries registered in Bangalore, India. From 2009 through early 2010, Pruksa Oversea Co., Ltd. and Pruksa International Co., Ltd founded joint ventures in both Chennai and Mumbai, India. Additionally, PS has invested in subsidiaries and joint ventures in Hai Phong, Vietnam and Huluhmale, Maldives. PS is a major shareholder in the joint ventures, whereas the local partners are the minority owners. The partners are mainly responsible for providing land for project development and facilitating with officials to ensure compliance with local regulations. Currently, the joint ventures are in the process of incorporation.

To mitigate the risk of its overseas investments, PS has a policy to limit equity investments at USD10 million in each city. The residential projects will focus on townhouses, SDHs, and low-rise condominiums which spend short development periods. The products target the middle- to low-income segment, whose demand in each country remains high. PS will transfer its expertise in prefabrication technologies to manage the overseas residential projects. The projects are expected to be launched during the second through fourth quarters of 2010. Management expects that overseas projects will generate around Bt1,400 million in revenue in 2010. The overseas expansion will support the company's aggressive growth target and diversify its sources of cash flow. However, the success of residential projects outside Thailand remains to be seen.

INDUSTRY ANALYSIS

Despite an active condominium segment, the overall housing market began slowing in 2008. The global financial crisis and Thailand's political instability had caused a slowdown in the Thai economy and in demand for residential property since mid-2008. A series of government incentives were launched in 2008 and 2009 including the reduction of taxes and transfer fees on property transactions. Up to Bt300,000 of the purchase price of a new residential unit bought from a developer was tax deductable in fiscal year 2009. Lastly, the government increased the deductibility of interest expense on mortgage loans from taxable personal income. The incentives partially stimulated the market. For 2010, it is expected that housing demand will gradually recover alongside growth in the domestic economy. The Thai economy was projected to grow at 3.5%-4.5% in 2010, according to the Office of The National Economic and Social Development Board (NESDB). In addition to the overall economy, consumer confidence and the interest rate on mortgage loans will be major factors determining demand for housing in 2010. The existing political conflicts in Thai society will hurt consumer confidence over the near term and erode demand for housing. Interest rates on mortgage loans are expected to increase slightly in line with the government's policy rate. The one-day repurchase rate has fallen steadily since mid-2008. The rate was 2.75% at the end of 2008 and has stayed at 1.25% since April 2009.

Table 2: Government Measures for Residential Property Industry in 2008-2010

Effective Date	Measures
28 March 2010 to 31 May 2010	1. Reduction of tax on registration of ownership transfer fee from 2% to 0.01% 2. Reduction of the mortgage registration fee from 1% to 0.01%
29 March 2008 to 28 March 2010	1. Reduction of special business tax on property transactions from 3.3% to 0.11% (for developers) 2. Reduction of tax on registration of ownership transfer fee from 2% to 0.01% 3. Reduction of the mortgage registration fee from 1% to 0.01%
Fiscal year 2009	Tax deductible expense for personal income tax calculation at a maximum of Bt300,000 for transferring new developer-built residential units
Fiscal year 2007 onwards	Up to Bt100,000 of interest expenses for mortgage loans are deductible from personal income tax base

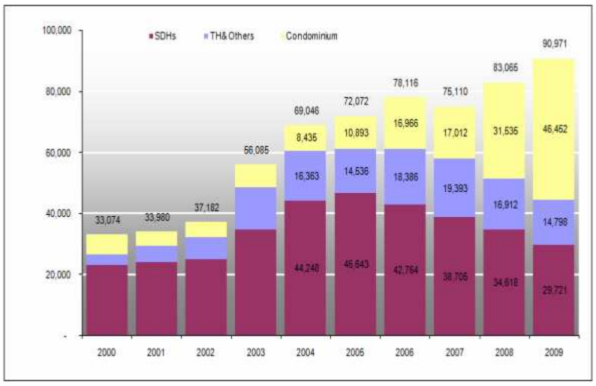
Sources: Cabinet resolutions on 12 December 2007, 4 March 2008, 2 December 2008, 20 January 2009, and 23 March 2010

- ***Residential market started gradual recovery in the second quarter of 2009***

Beginning in late 2008, the government launched several measures to stimulate economic activity amid the global financial crisis. Many of the key measures included incentives for the property market. Partly supported by these government incentives, demand for residential property in 2009 slightly improved. The number of new registered residential units in Greater Bangkok, a proxy of the demand for residential property, grew by 11% in 2008 and 10% in 2009, compared with a 4% drop in 2007. In 2009, there were a total of 90,971 new registered residences in Greater Bangkok, up from 83,065 units in 2008. The recent growth in the number of registered residential properties in Bangkok was driven mainly by the increase in the number of new registered condominium units. Excluding condominiums, the number of new residential units remained sluggish. The number of new registered low-rise housing units dropped sharply by 13.6% in 2009 to 44,519 units, from 51,530 units in 2008 and 58,098 units in 2007.

