CHARN ISSARA DEVELOPMENT PLC

No. 121/2025
24 July 2025

CORPORATES

Company Rating:	BB
Outlook:	Negative

Last Review Date: 24/06/24

Company Rating History:

Date	Rating	Outlook/Alert
30/04/21	BB	Stable
09/04/20	BB+	Negative
23/04/18	BB+	Stable
16/08/13	BBB-	Stable

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RATIONALE

TRIS Rating revises the rating outlook on Charn Issara Development PLC (CI) to "negative" from "stable". At the same time, we affirm the company rating on CI at "BB".

The "negative" outlook reflects CI's weaker-than-expected operating performance, primarily driven by sluggish real estate sales, resulting in lower-than-anticipated cash flow protection, higher financial leverage and tighter liquidity. Amid persistent market headwinds, CI is likely to face challenges in achieving its future performance as targeted.

The rating continues to reflect CI's modest and volatile operating performance, stemming from a limited number of active projects and inconsistent project launches. Additionally, persistently high household debt levels, leading to elevated mortgage rejection rates and constrained purchasing power, will continue exerting pressure on sales in the short to medium term. The rating also considers CI's acceptable market position in the middle- to high-end residential segment.

KEY RATING CONSIDERATIONS

Performance fell short of our expectations

CI's operating performance was weaker than projected. Although real estate revenue rose to THB1.7 billion in 2024, it reached only about three-fourths of our target. The shortfall was primarily due to slower-than-expected new sales and transfers from two condominium projects completed in late 2023. This sluggish momentum continued into the first quarter of 2025 (1Q25). Real estate revenue declined to THB214 million, achieving only 10% of our full-year forecast.

Given its high fixed selling, general, and administrative expenses (SG&A) expenses, the SG&A-to-revenue ratio exceeded our previous projection. In addition, CI's interest cost remained high. As a result, CI posed a net loss of THB264 million in 2024, significantly underperforming our projections, and continued to report losses in 1Q25.

Although CI has gradually reduced its debt burden, ongoing net losses in 2020-1Q25 have steadily eroded its equity. The company's debt to capitalization ratio increased to 76% in 2024-1Q25, up from 68%-74% in 2020-2023. Its funds from operations (FFO) to debt ratio improved to 2.7% in 2024; however, it declined to 1.7% in 1Q25, falling short of our previous projection, which projected that the ratio should improve and maintain above 2%.

Future revenue and earnings to remain challenging

Given a modest backlog and the extended development timeline for the new projects in 2025, we view that CI will continue to face significant operational challenges through 2025-2026. Revenue and earnings during these two years will largely depend on CI's ability to generate new sales from its ready-to-move-in units and existing landed property projects.

As of March 2025, CI's backlog totaled THB1.2 billion, with approximately 50% expected to be recognized as revenue in 2025, 35% in 2026, and the remainder in 2027. There are currently 10 active residential projects, primarily located in Bangkok and key tourist destinations. The total value of unsold units (both built and un-built) amounted to THB7.5 billion. Of this, completed units valued at

THB3.5 billion are ready for immediate revenue recognition upon sale. New residential projects launched this year are expected to begin generating revenue from late 2026 onwards.

In our base-case scenario, we project CI's annual operating revenue to stay around THB2.3 billion in 2025-2026, before increasing to THB3.5 billion in 2027. Real estate revenue is expected to hover around THB1.0-THB1.1 billion in 2025-2026, then rising to THB2.2 billion in 2027 in line with the project transfer schedule. Revenue from hotel operations is likely to remain flat in 2025 due to subdued tourism demand. However, we expect a 5%-10% year-on-year growth in hotel revenue in 2026-2027. We project CI's gross profit margin to maintain at 30%-32% throughout the forecast period. EBITDA is estimated to range between THB400-THB500 million in 2025-2026, rising to around THB800 million in 2027. The EBITDA margin is expected to remain above 20%. Despite these projections, we expect CI to continue posting net losses throughout the forecast period, which will further erode its equity base.

Well-accepted brand in the middle-to high-end segment

CI has established a recognized market presence in both the residential property and hospitality sectors, noted for the quality of its offerings and distinctive design. Its residential and hotel products primarily target middle- to high-end customers. CI's landed property offerings include single detached houses (SDH) priced between THB10-THB100 million and residential villas ranging from THB30-THB60 million. Condominium units are priced between THB60,000 and THB200,000 per square meter (sq.m.).

