

Royal Group Phnom Penh Special Economic Zone Plc.

Credit Rating		Bond Information	
Issuer Credit Rating	khA	Size	USD 10 million
Outlook	Stable	Settlement	Semi-annual for both interest payment and principal payment
Bond Credit Rating	khAAA	Maturity	5 Years (2.5 years grace period from the Issue Date)
		Type	Unsecured Guaranteed Green Bond
		Coupon Rate	Term SOFR + [150-200] bps paid semi-annually
		Guarantor	Credit Guarantee & Investment Facility (CGIF)

Analysts:

Mr. Chakara Sisowath, CFA
 s.chakara@ratingagencyofcambodia.com.kh
 (+855) 17 398 777

Ms. Darya Sieng
 s.darya@ratingagencyofcambodia.com.kh
 (+855) 17 386 777

Ms. Sunvandeth Pov
 p.sunvandeth@ratingagencyofcambodia.com.kh
 (+855) 17 318 777

Ms. Achhakrately Lim
 l.achhakrately@ratingagencyofcambodia.com.kh
 (+855) 17 250 777

Mr. Kimleng Kang
 k.kimleng@ratingagencyofcambodia.com.kh
 (+855) 61 967 221

Mr. Meng Huy Pech
 p.menghuy@ratingagencyofcambodia.com.kh
 (+855) 17 993 337

Mrs. Hengjulie Song
 hengjulie.song@3e-fii.com
 (+855) 89 239 249

Mr. Tola Nhean
 tola.nhean@3e-fii.com

Key Rating Rationale

We initiate the credit coverage of Royal Group Phnom Penh Special Economic Zone Plc. ("PPSP" or "the Group") with an Issuer Credit Rating (ICR) of "khA" (National Scale) which indicates in the Cambodian context a "Strong capacity to meet financial commitments but somewhat susceptible to adverse changes in circumstances and economic environment".

The Issuer Credit Rating itself has two components: a Stand-Alone Credit Profile (SACP) and an External Support Factor (ESF). The SACP analyses the credit profile of PPSP from the perspective of its business risks and financial risks. In its own right, PPSP's SACP rating of "khA" indicates a "Low Risk" profile.

The External Support Factor can be generated either by related party such as a parent company or a holding company (Group Support), or by government-related entities (Country Support). In the case of PPSP, neither Group nor Country support are strong enough to warrant a rating uplift. Hence the ICR remains "khA".

The Bond is guaranteed by CGIF, an ADB-related entity with a "AA" credit rating by S&P Global Ratings. In our view, the draft Guarantee Agreement justifies a credit substitution from the ICR of PPSP to the ICR of CGIF. In case of default, bondholders are protected by an irrevocable and unconditional guarantee of timely payment in full (interest and principal) by CGIF.

Under these conditions the Bond Credit Rating is "khAAA" (National Scale), subject to the confirmation of the terms of the Guarantee Agreement.

Outlook

PPSP's earnings are ultimately driven by the economic activity in Cambodia and by the trend in land prices. At the moment, the direction of both factors is positive. The quality of its experienced management team and the land "buffer" it maintains offer PPSP the flexibility to respond to potential shocks. Hence the outlook is "Stable" in our view.

Rating Sensitivity

On the upside, the improvement in PPSP's other sources of revenue would decrease the reliance on land sales to generate cash flows.

On the downside, a deterioration in the economic environment or a slump in the commercial real estate market could trigger a rating review.

Finally, the BCR of the Bond is pegged to CGIF's global credit rating (AA by S&P Global Ratings). Thus, we may consider a BCR downgrade if the global rating of CGIF were cut.



The management of the land bank, its replenishment and the revenues generated by the sale of land are critical to PPSP's ability to meet its debt obligations.

Overview

PPSP started operations in 2006 after receiving approval from the Royal Government of Cambodia (RGC) as a developer of a multi-product special economic zone (SEZ). Its main businesses consist of developing industrial land for sale or lease, and providing value-added services within the SEZ such as supply of treated water, wastewater treatment, infrastructure maintenance, and other services. PPSP was listed on the Cambodia Securities Exchange (CSX) in 2016. In December 22nd 2021, Inter Logistics (Cambodia) Co., Ltd., a member of the Royal Group of companies, acquired a 45.09% stake in the Group.

PPSP currently manages SEZs in three locations: Phnom Penh, Kandal and Poipet. In 2023, Kandal generated the most revenues (77% of the total), thanks to a large sale of land, followed by Phnom Penh (22%) and Poipet (1%). In 2022, more typically, Phnom Penh represented the largest portion to revenues (59% of the total), ahead of Kandal (40%) and Poipet (1%).

Revenues are broken down into Sale of land, Services, Construction, and Rental of investment properties. Although the proportion to total revenues can vary substantially each year, Sale of land has been the largest contributor at about 64% on average between 2018 and 2023, followed by Services (15%), Construction (12%), and Rental of investment properties (9%).

While Revenues and Operating Profits have been on a growing trend, they have seen large variations over the years 2018-2023. The variability stems from the very nature of Revenues which are dominated by land sales that are driven by the Company's decisions and are subject to market conditions. Nevertheless, except in 2018, PPSP has been profitable. Crucially, the Group has maintained from 2019 onwards strong levels of "Debt Serviceability" and "Fixed Charges Coverage" ratios.