The acceleration in the number of new registered condominium units reflects the changing lifestyle of people in Bangkok, higher transportation costs for living in the suburbs, and the completion of a number of condominium projects launched during the past two to three years. Condominium developers have to construct and register a whole building whether it is fully sold or not. With regard to housing units, most developers tend to complete units only in response to real orders and register the units when the units are nearly finished. As a result, the increase in the number of condominium units may not directly represent a jump in condominium demand in 2008 and 2009.

Chart 1: New Registered Residences in Greater Bangkok



Source: Real Estate Information Center (REIC)

- ***Mortgage loans increased despite economic contraction in 2009***

New mortgage loans granted by financial institutions increased by 11% to Bt318,866 million in 2009 from Bt286,960 million in 2008. Outstanding mortgage loans at financial institutions totaled Bt1,716,176 million at the end of 2009, compared with Bt1,584,966 million at the end of 2008. In the second half of 2009, most financial institutions were more aggressively granting mortgage loans as the Thai economy showed signs of significant improvement. According to the Real Estate Information Center (REIC), the average mortgage rate across Thai financial institutions stood at 6.13% since September 2009, down from 6.63% in the beginning of 2009.

Table 3: New and Outstanding Mortgage Loans

Unit: Bt Million

Year	New	% growth	Outstanding	% growth
2004	294,403	-	1,032,101	-
2005	279,392	-5.10	1,215,634	17.78
2006	262,993	-5.87	1,346,622	10.78
2007	270,466	2.84	1,471,099	9.24
2008	286,960	6.10	1,584,966	7.74
2009	318,866	11.12	1,716,176	8.28

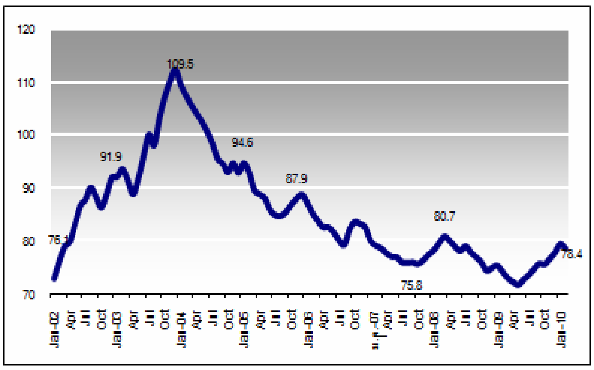
Source: REIC

- ***Consumer confidence recovered since June 2009 but still low***

The Consumer Confidence Index (CCI) compiled by the University of the Thai Chamber of Commerce Center for Economic and Business Forecasting (UTCC-CEBF) reflects consumer attitudes towards spending. The CCI dropped steadily from 75.2 in January 2009 to 71.5 in May 2009, the lowest CCI since 2002. The CCI, however, recovered in June 2009 and gradually increased to 78.4 in February 2010. The rise was in line with the improving economic environment since late 2009. Nonetheless, serious political confrontation is a downside risk factor for consumer confidence, which may discourage housing demand in 2010.

Chart 2: Consumer Confidence Index

Unit: %



Source: Center for Economic and Business Forecasting, University of the Thai Chamber of Commerce

- ***Competition in SDH segment remains high; small developers continue to lose market share***

Competition among SDH developers remains high as the market shrinks. The number of SDH units registered in Greater Bangkok continued to drop, falling from 46,643 units in 2005 to 34,618 units in 2008. The drop continued in 2009 as the number of new registered SDH units dropped to 29,721 units. This drop not only reflects the substitution of demand by condominiums but also a supply correction. During the last two years, demand has shifted toward urban living due to higher transportation costs caused by higher fuel prices. As a result, SDH projects are being partly replaced by condominium or townhouse projects in urban areas.

