

PRUKSA REAL ESTATE PLC

Announcement no. 801

6 July 2011

Company Rating: A

Outlook: Stable

New Issue Rating: -

Rating History:

Date	Company	Issue (Secured/Unsecured)
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+	-

Rating Rationale

TRIS Rating affirms the company rating of Pruksha 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, proven track record in the middle- to low-income residential property segment, cost competitiveness, and strong backlog partly securing the company's future revenue stream. These strengths are partially offset by a deteriorated financial position during 2010 through the first quarter of 2011 as a result from an aggressive expansion and the acquisition of a large number of pieces of land. The ratings also take into consideration the cyclical nature of the property development industry and the expectation of more intense competition as many developers have been aggressively acquiring land since the second half of 2010.

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 2011, the Vijitpongpan family continued to be the largest shareholder, owning a 74% stake. PS has a huge project portfolio, which comprises 210 existing residential projects with the remaining value of Bt54,529 million available for sale and a backlog of approximately Bt36,000 million as of May 2011. The company offers a wide range of products including townhouses (45% of total project value), single-detached houses (SDH, 30%), condominiums (22%), and overseas projects (3%). Townhouses have remained the largest contribution of PS's total revenue, constituting 51% of total revenue during 2009-2010 and 59% in the first quarter of 2011. The revenue contribution from SDH units increased to 36% of revenue during the first three months of 2011 from 30%-33% during 2009-2010. Condominium units contributed only 5% of revenue in the first quarter of 2011. PS's competitive edge stems from the precast and prefabrication technologies the company uses and the construction process managed by itself. With large production volumes, these 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.

PS's presales reached a record high of Bt38,753 million in 2010, up 70% from Bt22,775 million in 2009. The growth was mainly driven by rising presales of condominiums. Condominium presales jumped to Bt12,340 million in 2010, a significant increase from Bt4,721 million in 2009. Presales of townhouse and SDH units also grew 54% and 24% year-on-year (y-o-y), respectively, in 2010. During the first five months of 2011, presales rose by 5% to Bt14,185 million, up from Bt13,451 million during the same period of 2010. Presales of townhouses and condominiums diminished in the first five months of 2011, but presales of SDH units drove the growth in presales. PS's total revenue was Bt23,307 million in 2010, a 23% increase from Bt18,966 million in 2009. Total revenue in the first quarter of 2011 slightly dropped to Bt5,422 million, down 19% from Bt6,655 million in the same period of 2010. The drop in revenue resulted from an expiration of government tax incentives in mid-2010, which caused the transfer of residential property in the first quarter of 2010 higher than normal. The gross profit margin had been comparatively high at 38%-39% during 2010 through the first three months of 2011. However, higher selling, general, and administrative

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expenses (SG&A) lowered the operating profit margin. Operating income as a percentage of sales decreased to 20.58% in 2010 and 19.16% in the first quarter of 2011 from 25%-26% during 2008-2009. Cash flow protection has weakened as the ratio of funds from operations (FFO) to total debt declined to 22.13% in 2010 and 4.91% (non-annualized) in the first three months of 2011, down from 167.11% in 2009 and 73.02% in 2008. An aggressive expansion and large land purchases pushed financial leverage higher. The debt to capitalization ratio jumped from 15.84% at the end of 2009 to 49.03% as of December 2010 and 52.13% as of March 2011.

Demand for housing depends mostly on consumer confidence and the economic environment. The government usually provides supports for this industry during an economic downturn. Due to the government tax incentives scheme offered during 2008-2010 and the domestic economy which recovered faster than expected, demand for residential property has improved significantly since the second half of 2009. However, the momentum was maintained throughout 2010. Several developers have stepped up land acquisitions since late 2009 which caused the industry-wide leverage level to increase significantly in 2010. The changes in the loan-to-value policy (LTV ratio) implemented by the Bank of Thailand (BOT) in 2011 and rising interest rates are expected to curb the speculative demand in the condominium segment and the affordability of housing for the low-income segment. Therefore, the growth rate of this industry is expected to be lower this year compared with the previous year. However, large developers are expected to gain more market share at the expense of smaller developers as several major developers have diversified by entering the low-priced housing segment. This move will cause the competition in this segment to be more intense than before.

Rating Outlook

The “stable” outlook reflects the expectation that PS will be able to maintain its current operating performance in the medium term. Cash flow protection should be strengthened when a large amount of the backlog is delivered on schedule. The operating profit margin is expected to improve. Despite continued aggressive expansion, PS’s financial leverage should not be higher than its current level.

PRUKSA REAL ESTATE PLC (PS)

Company Rating:	A
Issue Rating:	
PS121A: Bt1,500 million senior debentures due 2012	A
PS136A: Bt1,500 million senior debentures due 2013	A
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
Rating Outlook:	Stable

Key Rating Considerations

Strengths/Opportunities

- Leading position in the middle- to low-priced townhouse segment
- Accepted brand name and proven record in the middle- to low-income residential property market
- Cost competitiveness due to large scale production and prefabrication technologies
- Strong backlog partly secures future revenue stream

Weaknesses/Threats

- Aggressive expansion and huge land acquisitions which hurt financial position
- Rising interest rates

- Cyclical nature of the property development industry
- More intense competition

Corporate Overview

PS was founded in 1993 by Mr. Thongma Vijitpongpan and was listed on the SET in December 2005. The Vijitpongpan family has been the major shareholder of the company, holding a 74% stake as of March 2011. PS is the leader in employing pre-cast and pre-fabrication technologies in project construction. The company not only owns the pre-cast factories but also manages project construction itself. PS focuses on the middle- to low-income segment. The average unit prices in 2011 were Bt1.2 million for a townhouse, Bt3.3 million for an SDH unit, and Bt2.6 million for a condominium unit. Townhouses have continued to be the largest proportion

of PS's total revenue, constituting 51% of total revenue during 2009-2010 before increasing to 59% in the first quarter of 2011. The revenue contribution from SDH units increased to 36% of total revenue during the first three months of 2011 from 33% in 2010 and 30% in 2009. Condominiums contributed 5% in the first quarter of 2011,

down from 16% in 2010 and 19% in 2009. The revenue contribution from condominiums will increase in the future as around half of backlog was condominium units. The condominium backlog, worth around Bt18,000 million as of May 2011, will be transferred to customers during the remainder of 2011 through 2013.