	Restated	Restated	Unaudited
	31 Dec 2021	31 Dec 2022	31 Dec 2023
	USD	USD	USD
Statement of Financial Position			
Assets			
Cash and cash equivalents	5,716,017	4,276,289	4,147,034
Current assets	63,836,114	67,458,059	70,451,572
Property, plant and equipment	17,651,996	17,686,840	14,672,813
Non-current assets	34,091,675	40,507,210	43,869,007
Total Assets	97,927,789	107,965,269	114,320,579
Liabilities			
Loans and Borrowings	3,371,527	4,952,092	3,169,353
Total Current liabilities	22,046,697	31,578,834	33,772,214
Loans and Borrowings	13,481,714	13,528,836	11,316,111
Non-current liabilities	21,701,714	21,200,836	18,440,111
Total liabilities	43,748,411	52,779,670	52,212,325
Equities			
Share capital	35,937,500	35,937,500	35,937,500
Retained earnings	13,673,493	14,681,921	21,617,328
Total equity	54,179,378	55,185,599	62,108,254
Total liabilities and equity	97,927,789	107,965,269	114,320,579

	31 Dec 2021	31 Dec 2022	31 Dec 2023
	USD	USD	USD
Statement of Cash Flow			
Net cash (used in)/generated by operating activities	16,905,408	10,172,087	15,386,144
Net cash (used in)/generated by investing activities	(9,513,255)	(10,577,662)	(9,435,160)
Net cash (used in)/generated by financing activities	(3,298,770)	(1,034,153)	(6,080,239)
Net change in cash and cash equivalents	4,093,383	(1,439,728)	(129,255)

	31 Dec 2021	31 Dec 2022	31 Dec 2023
	USD	USD	USD
Statement of Profit or Loss			
Revenue	28,065,282	26,258,526	61,969,331
Gross profit	10,846,473	10,476,789	18,251,131
Profit from operations	4,266,202	3,607,583	10,607,289
Profit before income tax	3,057,950	2,453,892	9,970,240
Profit for the year	1,883,508	2,091,043	7,877,353

©ក្រុមហ៊ុនរ៉េត្រង់អ៊ិនស្ត្រូម៉ង់ អេស៊ីអេស៊ី អ៊ី (ខេមបូឌា) ម.ក ឆ្នាំ២០២៤

©Copyright 2024, RATING AGENCY OF (CAMBODIA) PLC. All rights reserved.

អាសយដ្ឋាន: អគារលេខ២៤៦, មហាវិថីព្រះមុនីវង្ស ភូមិ១០ សង្កាត់បឹងរាំង ខណ្ឌដូនពេញ រាជធានីភ្នំពេញ ព្រះរាជាណាចក្រកម្ពុជា

Address: #246, Preah Monivong Blvd, Village 10, Sangkat Boeung Raing, Khan Daun Penh, Phnom Penh, Kingdom of Cambodia

ទូរស័ព្ទ: (៨៥៥)២៣ ៩០២ ៤០៨ សារអេឡិចត្រូនិច info@ratingagencyofcambodia.com.kh

Phone: (+855)23 902 408 Email: info@ratingagencyofcambodia.com.kh



RAC website

Rating Definition

Issuer Credit Rating – National Scale			
National Rating	Definition		
khAAA	Extremely Strong Capacity to meet financial commitments	1	Very low risk
khAA	Very strong capacity to meet financial commitments	2	
khA	Strong capacity to meet financial commitments but somewhat susceptible to adverse changes in circumstances and economic environment	3	Low risk
khBBB	Adequate capacity to meet financial commitments but more susceptible to adverse changes in circumstances and economic environment	4	
khBB	Adequate capacity to meet financial commitment but more vulnerable to adverse changes in circumstances and economic environment	5	Moderate risk
khB	Adequate capacity to meet financial commitments but more likely to be affected by adverse changes in circumstances and economic environment	6	
khCCC	Capacity to meet financial commitments dependent on favorable business, financial and economic conditions	7	High risk
khCC	Weak capacity to meet financial commitments	8	
khC	Unlikely to be able to meet financial commitments	9	Very high risk
khD	In default partially or for all financial commitments	10	

Disclaimer

The information and statistical data herein have been obtained from sources we believe to be reliable. Such information has not been independently verified and we make no representation or warranty as to its accuracy, completeness, or correctness. Any opinions or estimates herein reflect the judgment of the Rating Agency of (Cambodia) Plc. (henceforth "RAC") at the date of this communication and are subject to change at any time without notice. Any scoring, opinions, estimates, forecasts, ratings or risk assessments herein constitutes a judgment as of the date of this report, and there can be no assurance that future results or events will be consistent with any such scoring, opinions, estimates, forecasts, ratings or risk assessments. The information in this document is subject to change without notice, its accuracy is not guaranteed, it may be incomplete or condensed and it may not contain all material information concerning the company (or companies) referred to in this report and RAC is under no obligation to update the information in this report. To the extent permitted by law, RAC and its directors, officers, employees, agent, and representatives disclaim liability for any direct or compensatory losses or damages cause to any person or entity, including but not limited to by any negligence on the part of, or any contingency within or beyond the control of RAC, or any of its directors, officers, employees, agents and representatives, arising from or in connection with the information contained herein or the use of or inability to use any such information.