Condominium Segment: The condominium segment of the property development industry is generally riskier than low-rise developments, due to longer construction periods and a greater number of speculative purchasers. Speculative buying is hard to measure, especially during times of rapid price appreciation. Though speculators increase demand for residential units, these buyers are generally sensitive to market sentiment. If residential prices are expected to decline, the speculators may abandon the contract and project owners will be left with vacant property. Moreover, units offered for sale by speculative investors often compete with new units offered by developers. The increasing number of new condominium projects in the central business area and close to mass transit systems was driven by lifestyle changes.

- ***Vacancy rate expected to rise as supply increased rapidly***

According to the Agency for Real Estate Affairs (AREA), the number of condominiums launched in Greater Bangkok decreased continuously from 44,750 units in 2007 to 31,322 units in 2008 and 23,993 units in 2009. The slowdown in project openings reflects slowing demand in the condominium segment in Bangkok together with more stringent credit policies at financial institutions.

Due to completion of many condominium projects launched since 2007, the vacancy rate, as reported by the CB Richard Ellis (Thailand)

Co.Ltd. (CBRE), jumped continuously from 16% at the beginning of 2007 to 26% at the end of 2009. This is the same vacancy rate recorded in 2000-2002. Luxury condominium units, priced at over Bt100,000 per square meter, are believed to be affected negatively by the global financial crisis. The crisis reduced the number of expatriates in Thailand. Foreign buyers, the main target group for high-end projects, will remain hesitant to invest due to the sluggish worldwide economy and uncertain political environment in Thailand. Demand by locals for condominium projects located in urban areas and at affordable prices is expected to sustain the momentum of the condominium segment.

BUSINESS ANALYSIS

PS is the leading residential property developer in the low-priced townhouse market. Its brands are well-recognized in the middle- to low-income housing and condominium segments. The company's competitive edge stems from the ability to manage construction costs efficiently due to employing prefabrication construction technologies and managing the construction process itself.

- ***Diversified product brands to cover more segments***

Since 2006, PS had expanded the product portfolio to cover the middle-income segment from the original targets of low-end townhouses and middle- to high-end SDHs. The projects are located in sites closer to the city than in the past. The company also diversified into the condominium segment in order to catch rising demand in this segment. PS had continuously introduced new brands during the last four years. From 2009 through the first quarter of 2010, the company launched *Urbano*, a new townhouse brand, targeting the stylish middle-income segment. PS introduced various brands of middle- to low-priced condominiums including *The Tree*, *Condolette*, *Be You*, and *Chapter One*. These brands cover the Bt1 million per unit condominium segment in response to the new Board of Investment (BOI) regulation. The company also launched *Fuse*, a new condominium brand to tap the Bt2-Bt3 million condominium segment. Currently, its townhouse products cover a wider price range or Bt0.6-Bt4.0 million per unit. SDH brands offer units with the prices ranging from Bt2 million to Bt6 million. Condominium products cover broad segments spanning from Bt0.5 million to Bt10 million per unit. With a wide variety of product segments, PS can adjust the product portfolio to cope with market changes and homebuyers' preferences.

Table 4: PS's Product Segmentation

Product Type	Brand	Price Range/Unit (Bt Million)
Townhouses	Baan Pruksa	0.6-1.2
	Pruksa Ville	1.0-1.5
	The Connect	1.6-2.0
	Pruksa Town	1.5-2.5
	Urbano	1.8-2.7
	The Plant Citi	2.0-4.0
SDHs	Pruksa Village	2.0-3.0
	Passorn	2.5-5.0
	The Plant	3.0-6.0
Condominiums	City Ville	0.5-0.8
	The Tree	0.8-0.9
	Condolette	0.8-1.0
	Be You	0.8-1.5
	Chapter One	0.9-2.0
	The Seed	1.4-7.0
	Fuse	2.4-6.4
	Ivy	1.5-10.0

Source: PS

- ***Cost competitiveness benefited from pre-cast and prefabrication technologies***

PS employs pre-cast and prefabrication technologies to manage construction costs and shorten construction periods for its residential projects. While PS uses the pre-cast materials for whole townhouse and SDH projects, the company employs partly the pre-cast sheets in condominium construction. These technologies help PS to be a low-cost producer. A portion of its townhouse projects are eligible for a tax exemption under the Board of Investment (BOI) promotional privileges because PS has been able to offer residential unit at price range that is qualified for the BOI privileges.

