L.P.N. DEVELOPMENT PLC

No. 59/2025
6 June 2025

CORPORATES

Company Rating: BBB-

Issue Ratings:

Secured	BBB-
Senior unsecured	BB+
Outlook:	Stable

Last Review Date: 29/11/24

Company Rating History:

Date	Rating	Outlook/Alert
29/11/24	BBB-	Stable
27/11/23	BBB	Negative
04/11/21	BBB	Stable
09/12/20	BBB+	Stable
19/12/19	A-	Negative
16/01/19	A-	Stable

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RATIONALE

TRIS Rating assigns a rating of "BBB-" to L.P.N. Development PLC (LPN)'s proposed issue of up to THB990 million secured debentures due within three years. The proceeds from the new debentures are intended to be used to refinance the company's existing short-term loan. At the same time, we affirm the company rating on LPN at "BBB-" and the ratings on its existing senior unsecured debentures at "BB+", with a "stable" rating outlook.

The ratings on LPN's senior unsecured debentures are one notch below the company rating. This reflects the priority debt ratio exceeding the 50% threshold according to TRIS Rating's criteria. We assess that the company's senior unsecured creditors could be significantly disadvantaged compared to its priority debt holders with respect to claims against the company's assets.

LPN's proposed secured debentures are backed by a range of assets, including shophouses within its condominium projects, serviced apartments, and land plots. The average appraised value of these pledged assets is approximately 1.67 times the value of the proposed debentures. As a result, we assign the secured debentures a rating equal to the issuer rating.

The ratings take into consideration LPN's concentrated property portfolio in terms of product type and price range, as well as its tight but manageable liquidity. However, the ratings continue to reflect LPN's acceptable brand equity, which is bolstered by high-quality after-sales services, and growth prospects from property-related service businesses. The ratings also factor in the negative effects of elevated household debt and a high mortgage rejection rate, which continue to weigh down housing demand. However, the downward trend in interest rates, the recent relaxation of loan-to-value (LTV) regulations, together with the reduction in transfer and mortgage registration fees for homes priced up to THB7 million, are expected to boost demand for low-to medium-priced housing segment over the next 12 months.

LPN's future performance remains challenging in unfavorable market conditions. Under our base-case scenario, we project the company's total operating revenue to remain in the THB7-THB8 billion per year range in 2025-2026, roughly in line with 2024 levels. Due to a relatively modest backlog, revenue will largely depend on new sales from existing and upcoming projects. On a positive note, LPN's strong after-sales services have driven steady growth in its service business, with revenue reaching THB 2.1 billion in 2024. As a result, we expect property-related service revenue to grow by 5%-7% annually and contribute around 30% of total operating revenue in 2025-2026.

We expect LPN's gross profit margin to improve to 22%-23% of total operating revenue in 2025-2026, up from the low of 19% in 2024. This is partly driven by the anticipated higher profit margin from newly completed projects and efficient cost control. The EBITDA margin is projected to gradually increase to 13% in 2026, up from 9% in 2024 to the first quarter of 2025. As a result, LPN's EBITDA is expected to reach the THB1 billion level in 2026, compared to THB700-THB800 million per annum in 2023-2025. We also anticipate the net profit margin to recover to above 3% throughout the forecast period.

As of March 2025, LPN had 37 ongoing projects with a total remaining value of THB24.6 billion, including both completed and under-construction units. Condominium projects accounted for 58% of the unsold value, while the rest came from landed property projects. Notably, around 70% of the total remaining value comprised residential units priced below THB4 million.

With LPN adopting a more conservative investment strategy and operations expected to recover, we forecast its debt to capitalization ratio to decline to 40%, while the debt to EBITDA ratio is projected to gradually decline to 12 times by 2026. The funds from operations (FFO) to debt ratio is also expected to recover to above 5% starting in 2026. As of March 2025, LPN's debt to capitalization ratio stood at 46%, with a debt to EBITDA ratio of 16 times, and its FFO to debt ratio remained in negative territory.

The financial covenants on LPN's bank loans require maintenance of its interest-bearing debt to equity (IBD/E) ratio below 1.25 times and its total liabilities to total equity (D/E) ratio below 2 times. Also, the financial covenants on debentures obligations require the company's IBD/E ratio to remain below 2 times. As of March 2025, LPN's IBD/E ratio was 0.9 times and D/E ratio was 1 time. We believe that LPN should remain in compliance with the financial covenants over the next 12 to 18 months.

We assess LPN's liquidity as tight but manageable over the next 12 months. As of March 2025, LPN had debts due in the next 12 months totaling THB7 billion, comprising THB4.3 billion short-term borrowings from financial institutions, THB2.2 billion debentures, and THB0.5 billion in long-term loan from financial institutions. LPN's sources of liquidity included THB456 million cash on hand, THB1.8 billion undrawn committed short-term loan facilities, and THB0.8 billion undrawn project loan facilities. We project LPN's FFO to be around THB160 million in 2025. In addition, LPN had remaining finished units in debt-free projects at cost value of THB2.2 billion, which can be pledged as collateral for new loans, if needed. The company has already settled its THB1.5 billion debentures maturing in May 2025 through bank loan financing.

As of March 2025, LPN had total debt, excluding lease liabilities, of THB10.3 billion. The company's priority debt, including secured debts at the company and its subsidiaries, was THB6.6 billion. This translates to a priority debt to total debt ratio of 65%. As its priority debt ratio exceeds the 50% threshold outlined in TRIS Rating's "Issue Rating Criteria", we assess that LPN's senior unsecured creditors could be significantly disadvantaged to its priority debt holders with respect to claims against the company's assets. Thus, the issue ratings on its senior unsecured debentures are one notch below the company rating to reflect the subordination risk.

RATING OUTLOOK

The "stable" outlook reflects our expectation that LPN will be able to achieve operating results and maintain a financial profile in line with our base-case forecast. We expect that LPN's FFO to debt ratio will recover to above 5% starting from 2026.

RATING SENSITIVITIES

The ratings and/or outlook could be revised downward should LPN's operating performance and/or financial profile deteriorate from our expectations. Conversely, LPN's credit upside is limited in the near term. However, LPN's ability to deliver operating performance that exceeds expectations and enlarge its earnings base, while maintaining FFO to debt ratio above 10% for a sustained period, would be positive for the ratings and/or outlook.

RELATED CRITERIA

- Issue Rating Criteria, 26 December 2024
- Homebuilders and Real Estate Developers Rating Methodology, 12 January 2023
- Corporate Rating Methodology, 15 July 2022
- Key Financial Ratios and Adjustments for Corporate Issuers, 11 January 2022

L.P.N. Development PLC (LPN)

Company Rating:	BBB-
Issue Ratings:	
LPN261A: THB682.4 million senior unsecured debentures due 2026	BB+
LPN271A: THB817.6 million senior unsecured debentures due 2027	BB+
Up to THB990 million secured debentures due within 3 years	BBB-
Rating Outlook:	Stable

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