

ANANDA DEVELOPMENT PLC

No. 102/2021

16 December 2021

CORPORATES

Company Rating:	BBB-
Issue Ratings:	
Senior unsecured	BBB-
Hybrid	BB
Outlook:	Stable

Last Review Date:10/06/21

Company Rating History:

Date	Rating	Outlook/Alert
25/03/21	BBB-	Stable
11/03/20	BBB	Negative
19/02/16	BBB	Stable
18/02/15	BBB-	Positive
29/05/13	BBB-	Stable

Contacts:

Jutamas Bunyanichkul

jutamas@trisrating.com

Auyporn Vachirakanjanaporn

auyporn@trisrating.com

Hattayanee Pitakpatapee

hattayanee@trisrating.com

Suchada Pantu, Ph.D.

suchada@trisrating.com



WWW.TRISRATING.COM

RATIONALE

TRIS Rating affirms the company rating on Ananda Development PLC (ANAN) and the ratings on ANAN's existing senior unsecured debentures at "BBB-", with a "stable" rating outlook. We also affirm the ratings on ANAN's subordinated capital debentures (hybrid debentures) at "BB". At the same time, we affirm the rating of "BBB-" to ANAN's proposed issue of up to THB5 billion senior unsecured debentures rated by TRIS Rating on 10 June 2021. The proceeds from the new debentures will be used to refinance the senior unsecured debentures maturing in 2022.

The ratings reflect ANAN's acceptable market position in the condominium segment and the high income contribution from its joint venture (JV) projects. The ratings also take into consideration ANAN's high financial leverage and concerns over the drawn-out Coronavirus Disease 2019 (COVID-19) pandemic, which is likely to continue to pressure the demand for residential properties and the profitability of developers for an extended period.

ANAN's net presales during the first nine months of 2021 declined by 63% year-on-year (y-o-y) to THB2.1 billion. ANAN reported total operating revenue of THB2.7 billion, a 15% y-o-y drop, in the first nine months of 2021. We view that ANAN's operating results will continue to be under pressure during the remainder of 2021 through the first half of 2022 for which we believe the demand in the condominium segment from both local and foreign buyers will remain inert.

We view that the revocation of building permit for the Ashton Asoke condominium project has no immediate impact on ANAN's credit profile as the appeal process will likely take years to reach the final ruling. The outcome of final ruling is also uncertain. We expect ANAN's total operating revenue to revive to THB5.5-THB6.5 billion per annum during 2022-2023. ANAN's earnings before interest, taxes, depreciation, and amortization (EBITDA) is expected to be only THB1 billion in 2021 since the company has no condominium projects completed and transferred this year. However, we expect ANAN's EBITDA to recover to around THB1.5-THB2 billion per annum during 2022-2023.

ANAN's backlog as of September 2021 was worth THB12.8 billion, comprising THB12 billion backlog under JVs and THB0.8 billion backlog of its own projects. We expect ANAN to deliver backlog worth THB1.9 billion during the fourth quarter of 2021, THB6.2 billion in 2022, and THB4.7 billion in 2023. As its backlog depletes overtime, ANAN's revenue and earnings will depend largely on its ability to sell its remaining completed units. At the end of September 2021, ANAN had remaining finished condominium units worth THB24.5 billion.

ANAN reported a net shared profit from its investments in JVs of only THB0.2 billion during the first nine months of 2021. We expect ANAN's shared profit from investments in JVs to be affected by the loss from investments in construction-in-progress condominium projects and operations in newly completed serviced apartments. All serviced apartments are scheduled to start operation amid a shaky recovery in the tourism industry. We project a net shared profit from its investments in JVs to stay at THB0.1 billion in 2022 and THB1 billion in 2023.

We expect ANAN's financial leverage to remain high over the next three years as the company continues to expand its residential project portfolio. ANAN

succeeded its fund raising from existing shareholders by right offering worth THB1.3 billion in November 2021. However, we project ANAN's debt to capitalization ratio to stay in the 65%-68% range over the forecast period. Its funds from operations (FFO) to total debt ratio may stay below 2% during 2021-2022 but should recover to around 4% in 2023.

We assess that ANAN's liquidity will be tight but should be manageable over the next 12 months. ANAN's sources of funds consisted of THB5.9 billion in cash as of September 2021 plus undrawn committed credit facilities from banks of THB1.5 billion as of mid-December 2021. FFO is forecast to be THB0.3 billion in 2022. In addition, ANAN had unencumbered land banks at book value of THB6.1 billion, which can be pledged as collaterals for new loans (if needed). Debts maturing over the next 12 months will amount to THB16 billion, comprising THB8.1 billion debentures, THB7.1 billion short-term promissory notes (P/Ns), and THB0.8 billion long-term loans. ANAN usually refinances maturing debentures with new debenture issuance. Most of the short-term P/Ns are used as bridging loans for land purchases. ANAN plans to convert them to long-term project loans thereafter. Project loans are expected to be repaid with cash from the transfers of residential units. In addition, ANAN plans to replace the THB1 billion hybrid debentures, which the company has a call option to redeem at the beginning of 2022, by new equity injection in late 2021.