At present, its four pre-cast concrete factories have a production capacity of 3,800-3,900 housing units per year. Currently, the pre-cast production factories run at full capacity. PS, thus, partially outsources the pre-cast products to the outside suppliers. The company plans to invest around Bt1,000 million in a new pre-cast concrete factory in order to serve future projects. The construction of new factory is expected to commence operation in mid-2011. PS's pre-cast factory capacity will increase to around 8,400 units per year after the completion of plant expansion from the current capacity of around 3,800 units per year.

- ***Condominium transfer supported a significant growth in residential sales in 2009***

PS's residential sales have increased consistently. Residential sales rose sharply to Bt18,943 million in 2009, up 46% from Bt12,969 million in 2008. The growth was due to more transfers of townhouses, SDHs, and condominiums. The transfer value of townhouses climbed to Bt9,729 million in 2009 from Bt7,536 million in 2008. SDH sales grew by 15% to Bt5,619 million in 2009 from Bt4,869 million in 2008. Condominium transfers recorded Bt3,595 million in 2009, escalating from only Bt564 million in 2008. The rise in condominium sales was due mainly to transfers of units in the *Ivy River*, *Ivy Sathorn*, *The Seed Ratchada-HuaiKhwang*, *The Seed Sathorn-Taksin*, and *The Seed Chaengwattana* projects during the fourth quarter of 2009.

The average price per unit increased to Bt1.68 million in 2009 from Bt1.46 million in 2008 and Bt1.28 million in 2007. The rise in the average price reflects the results of the portfolio expansion into in-town areas and higher-priced segments. As of March 2010, PS had remaining unsold units worth Bt27,510 million; approximately half were townhouse projects. The company had a backlog of around Bt17,000 million at the end of March 2010. More than half (52%) were condominiums.

Chart 3: PS's Residential Sales Breakdown

Source: PS

- ***Townhouse presales increased substantially during 2009 and the first quarter of 2010***

Townhouse presales grew by 51% to a record high of Bt11,055 million in 2009 from Bt7,327 million in 2008. The presales continued to increase sharply to Bt4,256 million in the first three months of 2010, up 97% from Bt2,159 million in the same period of 2009. All townhouse segments showed improving presales during 2009 through the first quarter of 2010, especially *Pruksa Ville*. The presales of *Pruksa Ville* rose to Bt4,241 million in 2009 from Bt2,199 million in 2008. During the first three months of 2010, *Pruksa Ville* presales was Bt1,694 million, up from Bt429 million and Bt883 million in the same period of 2008 and 2009, respectively. The presales of *Baan Pruksa*, PS's original townhouse brand, grew at slow pace in 2009 and totaled at Bt3,838 million, 2% higher than presales of Bt3,758 million in 2008. However, *Baan Pruksa* presales increased significantly to Bt1,676 million in the first quarter of 2010 from Bt967 million in the same period of 2009. Subsequently, the presales of *Pruksa Ville* became the largest contributor of townhouse presales instead of *Baan Pruksa* during 2009 through the first three months of 2010.

As of March 2010, PS had 68 existing townhouse projects, primarily in the *Baan Pruksa* and *Pruksa Ville* brands. Across the townhouse portfolio, the company had 9,971 remaining townhouse units worth Bt13,432 million available for sale.

Chart 4: PS's Townhouse Presale Value and Average Unit Price

Source: PS

Table 5: PS's Existing Townhouse Projects as of March 2010

Brand	No. of Project	Total Project			% Sold (of Value)	Available for Sale	
		Unit	Value (Bt Mil)	Avg. Price (Bt Mil)		Unit	Value (Bt Mil)
Baan Pruksa	27	14,522	13,960	0.96	65	4,929	4,820
Pruksa Ville	28	8,020	11,921	1.49	61	3,042	4,675
The Connect	6	2,141	3,822	1.78	53	1,049	1,811
Pruksa Town	6	1,341	2,887	2.15	27	948	2,116
The Plant Citi	1	199	438	2.20	98	3	10
Total	**68**	**26,223**	**33,028**	**1.26**	**59**	**9,971**	**13,432**

