

## M.K. Real Estate Development Public Company Limited

**Company Rating:**

BBB

**Rating Outlook:**

Stable

### Rating Rationale

TRIS Rating assigns the company rating of M.K. Real Estate Development PLC (MK) at “BBB”. The rating reflects the company’s long track record in the middle- to low-income residential property market, its cost competitiveness, and acceptable balance sheet. The rating also takes into consideration the slowdown in demand for low-rise residential property and the cyclical nature of the property development industry.

MK is a medium-sized property developer. It was established in 1973 by Mr. Chuan Tangmatitham and was listed on the Stock Exchange of Thailand (SET) in 1990. The Tangmatitham family has been the major shareholder since its inception, with a 28% stake as of April 2007. MK has focused on developing low-rise residential projects with an average price of Bt3.4 million per unit. Single detached houses (SDH) have contributed more than 60% of MK’s total presales during 2003-2007. The presales of the company’s duplex units had remained very small until 2006 and grew to be 33% of total presales in 2007. MK’s competitive edge stems from its ability to manage construction costs and achieve favorable profit margins.

The company’s operating performance of 2007 was satisfactory. Although demand in the low-rise residential property market continued to be slow, MK’s total revenues of 2007 grew 3% to Bt1,986 million. However, its cash flow from operations fell from a quarterly average of Bt179 million and Bt79 million in 2005 and 2006 to Bt39 million in 2007 as the company sacrificed its margin in 2007 in order to boost sales performance during the low-rise residential property market downturn.

MK’s financial position is moderate. Despite decreasing profitability, the company’s gross profit margin of 38% in 2007 was higher than margins of 30%-35% recorded by most developers. With the total debt to capitalization ratio of 27.39% and an unused credit facility of Bt1,392 million as of December 2007, MK’s financial flexibility remains healthy.

Demand for residential property depends on overall economic prospects. The Thai economy will show modest growth as gross domestic product (GDP) is expected to rise by 4.5%-5.5% in 2008. A newly-announced stimulus package, including tax cut for both homebuyers and property developers, should help alleviate the slowdown in demand for residential property and boost consumer confidence.

### Rating Outlook

The “stable” outlook reflects the expectation that MK will be able to maintain its position in the low-rise residential property market with a healthy balance sheet and cost competitiveness.

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