Table 1: Revenue Breakdown of PS by Product Type

Unit: %

Product Type	2006	2007	2008	2009	2010	Jan-Mar 2010	Jan-Mar 2011
Townhouse	60	57	58	51	51	40	59
SDH	40	43	38	30	33	37	36
Condominium	-	-	4	19	16	23	5
Total revenue	100	100	100	100	100	100	100
Total revenue (Bt million)	8,181	9,055	12,969	18,966	23,307	6,655	5,422

Source: PS

Recent Developments

▪ **First two overseas projects generated presales of around Bt1,000 million**

PS invested in overseas projects by using Pruksa Oversea Co., Ltd. and Pruksa International Co., Ltd. as its investment arms to invest, develop, and construct residential projects outside Thailand. The company indirectly owns 100% of the two subsidiaries registered in Bangalore, India. Pruksa Oversea and Pruksa International founded joint ventures in Chennai and Mumbai, India. Additionally, PS has invested in subsidiaries and joint ventures in Hai Phong, Vietnam, and Huluhmale, the 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.

Coral Ville in the Maldives, PS's first overseas project, was launched in July 2010. The project was a five-storey condominium with 1,080 units worth Bt3,295 million in total. As of May 2011, the first phase of the project was sold out, or 18% of the total project value. *Coral Ville* generated presales of Bt591 million during 2010 through

the first five months of 2011. The first two buildings of the project will be completed and delivered to customers in July 2011. The second overseas project, located in Bangalore, India, was introduced in the fourth quarter of 2010. The project contained 401 SDH units with a total project value of Bt1,686 million. *Silvana* was 26% sold with a presales value of Bt446 million as of May 2011. The first phase of this project will be ready for transfer by the end of 2011. During the rest of 2011, PS plans to launch a housing project in Mumbai and a low-rise condominium in Hai Phong. In Chennai, the joint venture needs to acquire a new land plot for its project. Consequently, the project in Chennai is expected to open next year.

To mitigate the risk of its overseas investments, PS has a policy to limit its equity investments to US\$10 million in each city. The residential projects will focus on townhouse, SDH, and low-rise condominium units with short development periods. The products target the middle- to low-income segment, a segment with high demand in each country. PS will transfer its expertise in prefabrication technologies to manage the overseas residential projects. The overseas expansion will support the company's aggressive growth target and diversify its sources of cash flow.

Table 2: PS's Existing Overseas Projects as of May 2011

Project, City, Country	Total Project			% Sold	Available for Sale		Launch Year
	Unit	Value (Bt Million)	Average Price (Bt Million)		Unit	Value (Bt Million)	
Coral Ville, Huluhmale, the Maldives	1,080	3,295	3.1	18	904	2,705	Jul-10
Silvana, Bangalore, India	401	1,686	4.2	26	296	1,240	Nov-10
Total	1,481	4,981	3.4	21	1,200	3,945	

Source: PS

■ **New precast factories to serve project expansion**

PS constructed two new precast factories (Factory no. 4 and no. 5) in 2010. Factory no. 4 produces condominium walls, with an expected capacity of 320 units per month, and townhouse facades, with an expected capacity of 900 units per month. Precast factory no. 5 produces house walls, with an expected capacity of 430 units per month. The investment in the two factories was Bt853 million during 2010 through the first five months of 2011. PS will need Bt984 million in total for capacity expansion. New precast factories will enhance PS's production capacity in order to ensure enough precast sheets for its current and planned projects.

INDUSTRY ANALYSIS

■ **Bullish sentiments in 2010**

The residential property industry carried its growth momentum from the second half of 2009 well into 2010. The industry grew remarkably well in 2010 on the back of strong Gross Domestic Product (GDP) growth of 7.8% and government tax incentives.

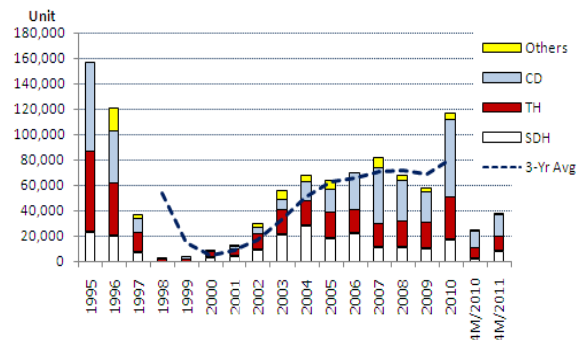
Developers were very bullish as the economy recovered and consumer confidence improved. Many developers expanded aggressively and launched many new projects in 2010. According to Agency for Real Estate Affairs (AREA), the number of new residential units launched in Greater Bangkok in 2010 reached 116,791 units, the highest since 1995 and substantially higher than the average of 67,000 new units launched per annum during 2005-2009. The supply of new condominium and townhouse units jumped significantly, while the number of new detached house units remained stable. The largest price segment for newly launched SDH units was the Bt3-Bt5 million segment, representing 50% of the total number of new SDH units. Meanwhile, the largest price segment for townhouse and condominium units was the Bt1-Bt2 million segment, representing 55% and 40% of the total numbers of new units, respectively. During the first four months of 2011, the number of new residential units launched grew by 54% to 38,114 units from 24,722 units during the same period of 2010. The rise in new supply has been absorbed quite well as shown by solid sales records. Data from AREA showed the total number of units sold in 2010 was 95,840 units, or 42% of the total number of units available for sale.