Source: PS

- ***Satisfactory growth in SDH presales***

The presales of SDHs improved to Bt6,999 million in 2009, up 35% from Bt5,184 million in 2008. In the first quarter of 2010, SDH presales was Bt2,126 million, rising from Bt1,465 million in the same period of 2009. The continued growth of each SDH product enhanced SDH presales. The presales of *Pruksa Village* increased to Bt3,058 million in 2009 from Bt2,886 million in 2008. Although its presales slightly dropped to Bt826 million during the first three months of 2010 from Bt881 million during the same period of 2009, *Pruksa Village* was still a major source of SDH presales. *Passorn* generated a presales of Bt2,394 million in 2009, a 6% increase from Bt2,254 million in 2008. In the first quarter of 2010, the presales of *Passorn* grew only 3% to Bt601 million. Compared with *Passorn*, *Pruksa Village* received a better response from homebuyers because of its more compact product package and more affordable price. *The Plant*, the company's latest SDH brand, recorded presales of Bt1,547 million in 2009 and Bt699 million during the first three months of 2010.

Chart 5: PS's SDH Presale Value and Average Unit Price

Source: PS

At the end of March 2010, the company had 26 SDH projects on hand. Most of the existing projects were in *Pruksa Village*. PS had 2,853 unsold SDH units with a total remaining value of Bt8,214 million as of March 2010.

Table 6: PS's Existing SDH Projects as of March 2010

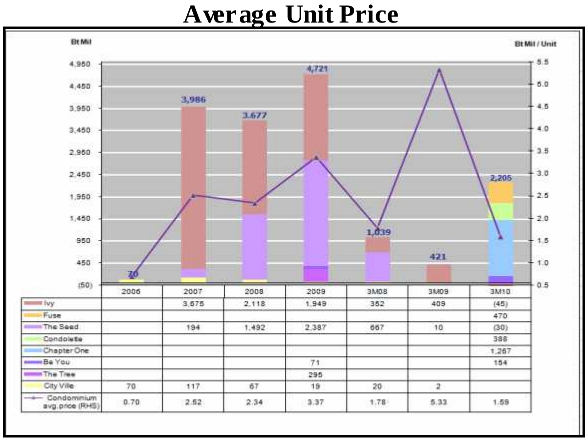
Brand	No. of Project	Total Project			% Sold (of Value)	Available for Sale	
		Unit	Value (Bt Mil)	Avg. Price (Bt Mil)		Unit	Value (Bt Mil)
Pruksa Village	15	4,040	10,441	2.58	46	2,135	5,660
Passorn	7	2,535	9,181	3.62	84	423	1,430
The Plant	4	738	2,979	4.04	62	295	1,124
Total	**26**	**7,313**	**22,601**	**3.09**	**64**	**2,853**	**8,214**

Source: PS

- ***Good response in new condominium projects enhanced presales***

PS launched many condominium projects during the past three years. Condominiums generated presales of Bt4,721 million in 2009, up 28% from Bt3,677 million in 2008. The rise was supported by Bt2,387 million in presales of *The Seed*. Two new projects launched in 2009, *The Seed Musee Sukhumvit 26* and *The Seed Memories Siam*, received satisfactory responses from customers as they were sold out within a few weeks of opening. The two projects generated presales of Bt2,141 million. During the first quarter of 2010, condominium presales significantly increased to Bt2,205 million from only Bt421 million in the same period of 2009. *Chapter One Ratchaburana*, launched in February 2010, was 30% sold at the end of March 2010 and generated presales of Bt1,267 million. The presales of this project contributed 57% of total condominium presales in the first three months of 2010.

Chart 6: PS's Condominium Presale Value and Average Unit Price



Source: PS

As of March 2010, PS had 18 existing condominium projects with 2,480 units worth Bt5,864 million available for sale. Almost all of its condominium projects had a good response from the market, except *Ivy Chinatown*. This project was merely 10% sold after one year of opening. As a result, PS will change the product to commercial units. The project value of *Ivy Chinatown* will decrease to around Bt100 million from Bt975 million. Through the end of March 2010, the company had already transferred eight condominiums with a combined transfer value of Bt5,767 million. As of March 2010, PS had a large condominium backlog with a total value of Bt8,892 million. The backlog will be delivered to customers during the remainder of 2010 through 2012.