CI typically develops its residential and hotel projects within the same locations, focusing on major tourist destinations such as Phuket, Hua Hin, Cha-am, and Phang-Nga. The company currently operates hotels with a total of 240 keys. Average room rates (ARR) range from THB10,000 to THB20,000 per night for villas, and from THB5,000 to THB10,000 per night for typical hotel rooms. In our view, the development of mixed-use projects would enhance the value of CI's residential properties.

Elevated financial leverage

We expect CI's financial leverage to remain high throughout the forecast period, primarily due to weakening operating performance and low profit visibility. While our base-case scenario assumes that CI's total debt will remain relatively stable at THB6-THB7 billion, continued equity erosion is projected to push the debt to capitalization ratio above 75% over the period. The FFO to debt ratio is projected to approach negative territory in 2025-2026, before recovering to above 2% in 2027.

As part of its deleveraging strategy, CI plans to divest two hotel assets to investors, with estimated proceeds of THB1.3-THB1.6 billion. However, the success of these planned asset sales remains uncertain. If successfully executed, the proceeds would help reduce the debt burden and improve cash flow protection.

Under our base-case assumptions, we expect CI to launch new landed property projects valued at THB5 billion under its own portfolio and THB1.7 billion through JVs in 2025. We project that the company plans to allocate approximately THB1 billion for land acquisitions over 2025-2027, with around 75% of that amount tied to joint ventures (JVs). We forecast construction capital expenditures for wholly owned projects to range from THB300-THB600 million annually, along with an estimated equity injection of THB160 million into JVs over the same period.

Tight liquidity

We assess CI to have tight liquidity over the next 12 months. As of March 2025, the company's liquidity sources comprised THB271 million in cash, THB681 million in investments in marketable securities, and THB110 million in undrawn committed credit facilities from banks. Additionally, CI held unencumbered land banks with a book value of THB388 million, along with remaining completed units in debt-free projects valued at THB859 million (at cost), which could be pledged as collateral for new financing if required. In April 2025, CI improved its liquidity by divesting its stake in International Resources Development Co., Ltd. (IRD), resulting in cash proceeds of THB295 million.

CI has debt obligations totaling THB2.4 billion maturing over the next 12 months, consisting of THB1.3 billion in long-term loans, THB600 million in debentures, THB200 million in short-term loans, and THB300 million in lease liabilities. Project loans are generally repaid using proceeds from the transfer of units in the respective projects. The company typically refinances its maturing debentures through the issuance of new debentures.

The financial covenants on CI's bank loans and debentures require the company's interest-bearing debt to equity ratio (calculated in different ways) to remain below 2 times and 3.75 times, respectively. As of March 2025, CI breached the covenant related to its bank loans, reporting a ratio of 2.2 times. However, the company has obtained a waiver from the lending banks. CI remained in compliance with the covenant on its debentures, with a reported ratio of 2.7 times.

Debt structure

As of March 2025, CI had total debt of THB5.9 billion (per priority debt consideration). The company's priority debt, including secured debts at the parent company and total debts of its subsidiaries, was THB4.7 billion. This translates to a priority debt to total debt ratio of 80%. Thus, in our view, CI's unsecured creditors are significantly disadvantaged to its priority debt holders with respect to the priority of claims against the company's assets.

BASE-CASE ASSUMPTIONS

The key assumptions in TRIS Rating's base-case forecast for CI's operations in 2025-2027 are as follows:

- New residential project launch (including its own and JV projects) of THB6.7 billion in 2025
- The allocated budget for land acquisition for its own and JV projects of around THB1 billion
- Total operating revenue to hover around THB2.3 billion in 2025-2026, followed by an increase to THB3.5 billion in 2027
- EBITDA margin to stay in the 20%-24% range

RATING OUTLOOK

The "negative" outlook reflects CI's weaker-than-expected operating and financial performance, along with tightened liquidity. Given the current market sentiment, CI's operating performance is expected to face increased challenges in achieving our targets and could potentially deteriorate further.

RATING SENSITIVITIES

A rating downgrade may occur if CI's operating results or financial profile remain below our expectations. Conversely, the outlook could be revised to "stable" should CI demonstrate improved operating performance and financial position, resulting in a debt to capitalization ratio falling below 75% and an FFO to debt ratio exceeding 2% on a sustained basis, along with an improved liquidity position.

COMPANY OVERVIEW

CI was established in 1989 by the Issara family. CI became a public company in June 2002 and was listed on the Stock Exchange of Thailand (SET) in December 2002. The Issara family has been the company's major shareholder since its inception. As of December 2024, the Issara family held a 45% stake in the company.