The condominium segment showed the largest sales growth despite the fact that buyers did not receive any tax benefits since the ownership titles would be transferred over the next two to three years. During the 2008-2009 economic contraction, the downward pressures on condominium supply and demand were more evident than in the low-rise segment. This suggests the sentiment of both developers and buyers toward the high-rise segment

is correlated with the broad macroeconomic environment. The solid growth in demand for high-rise units in 2010 was driven partly by the pent-up demand for high-rise units following a drop in high-rise unit purchases during 2008-2009.

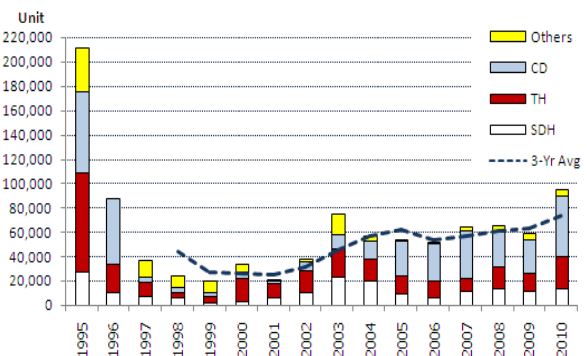
TRIS Rating expects the property sector to continue to grow in 2011, partly supported by developers' sizable backlogs. This should secure a portion of the developers' revenue streams for the next one to two years.

Chart 1: Supply - Newly Launched Units



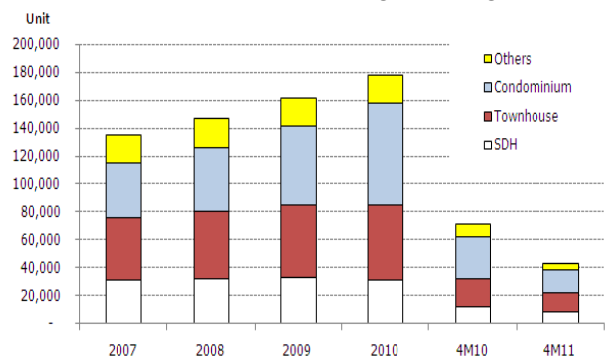
Source: Agency for Real Estate Affairs (AREA)

Chart 2: Demand - Units Sold



Source: AREA

Chart 3: Transferred of New and Aged Housing Units

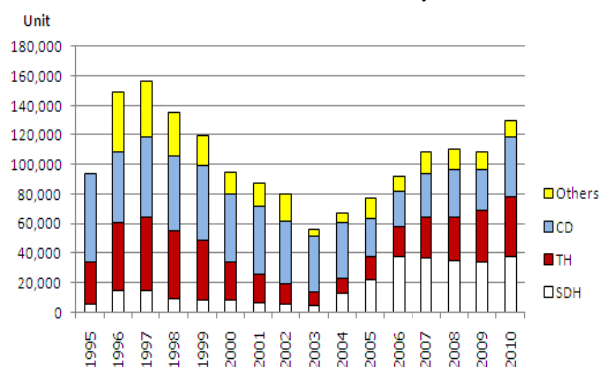


Source: Real Estate Information Center (REIC)

▪ **Excess supply is a factor to monitor**

At the end of 2010, there were a total number of 130,282 unsold residential units in Greater Bangkok. Townhouses represented the largest portion, or 31% of the total. The number of unsold townhouses rose steadily from 9,240 units in 2003 to 40,983 units in 2010. The number of unsold condominium units also rose substantially in 2010. The total number of unsold units had risen steadily since 2004 with a brief decline in 2009. Housing demand is expected to return to normal going forward. Thus, if the amount of new supply exceeds 70,000 units per annum, inventory accumulation is the likely result. An inventory build up across the industry raises the risk of price deflation in the future.

Chart 4: Year-end Inventory



Source: AREA

Although the number of new projects launched is expected to decline in 2011, the risk of oversupply cannot be completely ruled out. The number of condominium units purchased by speculators and renters over the past few years is estimated at 25%-40% of the total number of units launched or around 40,000 units. This supply could return to the market should economic conditions reverse. Political instability also poses another risk. However, history shows that the real estate market is quite resilient. Demand generally drops during periods of political unrest and then rebounds quickly.

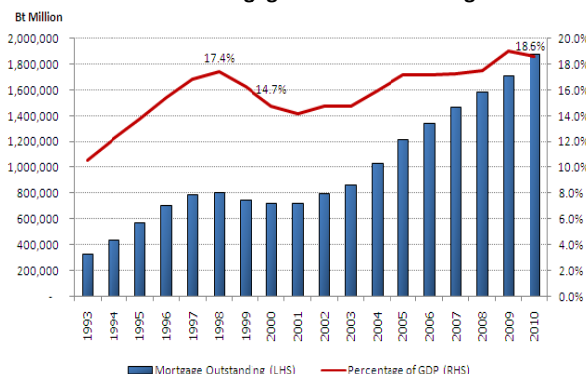
▪ **Strong economy supports rising household leverage**

The amount of mortgage loans outstanding at the end of 2010 was Bt1.88 trillion, up 9% from the previous year. The ratio of mortgage loans outstanding as a percentage of GDP has risen gradually in the past few years. In 2010, the ratio stood at 19%, up from around 15% a decade ago.

There is no definite approach to measure the point at which a property crisis is triggered. At the beginning of 2008, the total value of mortgages in the US was 90% of GDP whereas in Thailand, the mortgage to GDP

ratio before the 1997 crisis stood at only around 17%. Nonetheless, TRIS Rating believes that the current level of household leverage dedicated to real estate is justified by the country's stronger economic fundamentals, particularly its capacity to absorb external shocks.

