

ANANDA DEVELOPMENT PLC

No. 41/2025
2 April 2025

CORPORATES

Company Rating:	BB+
Issue Ratings:	
Senior unsecured	BB+
Hybrid	B+
Outlook:	Negative

Last Review Date: 29/03/24

Company Rating History:

Date	Rating	Outlook/Alert
29/03/24	BB+	Negative
02/08/23	BB+	Alert Negative
31/03/23	BBB-	Negative
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 senior unsecured debentures at “BB+” and also affirms the ratings on ANAN’s subordinated capital debentures (hybrid debentures) at “B+”. The rating outlook for all these ratings is “negative”.

The “negative” outlook reflects the uncertainties surrounding the operating environment, which may affect ANAN’s future revenue and earnings. The recent earthquake could dampen market sentiment and negatively affect presales and title transfer performance, particularly in the condominium market. Furthermore, the company may encounter heightened refinancing and liquidity pressures, that could threaten its financial flexibility.

The ratings continue to reflect ANAN’s high financial leverage and tight liquidity. They also take into account the negative impacts of persistently high interest rates and elevated household debt levels, which have resulted in higher mortgage rejection rates and reduced purchasing power among homebuyers.

The ratings on the hybrid debentures have been notched down by three notches from ANAN’s company rating, reflecting the deep subordination and heightened interest payment deferral risks for hybrid debentures issued by a non-investment grade issuer. Currently, one tranche of its outstanding hybrid debentures (ANAN19PA) receives 0% equity content as the remaining time to the effective maturity date is less than 20 years while the remaining hybrids still receive 50% equity content.

KEY RATING CONSIDERATIONS

Challenging operating environment ahead

TRIS Rating views that the earthquake with its epicenter in Myanmar on March 28, 2025, has negatively impacted market sentiment in the condominium segment in Thailand. This event is expected to adversely affect ANAN’s revenues and earnings in the next 6-12 months, as around 83% of ANAN’s existing portfolio, including both backlog and units available for sale, are in the condominium segment. Some potential buyers may delay or cancel purchases due to safety concerns. In addition, some projects could face delays in title transfers due to the need to wait for damage assessments and required inspections.

Our base-case scenario projects that ANAN’s condominium presales from its own and joint venture (JV) condominium projects (excluding landed property presales) may shrink to THB4.5 billion this year, from THB11 billion per annum in 2023-2024. We expect condominium presales from its own and JV condominium projects to recover to around THB10 billion in 2026-2027. Total transfers from its own and JV condominium projects are likely to drop to THB5-THB9 billion over the forecast period from THB10-THB12 billion annually in 2022-2024. Thus, ANAN’s total operating revenue is projected to hover around THB4.4-THB5.0 billion per annum in 2025-2027. Its revenue will primarily be driven by revenue from landed property projects as well as project management and commission income through JVs.

We expect ANAN’s gross profit margin to sustain in the 26%-31% range. Net shared profit from investments in all JVs should be slightly positive in 2025 and

increase to THB100-THB150 million per annum thereafter. We project ANAN's EBITDA to stand at THB1.3 billion in 2025 (including gains from the sales of investments in subsidiaries of around THB700 million) and THB600-THB700 million per annum in 2026-2027.

High financial leverage, but improvement anticipated from JV plan

In 2024, ANAN's financial leverage remained elevated, but there were signs of improvement. The company's efforts to reduce ready-to-move inventory and divest some investments led to a decline in the debt to capitalization ratio to 61%, down from over 65% in the previous five years. Additionally, ANAN's funds from operations (FFO) turned positive, reaching THB460 million, after being in negative territory for the past four consecutive years. The FFO to debt ratio also recovered, reaching 3% in 2024, following several years of negative figures.

We view that ANAN's strategy to develop certain existing and future condominium projects through JVs, holding a 25%-51% stake in these JVs, will help the company unload its balance sheet and alleviate its debt burden. However, any delays or setbacks in securing JV partners could significantly affect its financial position. Our base-case scenario assumes that ANAN will successfully find JV partners prior to launching each condominium project. Over the forecast period, we expect ANAN to launch residential projects valued at THB52 billion with approximately 80% of these being condominium projects undertaken by JVs and invest approximately THB1.6 billion in land acquisition for its own projects. We anticipate that the company will postpone the launches of some condominium projects this year. As a result, ANAN's debt to capitalization ratio is projected to sustain at around 50%-55% in 2025-2027, while the FFO to debt ratio is expected to remain within the 2%-5% range.

