

QUALITY HOUSES PLC

No. 43/2025
23 April 2025

CORPORATES

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

Last Review Date: 02/12/24

Company Rating History:

Date	Rating	Outlook/Alert
31/07/23	A-	Stable
26/07/22	A-	Negative
18/04/13	A-	Stable
24/11/11	A-	Negative
10/05/10	A-	Stable
02/07/09	A-	Negative
21/07/08	A-	Stable
12/07/04	BBB+	Stable
24/03/04	BBB+	-
23/07/03	BBB	-

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RATIONALE

TRIS Rating assigns a rating of “A-” to Quality Houses PLC (QH)’s proposed issue of up to THB2 billion senior unsecured debentures due within three years. The proceeds from the new debentures are intended to be used to refinance some of its existing debt. At the same time, we affirm the company rating on QH and the ratings on its existing senior unsecured debentures at “A-”, with a “stable” rating outlook.

The ratings reflect QH’s diversified product portfolio, significant dividend income and financial flexibility derived from its investments in affiliates, and low financial leverage. The ratings also take into account the negative impacts of persistently high interest rates and elevated household debt levels, which have resulted in higher mortgage rejection rates and reduced purchasing power among homebuyers.

In 2024, QH reported total operating revenue of THB8.7 billion, achieving approximately 90% of our full-year forecast. The company’s performance was impacted by unfavorable economic conditions and sluggish demand in the residential property market. Furthermore, QH’s gross profit margin decreased to 33% in 2024, down from 35% in 2022–2023, due to the intense competition and challenging market conditions. Consequently, the company adopted a pricing strategy aimed at accelerating the sales of its residential projects. QH’s EBITDA for 2024 amounted to THB2.6 billion, or approximately 85% of our full-year target.

Looking ahead, QH’s operating performance is expected to remain under pressure, primarily due to subdued purchasing power among potential homebuyers and intense competition from leading property developers. Nevertheless, the earthquake in late March 2025, the upcoming relaxation of Loan-to-Value (LTV) regulations by the Bank of Thailand (BOT) effective from 1 May 2025, together with the reduction in transfer and mortgage registration fees for homes priced up to THB7 million, could help stimulate demand for landed property.

We project QH’s total operating revenue to hover around THB10 billion annually in 2025–2026. Additionally, the company is expected to continue receiving dividends from its investments in affiliates of THB1.2–THB1.3 billion per year, supporting its EBITDA to stay at approximately THB3 billion throughout the forecast period.

As of December 2024, QH had a portfolio of 67 ongoing projects, consisting of 55 landed property projects and 12 condominium projects. The total remaining value of unsold units (including built and unbuilt units) amounted to THB44 billion. Landed property projects accounted for 80% of this value, while the remainder was attributed to ready-to-move condominium units. The company’s backlog stood at THB388 million.

We expect QH’s financial leverage to remain low in 2025–2026, supported by its continued focus on developing landed properties and its prudent approach to launching new projects. We project QH’s debt to capitalization ratio to remain below 30% and its debt to EBITDA ratio to stay below 5 times. As of December 2024, these ratios stood at 28% and 4.4 times, respectively.

We assess QH to have adequate liquidity to cover its debt repayments over the next 12 months. As of December 2024, its sources of liquidity comprised THB1.5

billion cash on hand plus THB4.3 billion available short-term credit facilities. We forecast QH's funds from operations (FFO) to be THB2.4 billion in 2025. In addition, QH had unencumbered land at book value worth THB4.1 billion and remaining finished units in debt-free projects with a total selling price of THB14 billion, which could be pledged as collateral for new credit facilities, if needed.

Debts due over the next 12 months will amount to THB5.4 billion, comprising THB3.3 billion debentures, THB1 billion bill of exchange (B/Es), and the remainder in long-term loans and lease liabilities. The company normally refinances its maturing debentures by new debenture issuance and/or long-term loans from financial institutions.

As of December 2024, QH had total consolidated debt of THB11.1 billion, comprising THB8.1 billion debentures, THB2 billion long-term loans, and THB1 billion B/Es. All debts were unsecured debts at the parent company, thus there was no priority debt.

The financial covenant on QH's debentures and bank loans requires the company to maintain its net interest-bearing debt to equity ratio (net IBD/E) below 2 times. The ratio at the end of December 2024 was 0.4 times. We expect the company to remain in compliance with the financial covenants over the next 12 months.

RATING OUTLOOK

The "stable" outlook reflects our expectation of QH's operating results aligning with our target and its financial profile remaining at the current level. We expect QH to continue its prudent financial discipline with the debt to capitalization ratio below 50% and the debt to EBITDA ratio below 5 times throughout the forecast period.

RATING SENSITIVITIES

A downward revision of the ratings could occur if QH's operating performance is weaker-than-expected and/or its financial profile deviates significantly from our expectations, resulting in the debt to capitalization ratio increasing above 50% and/or the debt to EBITDA ratio exceeding 5 times on a sustained basis.

A credit upside would be limited in the near term. However, an upward scenario could emerge if QH's operating performance improves significantly, with annual EBITDA reaching approximately THB5 billion and EBITDA from its own normal operation consistently exceeding THB3 billion, provided that its financial profile does not significantly deteriorate from the current level.

RELATED CRITERIA

- Issue Rating Criteria, 26 December 2024
- Homebuilders and Real Estate Developers Rating Methodology, 12 January 2023
- Corporate Rating Methodology, 15 July 2022
- Key Financial Ratios and Adjustments for Corporate Issuers, 11 January 2022

Quality Houses PLC (QH)

Company Rating:	A-
Issue Ratings:	
QH255A: THB1,000 million senior unsecured debentures due 2025	A-
QH25NA: THB720 million senior unsecured debentures due 2025	A-
QH25DA: THB550 million senior unsecured debentures due 2025	A-
QH25DB: THB1,000 million senior unsecured debentures due 2025	A-
QH272A: THB2,500 million senior unsecured debentures due 2027	A-
QH27DA: THB1,500million senior unsecured debentures due 2027	A-
Up to THB2,000 million senior unsecured debentures due within 3 years	A-
Rating Outlook:	Stable

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