Table 7: PS's Existing Condominium Projects as of March 2010

No.	Project	Total Project			% Sold (of Value)	Available for Sale		Launch Year
		Unit	Value (Bt Mil)	Avg. Price (Bt Mil)		Unit	Value (Bt Mil)	
1	City Ville 1	369	278	0.75	99	2	4	Jun 06
2	The Tree Ladprao-Wanghin	340	295	0.87	100	-	-	Oct 09
3	624 Condolette Ladprao	471	467	0.99	83	80	78	Feb 10
4	Be You Chokchai 4	374	371	0.99	61	146	145	Dec 09
5	Chapter One Ratchaburana	2,404	4,191	1.74	30	1,699	2,924	Feb 10
6	The Seed Ratchada-HuaiKhwang	308	415	1.35	91	27	39	Jan 08
7	The Seed Sathorn-Taksin	219	411	1.88	99	3	6	Jan 08
8	The Seed Chaengwattana	210	388	1.85	87	27	49	Feb 08
9	The Seed Terre Ratchayothin	236	628	2.66	94	12	38	Aug 08
10	The Seed Musee Sukhumvit 26	138	626	4.53	100	-	-	Jul 09
11	The Seed Memories Siam	303	1,515	5.00	100	-	-	Nov 09
12	Fuse Sathorn-Taksin	377	1,195	3.17	39	235	724	Feb 10
13	Ivy Ratchada	399	830	2.08	99	1	3	May 07
14	Ivy River	1,266	3,210	2.54	97	35	105	Jul 07
15	Ivy Sathorn	290	1,052	3.63	99	1	4	Nov 07
16	Ivy Residence Pinklao	187	752	4.02	64	60	274	Jun 08
17	Ivy Thonglor	447	2,736	6.12	78	92	593	Oct 08
18	Ivy Chinatown	69	975	14.13	10	60	878	Mar 09
	Total	**8,407**	**20,335**	**2.42**	**71**	**2,480**	**5,864**	

Source: PS

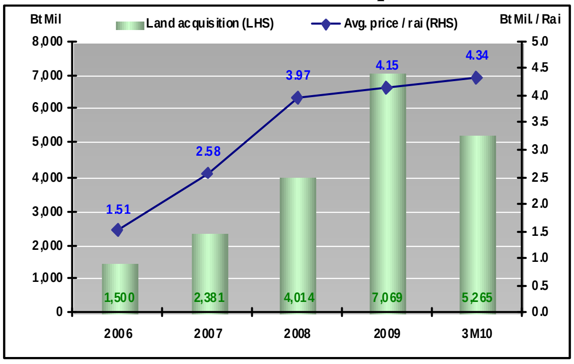
- ***Shorter project cycle partially mitigates risk of changing market conditions and reduces costs***

During the past four years, PS has employed several operational systems to accelerate the project life cycle. Also, pre-cast and prefabrication techniques diminish the project construction time. Consequently, the time from booking to transfer decreased to 91 days in 2009 from 180 days in 2006 and 111 days during 2007-2008. Faster project completion helps the company partially reduce the risk of changing in market situation and lower the project cost.

- ***Aggressive expansion to pursue continued revenue growth***

With presales of approximately Bt23,000 million in 2009, the remaining unsold units worth Bt27,510 million as of March 2010 is sufficient for around one year of sales. Consequently, to pursue the 25% growth target per annum, PS plans to launch 48 new projects in 2010 with a total project value of Bt33,600 million. This investment is far higher than the Bt17,700 million value of 34 new projects launched in 2009. The new housing projects in 2010 consist of 16 townhouse and 14 SDH projects. To gain more market share in the condominium segment, the company plans to introduce 16 new condominium projects in 2010, much higher than the four to six new condominium projects launched annually during 2007-2009. During the first three months of 2010, 19 new projects had already opened. New condominiums will mainly focus on the Bt1 million and the Bt2-3 million per unit segments. Development of a condominium project takes far longer time than townhouse and SDH projects. The longer time exposes developers to the risk that presales buyers will refuse to transfer units if market turns down. Currently, PS plans to cap the condominium segment at 25-30% of its portfolio.

Chart 7: PS's Land Acquisition



Source: PS

In 2009, the company purchased a huge amount of Bt7,069 million in land plots for new projects, compared with Bt4,014 million spent in 2008. PS already acquired Bt5,265 million in land plots during the first quarter of 2010 from an annual budget of Bt6,800 million.

