TRIS RATING

CreditUpdate เครดิตวาระ

News for Investors

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MBK Public Company Limited

Company Rating:	A
Issue Ratings:	
MBK117A: Bt2,000 million senior debentures due 2011	A
MBK137A: Bt3,000 million senior debentures due 2013	A
Up to Bt2,000 million senior debentures due within 2016	A
Rating Outlook:	Stable

Rating History:	**Company Rating**	**Issue Rating**	
		Secured	**Unsecured**
1 Feb 2011	A/Stable	-	A
8 Oct 2007	A-/Stable	-	A-

Rating Rationale

TRIS Rating affirms the current company and issue ratings of MBK PLC (MBK) at "A". At the same time, TRIS Rating assigns the rating of "A" to MBK's proposed issue of up to Bt2,000 million in senior debentures. The proceeds from the new debentures will be used to repay debentures maturing in July 2011. The ratings reflect MBK's strengthened position in the commercial property development industry, the stable cash flows from its contract-based retail space leasing business, a close relationship with Thanachart Group, the ability to maintain an acceptable level of leverage, and strong financial flexibility from its sizable investment in marketable securities. These strengths are partially offset by an upcoming rise in its operating cost from a new leasehold contract which will take effect in 2013 and the expansion into motorcycle financing business.

MBK was founded in 1974. Thanachart Capital PLC (TCAP) and other companies in the TCAP Group are MBK's current major shareholders, holding a 20% stake in total. MBK currently engaged in retail property for rent, hotel, golf course, residential property development, rice milling and finance businesses. MBK owns and operates MBK Center, a well-known shopping center in downtown Bangkok. The company's performance is heavily reliant on its core properties, MBK Center and Pathumwan Princess Hotel, despite its diverse business portfolio. These properties are located on leasehold land close to the Siam Square area in Bangkok. In recent years, the two properties have generated approximately 40% of MBK's revenue and 65% of cash flow.

To mitigate business concentration risk, MBK has gradually expanded its retail property business. The company has a 31% stake in Siam Piwat Co., Ltd., which owns and operates shopping centers in the Siam Square area. Siam Piwat owns 100% of Siam Center (18,700 square meters, sq.m.) and Siam Discovery Center (24,890 sq.m.), and has a 50% interest in Siam Paragon (186,010 sq.m.). In addition, a 50% joint venture (JV) between MBK and Siam Piwat has completely renovated the Paradise Park (formerly Seri Center) shopping mall (90,000 sq.m.), which was fully operated in July 2010. MBK is developing its first community mall on Rama IX road with a target opening date in mid-2011. As of December 2010, MBK's net retail property portfolio stood at 192,786 sq.m. and will increase slightly after the opening of the community mall. The acquisition of an 8,223-sq.m. office building in June 2010 raised its office space holdings to a total of 48,921 sq.m.

Apart from the commercial property business, MBK acquired T Leasing Co., Ltd. (TLS), a motorcycle financing business in April 2010. TLS's outstanding motorcycle loans were Bt796 million as of December 2010. The loan quality was satisfactory with the ratio of non-performing loans (NPL) to total loans of 3.55%. However, the ability to control asset quality, while expanding size of the loan portfolio, remains a challenge for MBK.

Although the tourism industry in Thailand has been negatively affected by global economic conditions and domestic political unrest, MBK's operations have held at an acceptable level. Revenue accounted for around Bt5,800 million for the last three fiscal years. From July to December 2010, the first half of the 2010/2011 fiscal year (FY), revenue increased by 28% year-on-year (y-o-y) to Bt3,708 million, after Paradise Park shopping mall was fully operated and the finance business started up. Net Profit also increased by 8% y-o-y to Bt567 million. However, the operating profit margin slightly decreased from 29.84% in FY2009/2010 to 29.08% for the first six months of FY2010/2011. Funds from operations (FFO) stayed at Bt1,700-Bt1,800 million for three consecutive fiscal years (FY2007-2009) but sharply increased to Bt3,458 million in FY2009/2010. The rise was the result of the Bt3,000 million raised through the execution of long-term leases in MBK Center in late 2009. The FFO to total debt ratio improved from 22.53% in FY2008/2009 to 45.47% in FY2009/2010. The level of debt increased from Bt7,604 million in June 2010 to Bt8,155 million in December 2010, but the total debt to capitalization ratio was relatively stable at 38.63% in December 2010. In FY2009/2010, MBK also realized gains on sales of investments in marketable securities amounting to Bt2,233 million, which helped strengthen its liquidity. Its marketable securities portfolio as of December 2010 was worth Bt5,572 million.

Rating Outlook

The "stable" outlook reflects the expectation that MBK will continue to receive stable cash flows from its retail properties to offset the weak performance of its hotel business. MBK is expected to maintain the quality of its motorcycle loan portfolio through its stringent approval and collection procedures. With the moderate amount of capital expenditures planned for 2010-2011, the company is expected to maintain its leverage level, as measured by the total debt to capitalization ratio.

Financial Statistics and Key Financial Ratios *

Unit: Bt million

		------------- Year Ended 30 June --------------				
	Jul-Dec 2010	2010	2009	2008	2007	2006
Sales	3,708	5,775	5,811	5,800	5,220	4,630
Gross interest expense	178	351	386	187	124	150
Net income from operations	575	2,547	1,308	1,402	1,283	1,177
Funds from operations (FFO)	897	3,458	1,772	1,759	1,673	1,302
Capital Expenditures	864	3,256	1,134	3,415	458	1,140
Total assets	27,791	26,682	24,654	21,101	16,537	16,924
Total debt	8,155	7,604	7,866	6,524	2,497	3,258
Shareholders' equity	12,955	12,077	12,198	10,465	9,712	9,209
Operating income before depreciation and amortization as % of sales	29.08	29.84	36.06	39.19	36.32	36.42
Pretax return on permanent capital (%)	4.81 **	19.26	11.20	14.94	15.51	13.86
Earnings before interest, tax, depreciation and amortization (EBITDA) interest coverage (times)	8.11	12.89	7.04	14.72	19.90	15.35
FFO/total debt (%)	11.00 **	45.47	22.53	26.96	66.98	39.97
Total debt/capitalization (%)	38.63	38.64	39.21	38.40	20.45	26.13

* *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 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.*

For subscription information, contact
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