

ANANDA DEVELOPMENT PLC

No. 42/2021

10 June 2021

CORPORATES

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

Last Review Date: 25/03/21

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

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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 THB5 billion senior unsecured debentures. The proceeds from the new debentures will be used to refinance the debentures maturing in October 2021 and February 2022.

The ratings reflect ANAN's acceptable market position in the condominium segment and the high income contribution from the joint venture (JV) projects. The ratings also take into consideration ANAN's high financial leverage and concerns over the adverse effects of the prolonged Coronavirus Disease 2019 (COVID-19) situation, which will continue to put more pressure on the demand for residential property and the profitability of developers for extended periods.

We view that ANAN's operating results will be under pressure throughout 2021 as the demand in condominium segment from both local and foreign buyers remains sluggish due to the COVID-19 pandemic. We forecast ANAN's total operating revenue to stay THB4.5 billion in 2021, before reviving to THB5.5-THB6.5 billion per annum during 2022-2023. We project its earnings before interest, taxes, depreciation, and amortization (EBITDA) to be around THB1 billion in 2021 on the assumption that there will be no condominium projects to be 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 March 2021 was worth THB14.3 billion, comprising the THB13.4 billion backlog under JVs and the THB0.9 billion backlog of its own projects. We expect ANAN to deliver backlog worth THB3.9 billion during the remainder of 2021, THB9.4 billion in 2022, and THB1 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 March 2021, ANAN had remaining finished condominium units worth THB26.6 billion.

Although ANAN will earn shared profit from JV condominium projects to be transferred, we foresee that its shared profit from investments in JVs may be hurt by the loss from investments in newly launched condominium projects and operations in newly completed serviced apartments. All serviced apartments are scheduled to start operation during a period of high uncertainty in the tourism industry. We project a net shared loss from investments in all JVs to stay below THB0.1 billion this year, before reverting to a positive figure of THB0.1 billion in 2022 and THB1 billion in 2023.

We project ANAN's financial leverage to remain high over the next three years as the company plans to expand its residential project portfolio. We expect ANAN's debt to capitalization ratio will elevate to 65%-68%. Its funds from operations (FFO) to total debt ratio may stay below 2% during 2021-2022.

We assess ANAN's liquidity to be manageable over the next 12 months. As of March 2021, ANAN's sources of funds consisted of THB4.9 billion in cash and cash equivalents plus undrawn committed short-term loan facilities of THB5.6 billion and undrawn committed long-term loan facilities of THB2.3 billion. Also,

ANAN had remaining units in debt-free projects with a selling price of THB4 billion. Debts due over the next 12 months will amount to THB16 billion, comprising THB8.4 billion in debentures, THB6 billion in short-term promissory notes (P/Ns), and THB1.6 billion in long-term loans. ANAN will refinance maturing debentures with new debentures issuance. Most of the short-term P/Ns are being 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.

RATING OUTLOOK

The “stable” outlook reflects our expectation that ANAN will be able to deliver its operating performance as targeted. We project ANAN’s EBITDA during 2021-2023 to be THB1-THB2 billion per annum, with its debt burden to remain high. We expect its debt to capitalization ratio to stay in the 65%-68% range over the forecast period, and pretax return on permanent capital (ROPC) to hold at 2%-5%.

RATING SENSITIVITIES

ANAN’s 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

- Rating Methodology – Corporate, 26 July 2019
- Hybrid Securities Rating Criteria, 12 September 2018
- 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

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