CI's residential property products target the middle- to high-income segments. At the end of March 2025, the residential property portfolio comprised condominiums (48% of the total remaining value of the project portfolio), SDH (25%), and residential villas (27%). CI's existing residential projects are located in Bangkok (39% of the total remaining value), Cha-am and Hua Hin (31%), Phuket (26%), Chiang Mai (2%), and Nakhon Ratchasima (2%).

CI started to develop luxury residences for sale and opened its first boutique hotel, "Sri Panwa", in Phuket in 2003. The Sri Panwa Hotel started operations in 2006. The company sold the Sri Panwa Hotel to Sri Panwa Hotel Property Fund (SPWPF) in 2013 and simultaneously invested in a 30% stake of SPWPF. In 2016, SPWPF was converted from a property fund to a REIT named SRIPANWA. Currently, CI directly and indirectly holds 16.8% of SRIPANWA. The company also owns 17.6% of Bangkok Commercial Property Fund (BKKCP), a property fund that owns two office buildings, "Charn Issara Tower I" and "Charn Issara Tower II". CI manages these two office buildings for the fund. In addition, the company owns 3,578 sq.m. of net leasable area in these two buildings.

In 2015, CI developed its second mixed-use project in Phang-Nga under an 86:14 JV with Junfa Real Estate Co., Ltd., a Chinese property developer. The project included 24 villas for sale and a boutique hotel under the brand "Baba Beach".

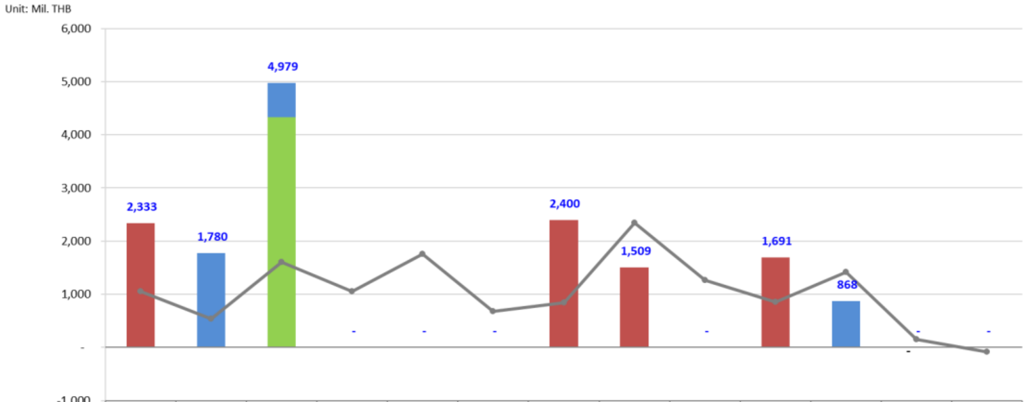
In 2016, CI formed a 50:25:25 JV with Saha Pathanapibul PLC (SPC) and I.C.C. International PLC (ICC) to develop another mixed-use project under the brand "Baba Beach" in Cha-am District, Phetchaburi. In 2021, CI opened "Habita Seaview", an extension of Baba Beach Hua Hin Hotel.

In July 2022, CI opened "Yaya", which is in the same compound as Sri Panwa Hotel. Yaya Sri Panwa includes 24 pool suites and a convention hall.

In May 2024, CI setup a JV named Issara Naporn Co., Ltd. with a partner to develop a mixed-use project in Phuket. The company holds a 60% shareholding in the JV.

