

ANANDA DEVELOPMENT PLC

No. 104/2022
23 September 2022

CORPORATES

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

Last Review Date: 28/04/22

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

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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 assign the rating of "BBB-" to ANAN's proposed issue of up to THB3.5 billion in senior unsecured debentures. The proceeds from the new debentures will be used to refinance the THB1.3 billion senior unsecured debentures coming due in October 2022, repay the THB1.5 billion hybrid debentures (0% equity credit), and for working capital.

The ratings reflect ANAN's acceptable market position in the condominium segment, the significant income contributions from its joint venture (JV) projects, and its high financial leverage. The ratings also incorporate our concerns over the relatively high household debt level and rising inflation which could impact the purchasing power of homebuyers in the short to medium term while pushing up development and financing costs for developers.

ANAN reported total operating revenue of THB1.6 billion in the first six months of 2022, achieving 38% of our latest base-case projection. Its earnings before interest, taxes, depreciation, and amortization (EBITDA) of THB0.3 billion was far below our full-year forecast of THB1 billion. ANAN's operating performance during the second half of 2022 will hinge largely on its ability to transfer the backlog under its own and JV projects as well as its ability to generate sales from remaining units in several ready-to-move-in projects. ANAN's backlog under its own and JV projects at the end of June 2022 was THB11.2 billion. Around THB6.1 billion of backlog will be transferred in the second half of 2022, THB3.7 billion in 2023, and THB1.4 billion in 2024.

We project ANAN's total operating revenue to reach THB4.2 billion this year and revert to THB5.0-THB5.5 billion per annum during 2023-2024. ANAN's EBITDA, including shared profit from its JVs, should range from THB1.5-THB2.0 billion annually with its bottom line to turn positive from 2023 onwards. With a large amount of unsold and backlog units under JVs, we estimate that ANAN will continue to earn a significant amount of income from project management services and commission fees from JVs. We project ANAN's revenue from project management services and commission income to stand at THB0.8-THB1.1 billion annually, or around 20% of total operating revenue during 2022-2024.

We project the net profit margin of condominium projects under JVs to be around 10%-12%. Nevertheless, ANAN's shared profit from investments in JVs is likely to be hurt by the losses carried from under-construction condominium projects and newly operated serviced apartments. We forecast the net shared profit from investments in all JVs will be THB250 million in 2022, recovering to THB600-THB700 million per annum during 2023-2024.

Our base-case scenario forecasts ANAN's financial profile will be relatively weak throughout 2022 but should recover from 2023 onwards. We expect ANAN's debt to capitalization ratio to improve slightly to around 60%-65% from 69% as of June 2022. Funds from operations (FFO) are expected to turn positive in 2023, causing its FFO to total debt ratio to improve to around 2%-5% from 2023 onwards. Its pretax return on permanent capital (ROPC) ratio should remain in the 2%-5% range over the forecast period.

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.

We assess ANAN's liquidity to remain relatively tight but manageable over the next 12 months. ANAN's sources of funds as of June 2022 consisted of THB4.4 billion in cash plus undrawn committed short-term and project loan credit facilities from banks of THB1.3 billion. In addition, ANAN had unsold finished residential units in its own debt-free projects with a total selling price of THB0.7 billion, which can be pledged as collateral for new loans, if needed. Debts maturing over the next 12 months will amount to THB11.2 billion, comprising THB5.0 billion senior unsecured debentures, THB5.4 billion short-term promissory notes (P/Ns), and THB0.8 billion scheduled long-term loans. ANAN plans to refinance all maturing debentures and convert the short-term P/Ns for funding land purchase into long-term project loans.

At the end of June 2022, ANAN's total consolidated debt was THB27.6 billion, covering the full amount of outstanding hybrid debentures and preferred shares. ANAN's priority debt, including secured debt of the parent company and total debt of its operating subsidiaries, was THB7.6 billion. These translate to a priority debt to total consolidated debt ratio of 27%.

RATING OUTLOOK

The "stable" outlook reflects our expectation that ANAN's financial profile will not deviate significantly from our target. We expect ANAN's operations to gradually recover while its debt level to gradually decline. Its FFO to total debt ratio should improve to around 2%-5% from 2023 onwards. ANAN's debt to capitalization ratio should stay below 65% while its ROPC should sustain in the 2%-5% range over the forecast period.

RATING SENSITIVITIES

The ratings and/or outlook could be revised downward should the unfavorable market environment and/or the adverse consequences of pending lawsuits related to the company's property projects lead to a deeper-than-expected deterioration in its operating results and/or financial profile. On the contrary, an upward revision would materialize if the company is able to deliver significantly stronger operating performance than the target levels and improve its financial profile such that its FFO to total debt ratio stays above 5% while its debt to capitalization ratio drops below 60% on a sustained basis.

RELATED CRITERIA

- Corporate Rating Methodology , 15 July 2022
- Key Financial Ratio and Adjustments for Corporate Issuers, 11 January 2022
- Hybrid Securities Rating Criteria, 28 June 2021
- Issue Rating Criteria, 15 June 2021

Ananda Development PLC (ANAN)

Company Rating:	BBB-
Issue Ratings:	
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
ANAN22OA: THB423.3 million senior unsecured debentures due 2022	BBB-
ANAN22OB: THB915.6 million senior unsecured debentures due 2022	BBB-
ANAN237A: THB1,768.8 million senior unsecured debentures due 2023	BBB-
ANAN23OA: THB746.6 million senior unsecured debentures due 2023	BBB-
ANAN241A: THB1,412.8 million senior unsecured debentures due 2024	BBB-
ANAN241B: THB1,188.3 million senior unsecured debentures due 2024	BBB-
ANAN247A: THB3,231.2 million senior unsecured debentures due 2024	BBB-
ANAN251A: THB1,811.7 million senior unsecured debentures due 2025	BBB-
Up to THB3,500 million senior unsecured debentures due within 3 years	BBB-
Rating Outlook:	Stable

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