As of September 2021, ANAN had total debt of THB30.3 billion (per priority debt consideration), including priority debt of THB6.7 billion. ANAN's priority debt included secured debt at the parent company and total debt of its operating subsidiaries. As the ratio of its priority debt to total debt was 22%, below the threshold of 50% according to TRIS Rating's "Issue Rating Criteria", we view that ANAN's unsecured creditors are not significantly disadvantaged with respect to claims against the company's assets.

RATING OUTLOOK

The "stable" outlook reflects our expectation that ANAN will be able to deliver its operating performance as targeted. We project ANAN's debt burden to remain high as measured by its debt to capitalization ratio to stay in the 65%-68% range over the forecast period. We expect ANAN's pretax return on permanent capital (ROPC) to rebound to 3%-5% during 2022-2023.

RATING SENSITIVITIES

The ratings and/or outlook could be revised downward should its operating performance and/or credit profile significantly deviate from the target levels. On the contrary, an upward revision would materialize if the company is able to deliver stronger operating performance than the target levels and improve its financial profile such that its FFO to total debt ratio improves to more than 5% while its debt to capitalization ratio is kept below 60%.

RELATED CRITERIA

- Hybrid Securities Rating Criteria, 28 June 2021
- Issue Rating Criteria, 15 June 2021
- Rating Methodology – Corporate, 26 July 2019
- Key Financial Ratios and Adjustments, 5 September 2018

Ananda Development PLC (ANAN)

Company Rating:	BBB-
Issue Ratings:	
ANAN17PA: THB770 million subordinated capital debentures	BB
ANAN17PB: THB230 million subordinated capital debentures	BB
ANAN18PA: THB1,500 million subordinated capital debentures	BB
ANAN18PB: THB500 million subordinated capital debentures	BB
ANAN19PA: THB1,000 million subordinated capital debentures	BB
ANAN20PA: THB1,000 million subordinated capital debentures	BB
ANAN21PA: THB1,000 million subordinated capital debentures	BB
ANAN222A: THB2,500 million senior unsecured debentures due 2022	BBB-
ANAN220A: THB423.3 million senior unsecured debentures due 2022	BBB-
ANAN220B: THB915.6 million senior unsecured debentures due 2022	BBB-
ANAN230A: THB746.6 million senior unsecured debentures due 2023	BBB-
ANAN241A: THB1,412.8 million senior unsecured debentures due 2024	BBB-
Up to THB5,000 million senior unsecured debentures due within 2 years 6 months	BBB-
Rating Outlook:	Stable

TRIS Rating Co., Ltd.

Silom Complex Building, 24th Floor, 191 Silom Road, Bangkok 10500, Thailand Tel: 0-2098-3000

© Copyright 2021, TRIS Rating Co., Ltd. All rights reserved. Any unauthorized use, disclosure, copying, republication, further transmission, dissemination, redistribution or storing for subsequent use for any purpose, in whole or Any unauthorized use, disclosure, copying, republication, further transmission, dissemination, redistribution, or storing for subsequent use for any purpose, in whole or in part, in any form or manner or by any means whatsoever, by any person, of the credit rating reports or information is prohibited, without the prior written permission of TRIS Rating Co., Ltd. The credit rating is not a statement of fact or a recommendation to buy, sell or hold any debt instruments. It is an expression of opinion regarding credit risks for that instrument or particular company. The opinion expressed in the credit rating does not represent investment or other advice and should therefore not be construed as such. Any rating and information contained in any report written or published by TRIS Rating has been prepared without taking into account any recipient's particular financial needs, circumstances, knowledge and objectives. Therefore, a recipient should assess the appropriateness of such information before making an investment decision based on this information. Information used for the rating has been obtained by TRIS Rating from the company and other sources believed to be reliable. Therefore, TRIS Rating does not guarantee the accuracy, adequacy, or completeness of any such information and will accept no liability for any loss or damage arising from any inaccuracy, inadequacy or incompleteness. Also, TRIS Rating is not responsible for any errors or omissions, the result obtained from, or any actions taken in reliance upon such information. All methodologies used can be found at www.trisrating.com/rating-information/rating-criteria