

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 + 1.5% paid semi-annually
		Guarantor	Credit Guarantee & Investment Facility (CGIF)

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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, the External Support Factors is "Moderate". 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 final 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).

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.



Issues to Monitor

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.

Royal Group Phnom Penh Special Economic Zone Plc. Summary

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, warehouses including general warehouse and Built-To-Suit factory for lease, 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%).

Performance

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.

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	Restated 31 Dec 2021	Restated 31 Dec 2022	Unaudited 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 USD	31 Dec 2022 USD	31 Dec 2023 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 USD	31 Dec 2022 USD	31 Dec 2023 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

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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	

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