KEY OPERATING PERFORMANCE

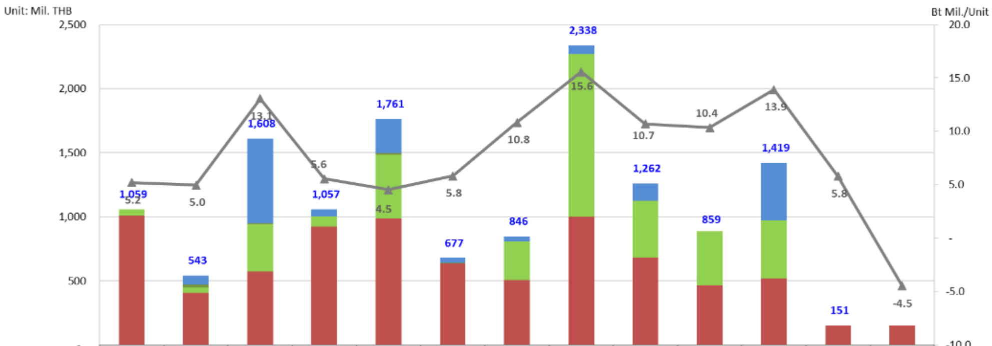
Chart 1: Residential Project Launches



	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	3M24	3M25
Residential Villa	-	1,780	648	-	-	-	-	-	-		868	-	
Townhouse	-	-	-	-	-	-	-	-	-			-	
SDH	-	-	4,331	-	-	-	-	-	-			-	
Condominium	2,333	-	-	-	-	-	2,400	1,509	-	1,691		-	
Presales	1,059	543	1,608	1,057	1,761	677	846	2,338	1,262	859	1,419	151	-85
Total project launch	2,333	1,780	4,979	-	-	-	2,400	1,509	-	1,691	868	-	-

Source: CI

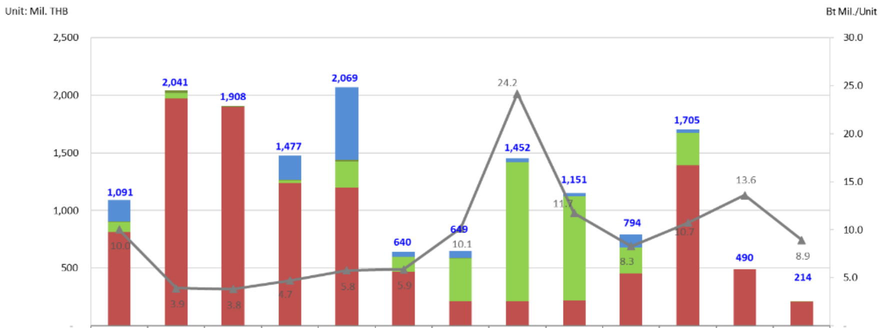
Chart 2: Presales Performance



	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	3M24	3M25
Residential Villa	-	72	660	53	262	41	38	67	137	-28	448		
Townhouse	-1	21	9	-	14	6	-	-	-				
SDH	49	41	368	80	500	-4	304	1,270	445	423	452		-235
Condominium	1,011	409	572	924	985	635	504	1,001	680	464	520	151	150
Total presales	1,059	543	1,608	1,057	1,761	677	846	2,338	1,262	859	1,419	151	-85
Avg. Price	5.2	5.0	13.1	5.6	4.5	5.8	10.8	15.6	10.7	10.4	13.9	5.8	-4.5

Source: CI

Chart 3: Transfers Performance



	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	3M24	3M25
Residential Villa	187			210	633	43	60	30	29	117	28		
Townhouse	6	21	11	4	14	-	6	-	-				
SDH	88	49		23	226	128	372	1,206	904	221	286		4
Condominium	810	1,971	1,897	1,240	1,197	469	212	215	218	456	1,391	490	210
Avg. Price	10.0	3.9	3.8	4.7	5.8	5.9	10.1	24.2	11.7	8.3	10.7	13.6	8.9

Source: CI

FINANCIAL STATISTICS AND KEY FINANCIAL RATIOS*

Unit: Mil. THB

	Jan-Mar 2025		------------Year Ended 31 December --------- 2024	2023	2022	2021
Total operating revenues	623		2,870	2,006	2,069	2,001
Earnings before interest and taxes (EBIT)	121		330	36	30	25
Earnings before interest, taxes, depreciation, and amortization (EBITDA)	214		679	376	364	299
Funds from operations (FFO)	58		188	(155)	(93)	(149)
Adjusted interest expense	127		484	525	444	448
Real estate development investments	5,136		5,184	5,894	4,226	5,120
Total assets	10,620		10,850	12,820	11,153	10,199
Adjusted debt	6,778		7,063	7,314	6,388	6,277
Adjusted equity	2,192		2,249	2,616	3,021	2,402
Adjusted Ratios						
EBITDA margin (%)	34.3		23.7	18.8	17.6	14.9
Pretax return on permanent capital (%)	2.6	**	3.2	0.3	0.3	0.3
EBITDA interest coverage (times)	1.7		1.4	0.7	0.8	0.7
Debt to EBITDA (times)	11.0	**	10.4	19.4	17.5	21.0
FFO to debt (%)	1.1	**	2.7	(2.1)	(1.5)	(2.4)
Debt to capitalization (%)	75.6		75.8	73.7	67.9	72.3

* *Consolidated financial statements*
** *Annualized with trailing 12 months*

RELATED CRITERIA

- 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

Charn Issara Development PLC (CI)

Company Rating:	BB
Rating Outlook:	Negative

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