Chart 5: Mortgage Loans Outstanding



Source: Bank of Thailand (BOT)

Table 3: BOT's LTV Policy

Effective Date	Bank of Thailand's Measures
20 Mar 2009	Housing credits for property priced at more than Bt10 million per unit <ul style="list-style-type: none"> - LTV ratio \leq 80%, risk weight (RW) = 35% - LTV ratio > 80%, risk weight (RW) = 75%
1 Jan 2011	Housing credits for condominiums priced at below Bt10 million per unit <ul style="list-style-type: none"> - LTV ratio \leq 90%, risk weight (RW) = 35% - LTV ratio > 90%, risk weight (RW) = 75%
1 Jan 2012 (To be implemented)	Housing credits for low-rise housing priced at below Bt10 million per unit <ul style="list-style-type: none"> - LTV ratio \leq 95%, risk weight (RW) = 35% - LTV ratio > 95%, risk weight (RW) = 75%

Source: BOT

In late 2010, the BOT introduced a more stringent LTV policy for mortgage loans on residential properties priced below Bt10 million per unit. The policy change came part of efforts to take some steam out of the system. The new policy is applied to loans for high-rise units in 2011 and low-rise units in 2012.

▪ **Mass transit system transforms industry**

The residential property market is highly competitive and dynamic. Housing supply and demand are influenced by economic and psychological factors. The cycle of change for consumer preferences and lifestyles has become shorter in recent years. The extensions of the mass transit

system to suburban areas, notably the Airport Rail Link, Purple Line, Blue Line, and the extension of the Green Line, have created tremendous opportunities for real estate firms to develop housing and commercial projects along the extended rail networks. The extensions also allow urban dwellers who prefer to live near mass transit systems to migrate out of the city. The mass transit development projects should gradually relieve the upward pressure on land and property prices in the business routes in the near to medium term.

▪ **Developers adapt to grow**

As the market becomes more dynamic, developers are increasingly forced to broaden their expertise to cover variety of products and locations. Large developers with a broad product portfolio and a range of price levels can gain a competitive advantage over smaller developers. Well-diversified firms will be more equipped to adapt, respond, and offer products that meet rapidly changing buyer needs, thus generating higher growth.

However, the dominant positions of the large property developers can also destabilize the market stability. When large property firms increasingly adopt similar strategies and pursue the same product, price or geographic segments with the highest growth potential, there is a great chance that new supply will quickly overwhelm existing demand. Competition will become more intense, pushing land prices above fundamental values. A subsequent rapid evaporation in demand could raise the risk of firms getting stuck with inventory mismanagement nightmares. Developers also continually face the challenge of identifying the next booming segment in order to sustain their revenue growth plans.

▪ **Low-rise segment leads market**

The number of newly launched units and units sold in 2011 is expected to decline moderately from 2010 as the market returns to normal and the tax incentives have expired. Sales and launches of low-rise projects should drive market growth. The number of new high-rise units in 2011 is expected to decline as most developers are taking a more cautious stance. An increase in the low-rise segment should raise the portion of real buyers -- as opposed to speculative buyers -- and translate into healthier market growth.

Speculative demand is expected to subside in 2011 after the BOT issued a precautionary LTV measure in late 2010. Rising market interest rates will also reduce the attractiveness of yields on property rentals and cut speculation. BOT is expected to continue raising its policy interest rate above the current level of 2.75%. The rises are meant to eliminate the negative real interest rate and raise the rate to levels consistent with the inflation

target. The stepped-up financing costs on the back of a strong economy are not expected to dampen real estate demand.

BUSINESS ANALYSIS

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

▪ **More product brands to expand market**

Table 4: PS's Product Segmentation

Product Type	Brand	Price Range/Unit (Bt Million)
Townhouse	Baan Pruksha	0.7-1.5
	Pruksha Ville	1.2-2.0
	Pruksha Town	1.8-3.0
	Urbano	1.8-3.0
	The Plant Citi	2.0-4.0
	The Connect	2.0-5.0
SDH	Pruksha Village	2.0-3.0
	Baan Pruksha Nara	2.5-3.0
	Pruksha Puri	2.5-3.5
	Passorn	2.5-10.0
	The Plant	3.0-6.0
Condominium	City Ville	0.5-0.8
	Plum Condo	0.8-1.2
	Be You	0.8-1.5
	The Tree	0.8-2.2
	Condolette	0.8-7.0
	Chapter One	0.9-2.0
	The Seed	1.5-7.0
	Urbano Absolute	2.0-14.0
	Fuse	2.7-8.5
	Ivy	3.0-10.0

Source: PS

During 2010 through the first five months of 2011, PS launched two new SDH brands, *Pruksha Puri* and *Baan Pruksha Nara*. The two brands target the middle-income segment with unit prices ranging from Bt2.5 million to Bt3.5 million. *Pruksha Puri* is located in the Bangkok Metropolitan Area (BMA), while *Baan Pruksha Nara* projects are found upcountry. In 2010, the company launched two *Baan Pruksha Nara* projects, one in Ayudhya province and

another in Chonburi province. PS also expanded its target market to the southern part of Thailand. The company opened two *Pruksa Ville* projects in Phuket during the last quarter of 2010 through the first quarter of 2011.

PS introduced a new condominium brand, *Urbano Absolute*, in mid-2010. *Urbano Absolute* targets the middle- to high-income segment with prices per unit ranging between Bt2.0-Bt14.0 million. After launching a series of middle- to low-priced condominiums in late 2009, PS introduced a new BOI condominium brand, *Plum Condo*, in the first quarter of 2011. *Plum Condo* sells for Bt0.8-Bt1.2 million per unit.