FINANCIAL ANALYSIS

PS's financial profile remains relatively strong compared with other leading property developers due to strong growth of revenue and profit. Profitability benefits from large scale production and government tax incentives. Although its project portfolio has expanded rapidly during the past few years, cash flow protection has strengthened and financial leverage remains lower than most listed property developers.

- ***Improving profitability from economy of scale and government tax incentives***

With a strategy to utilize pre-cast and prefabrication technologies in the project construction and to self-manage the construction process, PS has been able to control project costs efficiently and gain an acceptable profit margin. Its gross margin was 38% during 2008 and 2009, increasing from 32%-35% during 2005-2007. The higher gross margin was due to decreasing construction cost from more economies of scale and the ability to command higher profit margins for new products. Selling, general and administration expenses (SG&A) fell to 13% of total revenue in 2009 from 14% in 2008 and 17% in 2007. The drop in SG&A came mainly from the government tax incentives. As a result, the ratio of adjusted operating income as a percentage of sales improved to 26.41% in 2009 from 25.24% in 2008 and 19.74% in 2007. The pretax return on permanent capital was 33.30% in 2009, rising from 27.85% in 2008 and 19.08% in 2007. Net profit continued to grow, moving up significantly from around Bt1,300 million per year during 2006 and 2007 to Bt2,373 million in 2008. In 2009, net profit increased to Bt3,622 million, up 53% from 2008. Looking forward, TRIS Rating expects that PS will be able to maintain profit margins at acceptable levels but the profit margin is expected to be under more pressure due to expiration of the tax benefits and a more intensely competitive environment.

- ***Healthy financial leverage despite aggressive project expansion***

PS mainly finances land and construction costs with operating cash flow though most residential projects received project loans from banks. Although the company expanded the project portfolio aggressively, total debt declined to Bt2,100 million at the end of 2009 from Bt3,600 million as of December 2008. Almost all of the outstanding debt as of December 2009 was the debentures. The proceeds from the debenture issue were used for working capital. The total debt to capitalization ratio at the end of 2009 was 13.89%, lower than 26.26% in 2008. Compared with other listed property developers, financial leverage has been relatively low. To support strong growth target and more participate in condominium projects, PS's financial leverage is expected to increase but will remain at an acceptable level. The debt to equity ratio will not exceed the company's internal policy of one time.

- ***Relatively strong cash flow protection***

PS's project portfolio comprised 73% townhouses and SDHs, and 27% condominiums as of March 2010. Cash received from housing projects is partly used to fund condominium project development. In addition, a shorter business cycle helps increase the company's cash flow flexibility and reduce borrowing needs. The funds from operations (FFO) to total debt ratio at 193.40% in 2009 was much stronger than other listed property developers. The earnings before interest, tax, depreciation and amortization (EBITDA) interest coverage ratio remained relatively high at 27.34 times in 2009. PS's strong financial flexibility was also supported by balances of cash and marketable securities of Bt3,151 million and unused committed credit facilities of around Bt6,000 million at the end of 2009.

Financial Statistics and Key Financial Ratios*

Unit: Bt million

	----------------Year Ended 31 December --------------					
	2009	2008	2007	2006	2005	2004
Sales	18,966	12,969	9,055	8,181	7,621	4,868

Gross interest expense	187	133	46	93	160	113
Net income from operations	3,670	2,551	1,364	1,264	1,265	947
Funds from operations (FFO)	4,061	2,848	1,557	1,387	1,359	1,018
Inventory investment	(501)	(4,133)	(718)	(666)	701	(3,108)
Cash and marketable securities	3,151	1,530	1,082	449	1,479	156
Total assets	18,871	16,292	11,095	9,386	9,843	8,783
Total debt	2,100	3,600	1,219	1,030	2,621	3,671
Shareholders' equity	13,023	10,110	8,206	7,338	6,270	3,780
Operating income before depreciation and amortization as % of sales	26.41	25.24	19.74	20.91	23.83	24.74
Pretax return on permanent capital (%)	33.30	27.85	19.08	18.30	21.03	20.09
Earnings before interest, tax, depreciation and amortization (EBITDA) interest coverage (times)	27.34	25.94	40.13	18.37	11.38	10.76
FFO/total debt (%)	193.40	79.12	127.73	134.71	51.85	27.73
Total debt/capitalization (%)	13.89	26.26	12.94	12.30	29.48	49.27

* *Consolidated financial statements*

Rating Symbols and Definitions

TRIS Rating uses eight letter rating symbols for announcing medium- and long-term credit ratings. The ratings range from AAA, the highest rating, to D, the lowest rating. The medium- and long-term debt instrument covers the period of time from one year up. The definitions are:

AAA The highest rating, indicating a company or a debt instrument with smallest degree of credit risk. The company has extremely strong capacity to pay interest and repay principal on time, and is unlikely to be affected by adverse changes in business, economic or other external conditions.

