

SENA DEVELOPMENT PLC

No. 135/2022
26 December 2022

CORPORATES

Company Rating:	BBB
Issue Ratings:	
Senior unsecured	BBB
Outlook:	Negative

Last Review Date: 31/05/22

Company Rating History:

Date	Rating	Outlook/Alert
31/05/22	BBB	Negative
08/03/22	BBB	Alert Negative
21/02/19	BBB	Stable
11/11/14	BBB-	Stable

Contacts:

Rapeepol Mahapant

rapeepol@trisrating.com

Auyporn Vachirakanjanaporn

auyporn@trisrating.com

Jutamas Bunyanichkul

jutamas_b@trisrating.com

Suchada Pantu, Ph.D.

suchada@trisrating.com



WWW.TRISRATING.COM

RATIONALE

TRIS Rating affirms the company rating on Sena Development PLC (SENA) and the ratings on SENAJ's senior unsecured debentures at "BBB", with a "negative" rating outlook. At the same time, we assign the rating of "BBB" to SENAJ's proposed issue of up to THB2 billion senior unsecured debentures. The proceeds from the new debentures are intended to be used for debt repayment and working capital.

The ratings continue to reflect SENAJ's moderate market position in the middle-to low-income segment of the residential property market and the high-income contribution from investments in joint ventures (JVs). The ratings incorporate increasing pressure on SENAJ's financial profile after consolidating Sena J Property PLC (SENAJ)'s weaker operations. The ratings also take into consideration our concerns over the persistently high household debt level and rising inflation which could impact the purchasing power of SENAJ's target customers while pushing up the company's development and financing costs.

SENA reported total operating revenue of THB2.8 billion during the first nine months of 2022, achieving 55% of our full year forecast at THB5 billion. The company's revenue in the last quarter of 2022 will come mainly from the backlog transfer of its own projects amounting to THB1.9 billion. As a result, its total operating revenue in 2022 could be slightly below our target.

Our base-case scenario projects SENAJ's total operating revenue will increase to around THB6 billion annually during 2023-2024, following the increasing number of projects launched. Its earnings before interest, taxes, depreciation, and amortization (EBITDA) will likely improve to THB1.7-THB1.8 billion per annum, with an EBITDA margin of 29%-30%. Its net profit as percentage of total operating revenue, net profit margin, should stay above 17% over the forecast period.

Despite the expected rise in revenue and earnings, the company's aggressive expansion through its own and JV projects has pressured its financial profile throughout 2022. SENAJ's cashflow protection should hit bottom in 2022 before recovering from 2023 onwards. We project SENAJ's funds from operation (FFO) to debt ratio will improve to above 10% in 2023-2024 from below 6% in 2022. Its EBITDA interest coverage ratio should increase to around 4 times during 2023-2024 from below 3 times in 2022.

We assess SENAJ's liquidity as manageable. As of September 2022, its maturing debts over the next 12 months amounted to THB6.7 billion, comprising THB2.8 billion in short-term bank loans, THB1.1 billion in long-term project loans, and THB2.8 billion in debentures. The company plans to refinance the debentures coming due partly with a new debenture issuance. SENAJ's sources of liquidity consisted of THB2.4 billion in cash and cash equivalents as well as THB1.8 billion in undrawn unconditional credit facilities from banks. We forecast FFO to be THB1.2 billion in 2023. SENAJ also had unencumbered land banks worth THB1.9 billion and unsold finished units in its own debt-free projects worth THB3.7 billion, which can be pledged as collateral for new loans, if needed.

CreditUpdate, reviews ratings of companies or debt issues that have already been rated by TRIS Rating. The CreditUpdate occurs when new debt instruments are issued or if significant events have taken place that may impact a company's current ratings or when current ratings are cancelled. The CreditUpdate announces whether a rating has been "upgraded," "downgraded," "affirmed" or "cancelled." The update includes information to supplement the previously published ratings.

Credit Updates are part of TRIS Rating's monitoring process. TRIS Rating monitors every rating it assigns until either the debt instrument matures or the rating contract ends. To keep the public informed of changing situations, TRIS Rating periodically issues announcements about the credit ratings it monitors.

RATING OUTLOOK

The “negative” outlook reflects our view that SENA’s credit profile will remain under pressure, with uncertainty over the pace of its performance recovery amid unfavorable market sentiment and intense competition in the residential property industry.

RATING SENSITIVITIES

The outlook could be revised to “stable” if SENA’s operating performance and financial profile are consistent with our expectations. We expect SENA’s operations and financial results to recover steadily from 2023 onwards, with a FFO to debt ratio above 10% and an EBITDA interest coverage ratio above 3 times. We also anticipate SENA will keep its debt to capitalization ratio below 55% over the forecast period.

Conversely, a downward revision would materialize if SENA’s operating performance and/or financial position deteriorates materially, such that the FFO to debt ratio stays below 10% and the EBITDA interest coverage ratio stays below 3 times, with no signs of improvement.

RELATED CRITERIA

- Corporate Rating Methodology, 15 July 2022
- Key Financial Ratios and Adjustments for Corporate Issuers, 11 January 2022
- Issue Rating Criteria, 15 June 2021

Sena Development PLC (SENA)

Company Rating:	BBB
Issue Ratings:	
SENA249A: THB470 million senior unsecured debentures due 2024	BBB
SENA253A: THB1,200 million senior unsecured debentures due 2025	BBB
SENA259A: THB1,530 million senior unsecured debentures due 2025	BBB
Up to THB2,000 million senior unsecured debentures due within 5 years	BBB
Rating Outlook:	Negative

TRIS Rating Co., Ltd.

Silom Complex Building, 24th Floor, 191 Silom Road, Bangkok 10500, Thailand Tel: +66 2 098 3000

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