Presently, PS's townhouse products cover a wider price range of Bt0.7-Bt5.0 million per unit. Prices of its SDH brands range from Bt2 million to Bt10 million. PS's condominium products cover a number of segments with a broad price range spanning from Bt0.5 million to Bt14 million per unit. With a wide range of product segments, PS is able to expand its customer base. The company can also adjust the project portfolio as the market changes.

▪ **Cost competitiveness enhanced by prefabrication technologies and precast concrete factories**

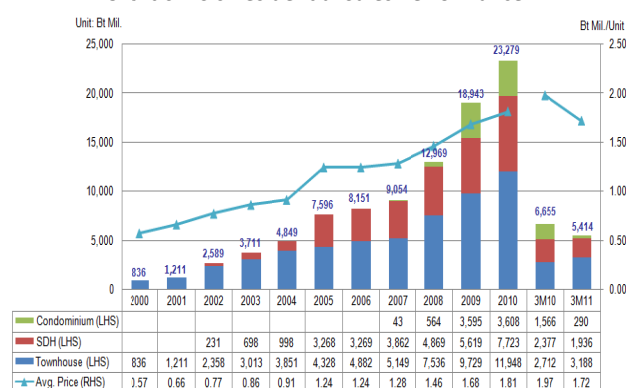
PS employs precast and prefabrication technologies to manage construction costs and shorten the construction periods for its residential projects. With these construction technologies, the company has been a low-cost producer and able to offer residential units at competitive prices. PS uses the precast materials for the townhouse and SDH projects. The company employs precast concrete sheets for some low-rise condominium projects, *The Tree Ladprao*, *Condolette 624 Ladprao*, and *Be You*. In 2011, PS will develop the precast technologies for some high-rise condominium projects, such as *The Seed Mingle Sathorn-Suanplu* and *Chapter One Modern Dutch*. After the construction of the new factories finished in late 2010, the five precast concrete factories have an expected production capacity of 8,200 units per year (or 690 units per month). The utilization of the precast factories is around 85% of total capacity. PS expects that all precast factories will run at full capacity by mid-2011.

▪ **Residential transfer dropped during the first three months of 2011**

PS's residential sales have consistently increased. Residential sales rose by 23% to Bt23,279 million in 2010 from Bt18,943 million in 2009. The growth came from more transfers of townhouse, SDH, and condominium units. The value of the townhouses transferred climbed to Bt11,948 million in 2010 from Bt9,729 million in 2009. SDH transfers increased by 37% to Bt7,723 million in 2010. The value of condominiums transferred in 2010 reached Bt3,608 million. The condominium transfers were units in

the *Ivy River*, *Ivy Sathorn*, *Ivy Residence Pinklao*, *The Seed Terre Ratchayothin*, and *The Seed Musee Sukhumvit 26* projects. Residential sales during the first three months of 2011 decreased by 19% to Bt5,414 million from Bt6,655 million during the same period of 2010. Sales of townhouse units was Bt3,188 million in the first quarter of 2011, up 18% from the same period of last year. Sales of SDH units decreased to Bt1,936 million during the first three months of 2011 from Bt2,377 million during the same period of 2010. The transfer value for condominiums was only Bt290 million in the first quarter of 2011. The condominium transfers primarily came from *The Tree Ladprao* and *The Seed Musee Sukhumvit 26* projects. The price per unit was Bt1.7-Bt1.8 million during 2009 through the first three months of 2011.

Chart 6: PS's Residential Sales Performance



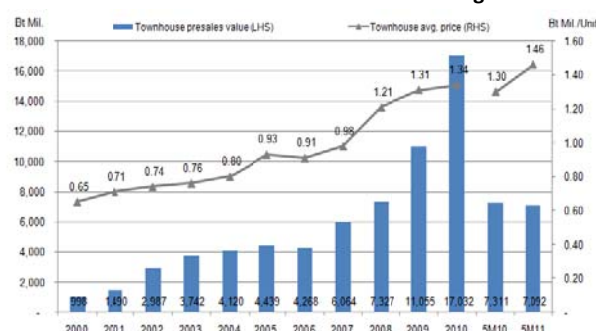
Source: PS

▪ **Townhouse presales remained satisfactory**

PS launched 44 townhouse projects with total project value of Bt22,854 million in 2010, much higher than the 17 projects worth Bt6,798 million PS opened in 2009 and the 21 projects worth Bt9,868 million launched in 2008. Since its selling prices were competitive, townhouse units received good responses from customers. Townhouse presales peaked at Bt17,032 million in 2010, up 54% from Bt11,055 million in 2009. During the first five months of 2011, presales slightly decreased by 3% y-o-y to Bt7,092 million. *Baan Pruksa* and *Pruksa Ville* remained the key drivers of townhouse presales. The average selling price per unit has continuously increased, rising to Bt1.46 million in the first five months of 2011 from Bt1.34 million in 2010 and Bt1.31 million in 2009. The rising average selling price resulted from increasing construction material prices.

As of May 2011, PS had 131 existing townhouse projects, mainly under the *Baan Pruksa* and *Pruksa Ville* brands. PS had 13,271 unsold townhouse units worth

Bt22,318 million available for sale. At an absorption rate of around 12,000 units in 2010, the remaining townhouse units are enough for one year of sales. As a result, PS plans to open a number of new townhouse projects during the remainder of 2011. PS will create a new townhouse product segment in order to keep expanding. The company plans to create a product for the Bt3-Bt5 million townhouse segment, targeting more middle- to high-end customers than its existing customers.