AA The rating indicates a company or a debt instrument with a very low degree of credit risk. The company has very strong capacity to pay interest and repay principal on time, but is somewhat more susceptible to the adverse changes in business, economic, or other external conditions than AAA rating.

A The rating indicates a company or a debt instrument with a low credit risk. The company has strong capacity to pay interest and repay principal on time, but is more susceptible to adverse changes in business, economic or other external conditions than debt in higher-rated categories.

BBB The rating indicates a company or a debt instrument with moderate credit risk. The company has adequate capacity to pay interest and repay principal on time, but is more vulnerable to adverse changes in business, economic or other external conditions and is more likely to have a weakened capacity to pay interest and repay principal than debt in higher-rated categories.

BB The rating indicates a company or a debt instrument with a high credit risk. The company has less than moderate capacity to pay interest and repay principal on time, and can be significantly affected by adverse changes in business, economic or other external conditions, leading to inadequate capacity to pay interest and repay principal.

B The rating indicates a company or a debt instrument with a very high credit risk. The company has low capacity to pay interest and repay principal on time. Adverse changes in business, economic or other external conditions could lead to inability or unwillingness to pay interest and repay principal.

C The rating indicates a company or a debt instrument with the highest risk of default. The company has a significant inability to pay interest and repay principal on time, and is dependent upon favourable business, economic or other external conditions to meet its obligations.

D The rating for a company or a debt instrument for which payment is in default.

The ratings from AA to C may be modified by the addition of a plus (+) or minus (-) sign to show relative standing within a rating category.

TRIS Rating's short-term ratings focus entirely on the likelihood of default and do not focus on recovery in the event of default. Each of TRIS Rating's short-term debt instrument covers the period of not more than one year.The symbols and definitions for short-term ratings are as follows:

T1 Issuer has strong market position, wide margin of financial protection, appropriate liquidity and other measures of superior investor protection. Issuer designated with a "+" has a higher degree of these protections.
T2 Issuer has secure market position, sound financial fundamentals and satisfactory ability to repay short-term obligations.
T3 Issuer has acceptable capacity for meeting its short-term obligations.
T4 Issuer has weak capacity for meeting its short-term obligations.
D The rating for an issuer for which payment is in default.

All ratings assigned by TRIS Rating are local currency ratings; they reflect the Thai issuers' ability to service their debt obligations, excluding the risk of convertibility of the Thai baht payments into foreign currencies.

TRIS Rating also assigns a **"Rating Outlook"** that reflects the potential direction of a credit rating over the medium to long term. In formulating the outlook, TRIS Rating will consider the prospects for the rated company's industry, as well as business conditions that might have an impact on the fundamental creditworthiness of the company. The rating outlook will be announced in conjunction with the credit rating. In most cases, the outlook of each debt obligation is equal to the outlook assigned to the issuer or the obligor. The categories for *"Rating Outlook"* are as follows:

Positive The rating may be raised.
Stable The rating is not likely to change.
Negative The rating may be lowered.
Developing The rating may be raised, lowered or remain unchanged.

TRIS Rating may announce a **"CreditAlert"** as a part of its monitoring process of a publicly announced credit rating when there is a significant event that TRIS Rating considers to potentially exerting a substantial impact on business or financial profiles of the rated entity. Due to an insufficient data or incomplete developments of the event, such as merger, new investment, capital restructuring, and etc., current credit rating remains unchanged. The announcement aims to forewarn investors to take a more cautious stance in investment decision against debt instruments of the rated entity. CreditAlert report consists of a "Rational" indicating warning reasons, a "CreditAlert Designation", and a current credit rating. Rating Outlook is withheld in the announcement.

CreditAlert Designation illustrates a short-term rating outlook indicative of the characteristics of impacts on the credit rating in one of the three directions (1) *Positive* (2) *Negative* and (3) *Developing*.

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