Chart 7: PS's Townhouse Presale Value and Average Unit Price


Source: PS

Table 5: PS's Existing Townhouse Projects as of May 2011

Brand	No. of Project	Total Project			% Sold	Available for Sale	
		Unit	Value (Bt Million)	Average Price (Bt Million)		Unit	Value (Bt Million)
Baan Prukka	60	35,208	31,227	0.9	81	5,007	5,895
Prukka Ville	43	12,607	20,180	1.6	67	3,982	6,696
Prukka Town *	14	3,813	7,726	2.0	35	2,423	4,994
Urbano	1	212	542	2.6	59	77	221
The Plant Citi	1	71	307	4.3	100	-	-
The Connect	11	4,053	8,912	2.2	51	1,775	4,367
Ivy Chinatown	1	19	350	18.4	59	7	145
Total townhouse	131	55,983	69,244	1.2	68	13,271	22,318

Source: PS

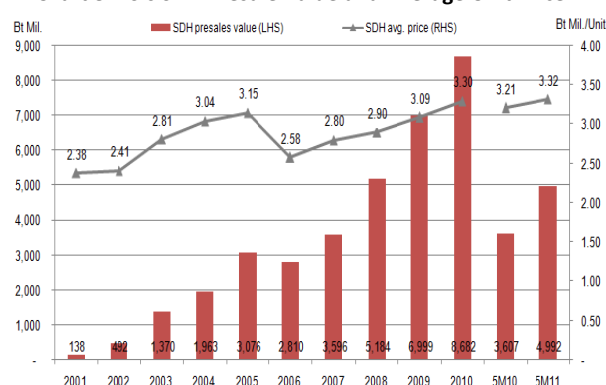
* Including the Reno brand

■ SDH became more active

Presales of SDH units reached a record high at Bt8,682 million in 2010, up 24% from Bt6,999 million in 2009. Presales growth was due to the opening of 15 new SDH projects worth Bt14,477 million in 2010, doubling the total project value of Bt7,103 million in 12 new projects launched in 2009. SDH presales during the first five months of 2011 was Bt4,992 million, a sharp increase from Bt3,607 million during the same period in 2010. Because of its competitive prices, compared with other leading developers in the SDH segment, PS's SDH products were widely accepted in the market. With its compact product package and affordable prices, *Prukka Village* remained the largest contributor of SDH presales. The average price for an SDH unit rose to Bt3.3 million during 2010 through the first five months of 2011 from Bt3.1 million in 2009 and Bt2.9 million in 2008.

At the end of May 2011, the company had 50 SDH projects on hand. Most of the existing projects were under the *Prukka Village* brand. PS had 5,989 remaining SDH units worth Bt19,939 million available for sale. With an absorption rate of around 2,600 units per year in

2010, these unsold SDH units are expected to be sold within two years. PS plans to enter higher-priced SDH segments in order to gain market share. The company will launch SDH units with pricing of Bt5-Bt7 million in 2011. The success of the new SDH segment remains to be seen.

Chart 8: PS's SDH Presale Value and Average Unit Price


Source: PS

Table 6: PS's Existing SDH Projects as of May 2011

Brand	No. of Project	Total Project			% Sold	Available for Sale	
		Unit	Value (Bt Million)	Average Price (Bt Million)		Unit	Value (Bt Million)
Pruksa Village *	26	6,840	18,757	2.7	58	2,723	7,956
Pruksa Puri	3	616	2,486	4.0	13	530	2,162
Baan Pruksa Nara	2	689	1,828	2.7	26	534	1,356
Passorn	12	3,976	15,472	3.9	67	1,362	5,187
The Plant	7	1,702	7,037	4.1	53	840	3,278
Total SDH	50	13,823	45,580	3.3	56	5,989	19,939

Source: PS

* Including Serenity and Pruksa Gallery brands

▪ **Condominium presales reached a record high in 2010 before slowing**

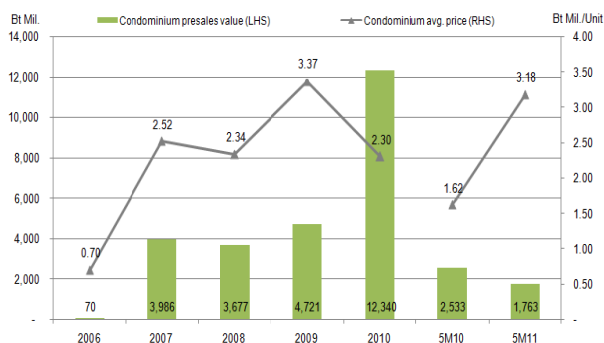
Table 7: PS's Existing Condominium Projects as of May 2011

No.	Project	Total Project			% Sold	Available for sale		Launch Year
		Unit	Value (Bt Million)	Avg. Price (Bt Million)		Unit	Value (Bt Million)	
1	City Ville 1	369	278	0.8	99	2	4	Jun-06
2	Ivy River	1,266	3,213	2.5	99	6	44	Jul-07
3	Ivy Sathorn	290	1,051	3.6	100	1	4	Nov-07
4	The Seed Ratchada-Huaykwang (Pruksa Condo)	189	265	1.4	97	5	7	Jan-08
5	The Seed Sathorn-Taksin	219	412	1.9	100	-	-	Jan-08
6	The Seed Chaengwattana	210	385	1.8	100	-	-	Feb-08
7	Ivy Residence Pinklao	187	751	4.0	74	33	195	Jun-08
8	The Seed Terre Ratchayothin	236	617	2.6	98	3	12	Aug-08
9	Ivy Thonglor	447	2,795	6.3	74	105	726	Oct-08
10	The Seed Musee Skv.26	138	617	4.5	88	18	73	Jul-09
11	The Tree Ladprao	340	296	0.9	100	-	-	Oct-09
12	The Seed Memories Siam	303	1,515	5.0	100	-	-	Nov-09
13	Be You	374	374	1.0	92	28	29	Dec-09
14	Fuse Sathorn-Taksin	377	1,192	3.2	93	20	82	Feb-10
15	Chapter One Modern Dutch	1,523	3,236	2.1	63	496	1,213	Feb-10
16	Condolette 642 Ladprao	471	467	1.0	89	55	54	Feb-10
17	The Tree Kiakkai	34	58	1.7	100	-	-	Jun-10
18	Urbano Sathorn-Taksin	593	2,732	4.6	67	157	900	Jun-10
19	The Seed Atom	555	2,231	4.0	66	147	751	Jun-10
20	Fuse Mobius Ramkamhaeng Station	1,399	2,679	1.9	60	550	1,068	Aug-10
21	The Seed Mingle Sathorn-Suanplu	531	1,747	3.3	88	67	217	Sep-10
22	The Tree Bangpo	709	1,388	2.0	90	66	139	Oct-10
23	Condolette Light Convent	111	642	5.8	81	14	123	Oct-10
24	Condolette Ize Ratchathewi	306	1,460	4.8	60	118	578	Nov-10
25	Condolette Ratchada 36	486	810	1.7	24	364	617	Mar-11
26	Plum Condo Navamin	728	621	0.9	60	289	248	Mar-11
27	Ivy Ampio	289	1,675	5.8	26	207	1,242	Mar-11
	Total condominium	12,680	33,506	2.6	75	2,751	8,327	

Source: PS

In 2010, PS launched 11 new condominium projects with a total project value of Bt20,202 million, relatively higher than Bt3,829 million and Bt4,652 million in new projects opened in 2009 and 2008, respectively. Most of new projects launched received good responses from customers. Consequently, condominium presales significantly increased to Bt12,340 million in 2010 from Bt4,721 million in 2009. However, presales during the first five months of 2011 declined by 30% to Bt1,763 million from Bt2,533 million during the same period in 2010. The drop was due to the cancellation of 995 units worth Bt1,533 million in *The Tree Kiakkai*. The project faced a problem with the construction regulations. Accordingly, *The Tree Kiakkai* will become a low-rise condominium project, rather than a high-rise, with an expected project value of Bt600 million.

Chart 9: PS's Condominium Presale Value and Average Unit Price



Source: PS

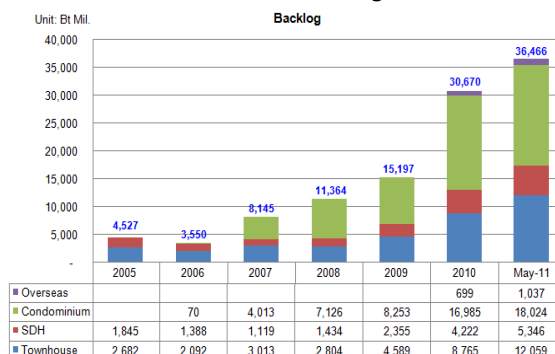
As of May 2011, the company had 23 existing condominium projects with 2,751 unsold units available for sale, worth Bt8,327 million. Across the condominium portfolio, the projects were 75% sold. Through the end of May 2011, PS had already delivered 12 condominium projects with a combined transfer value of Bt8,328 million. During the remainder of 2011, the company is scheduled to transfer another four condominium projects: *Ivy Thonglor* in June, *Be You* and *Condolette 642 Ladprao* in the third quarter, and *The Seed Memories Siam* in the fourth quarter.

■ **Huge amount of backlog partially secures future revenue stream**

PS's backlog reached a record high of around Bt36,000 million as of May 2011, up 19% from Bt30,670 million at the end of 2010. Around half of the backlog came from several condominium projects. The condominium backlog will be delivered during the remainder of 2011 through 2013, while most of backlog in townhouse, SDH, and

overseas projects is expected to be transferred to customers during the rest of 2011 through the first half of 2012. The high backlog guarantees, in part, a revenue stream of around Bt19,000 million for the remainder of 2011.

Chart 10: PS's Backlog



Source: PS

■ **Business cycle lengthens during 2010-2011**

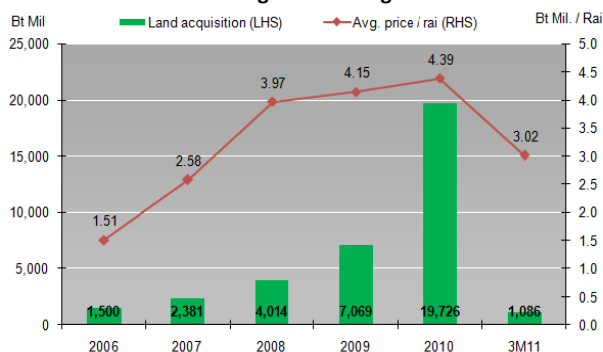
PS has employed several operational systems to accelerate the project life cycle (booking to transfer) as a faster project cycle increases cash inflow. The business cycle decreased to 91 days in 2009 from 111 days in 2007-2008 and 180 days in 2006. In 2010, PS opened 44 new townhouse projects, much higher than the original plan of 16 projects, in order to boost presales volume. After opening the projects, the company took a longer time to prepare the raw land plots for construction. Additionally, the production capacity of the precast factories was not enough for the rising presales volume. As a result, the period from booking to transfer extended. The cycle increased to 115 days in 2010 and 146 days in the first quarter of 2011. PS plans to shorten the business cycle by increasing the production speed to match its presales volume. The backlog will then turn into cash.

■ **Continued aggressive expansion to pursue revenue growth**

PS acquired a huge amount of land plots in 2010, spending Bt19,726 million. This is much more than the company had spent on land in the past. Among these land plots, the company purchased several large pieces of land including 400 rai on Pattanakarn road, 170 rai at Muang Thong Thani, 160 rai on On-Nut Wongwang, and 100 rai on Navamin road. To lower its level of debt and reduce the interest burden when financing its land holdings, PS plans to develop various residential projects on these land plots during the remainder of 2011 through 2012. The company expects large cash inflows after developing these large pieces of land. With many land

plots on hand, the company decreases its land acquisition budget to Bt10,000 million in 2011.

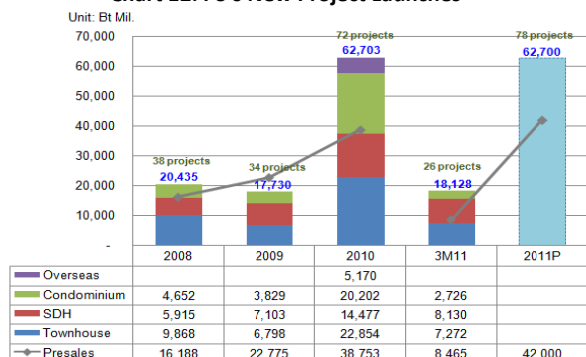
Chart 11: PS's Land Acquisition and Average Purchasing Price



Source: PS

To continue growing, PS plans to launch 78 new projects with a total project value of Bt62,700 million, nearly the same amount of new projects launched in 2010. The new projects in 2011 will consist of 42 townhouse, 17 SDH, 15 condominium, and four overseas projects. During the first three months of 2011, 26 new projects with a total project value of Bt18,128 million had already opened.

Chart 12: PS's New Project Launches



Source: PS

FINANCIAL ANALYSIS

PS's financial profile during 2010 through the first quarter of 2011 deteriorated due to higher financial leverage, following an aggressive expansion and large purchases of land. However, a number of backlog planned to deliver should partly lower PS's debt level and strengthen liquidity. The operating profit margin has decreased due to higher expenses.

- **Increasing selling and administration expenses diminished operating profit margin**

By employing precast and prefabrication technologies in project construction and self-managing the construction process, PS has been able to control the construction cost and gain an acceptable gross margin. PS's gross profit margin has been held at 38% during 2008-2010 before increasing to 39% in the first quarter of 2011. However, after the government tax incentives expired in mid-2010, more marketing expenses, and spending in its overseas business drove SG&A expenses higher. PS incurred a large amount of SG&A during 2010 through the first three months of 2011. SG&A rose to 18% of total revenue in 2010 and 22% in the first quarter of 2011, up from 13%-14% during 2008-2009. Subsequently, operating income as a percentage of sales dropped to 20.58% in 2010 and 19.16% in the first three months of 2011, lower than the levels of 25%-26% recorded during 2008-2009. The pretax return on permanent capital was reduced to 21.30% in 2010 and 13.38% (annualized) during the first quarter of 2011 from 28%-33% during 2008-2009. Net profit decreased by 4% to Bt3,488 million in 2010 from Bt3,622 million in 2009. During the first three months of 2011, PS's net profit plunged to Bt730 million, a 41% drop from the same period of 2010. Going forward, PS will be challenged to control SG&A to be at an acceptable level even though the company will be a larger-scale developer in the future.

- **Higher financial leverage from aggressive expansion and huge amount of land acquisition**

PS mainly financed its land acquisition and construction costs with long-term debentures (52% of outstanding debt as of March 2011) and short-term promissory notes (P/N) and bills of exchange (B/E, 40% of total debt). Total debt sharply increased to Bt14,683 million as of December 2010 and Bt17,425 million as of March 2011 from Bt2,450 million at the end of 2009. The large number of new projects launched and the amount of land acquired in 2010 pushed the debt burden much higher. The total debt to capitalization ratio stepped up to 49.03% at the end of 2010 and 52.13% as of March 2011 from 15%-28% during 2007-2009. Although PS continues its aggressive expansion in 2011, TRIS Rating expects that its financial leverage should not deteriorate from the current level. With a large backlog scheduled to be transferred during the remainder of 2011, PS's financial leverage is expected to improve. Its debt to capitalization ratio should be lower than 50%.

- **Cash flow protection deteriorates due to lower profitability and more debt**

Since operating profit fell and the debt burden increased, cash flow protection during 2010 through the first quarter of 2011 weakened. The FFO to total debt ratio declined to 22.13% in 2010 and 19.65% (annualized) during

the first three months of 2011, down from 167.11% in 2009 and 73.02% in 2008. Although the earnings before interest, tax, depreciation and amortization (EBITDA) interest coverage ratio dropped to 18.45 times in 2010 and 8.31 times in the first quarter of 2011, the ratio remained sound. PS's financial flexibility was supported by a balance

of cash and marketable securities of around Bt1,600 million and unused committed credit facilities from banks of around Bt6,700 million as of March 2011. Looking forward, more transfers of units to customers during the remainder of 2011 should reinforce PS's liquidity.

Financial Statistic and Key Financial Ratio*

Unit: Bt million

	----- Year Ended 31 December -----					
	Jan-Mar 20 11	2010	2009	2008	2007	2006
Sales	5,422	23,307	18,966	12,969	9,055	8,181
Gross interest expense	133	269	187	133	46	93
Net income from operations	809	3,594	3,670	2,551	1,364	1,264
Funds from operations (FFO)	856	3,249	4,095	2,848	1,557	1,387
Inventory investment	(4,368)	(14,371)	(439)	(4,133)	(718)	(666)
Total assets	38,702	34,091	18,871	16,292	11,095	9,386
Total debt	17,425	14,683	2,450	3,900	1,453	1,237
Shareholder equity	16,003	15,263	13,023	10,110	8,206	7,338
Operating income before depreciation and amortization as % of sales	19.16	20.58	26.41	25.24	19.74	20.91
Pretax return on permanent capital (%)	3.35 **	21.30	33.30	27.85	19.08	18.30
Earnings before interest, tax, depreciation and amortization (EBITDA) interest coverage (times)	8.31	18.45	27.34	25.94	40.13	18.37
FFO/total debt (%)	4.91 **	22.13	167.11	73.02	107.18	112.07
Total debt/capitalization (%)	52.13	49.03	15.84	27.84	15.04	14.43

* Consolidated financial statements

** Non-annualized

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 followed:

- 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.

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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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