The financial covenants on ANAN's bank loans and debentures require the company's reported net interest-bearing debt to equity ratio to remain below 2.0 times and 2.5 times, respectively. As of December 2024, the ratios were 1.1 times for the bank loan covenants and 1.2 times for the debenture covenants (noting the discrepancy in calculation methods). We expect ANAN to prudently manage its capital structure to remain in compliance with the financial covenants.

Tight liquidity, with heightened refinancing risk

We assess ANAN's tight liquidity to continue over the next 12 months. At the end of 2024, ANAN's available sources of funds included THB1.2 billion cash on hand and THB500 million in unused committed unconditional loan facilities. We expect ANAN's FFO in 2025 to be around THB500 million. Additionally, the company owns unsold finished residential units in debt-free projects with a total selling price of THB1.2 billion, along with unencumbered land banks valued at THB400 million, which could be pledged as collateral for new loans if needed.

On the other hand, ANAN has debt maturities amounting to THB9.5 billion over the next 12 months. These include THB5.3 billion senior unsecured debentures, THB1.7 billion short-term promissory notes (P/Ns), THB1.3 billion loans from others, THB1.1 billion long-term loans from banks, and THB0.1 billion lease liabilities.

ANAN repaid approximately THB3 billion in debentures due in January 2025 using cash flow from residential unit transfers and new bank loans. For the remaining THB2.3 billion in debentures maturing in June 2025, ANAN plans to refinance part of the amount through new debenture issuances and additional bank loans. However, given the current market conditions and the negative development surrounding property developers, particularly those in condominium-led property development, we see ANAN's refinancing plan to face increasing risk. Most of ANAN's short-term P/Ns serve as bridging loans for land acquisitions, which the company plans to convert into long-term project loans. The THB1.3 billion loans from others has already been rolled over. Project loans are typically repaid with proceeds from the sale of units of the underlying projects.

Debt structure

As of 31 December 2024, ANAN's consolidated debt, including the full amount of hybrid instruments but excluding lease liabilities, amounted to THB16.5 billion. The priority debt stood at THB5.4 billion, comprising the secured debts of the company and the total debts of its subsidiaries. These translate to a priority debt to total consolidated debt ratio of 33%.

BASE-CASE ASSUMPTIONS

These are the key assumptions for ANAN's operations in TRIS Rating's base-case forecast for 2025-2027:

- ANAN to postpone the launches of some condominium projects this year. The value of new residential project launches to be around THB9 billion in 2025, THB35 billion in 2026, and THB8 billion in 2027
- The allocated budget for land acquisition for its own projects to total THB1.6 billion over 2026-2027
- Total operating revenue to hover around THB4.4-THB5.0 billion annually
- Net shared profit from investments in all JVs to be slightly positive in 2025, with an anticipated range of THB100-THB150 million per annum thereafter

RATING OUTLOOK

The “negative” outlook reflects the uncertainties over ANAN’s future revenue and earnings, as the impacts of the recent earthquake may potentially dampen market sentiment, particularly affecting new sales and planned backlog transfers for condominium projects. Additionally, ANAN may face heightened refinancing and liquidity pressures, which could threaten its financial flexibility.

RATING SENSITIVITIES

A downward revision of the ratings may occur if ANAN’s operating results and/or financial profile deteriorates beyond our expectations. Increased refinancing risks and liquidity concerns could be significant factors leading to a rating downgrade. Furthermore, if the final resolution of Ashton Asoke proves to be worse than our targets and negatively affects the company’s financial position, a rating downgrade scenario could emerge.

The rating outlook could be revised to “stable” if ANAN achieves our operating performance targets and strengthens its financial position, resulting in a recovery of the FFO to debt ratio to 2%-5% over a sustained period. Additionally, we expect the company to mitigate its refinancing risks and alleviate liquidity pressures.

COMPANY OVERVIEW

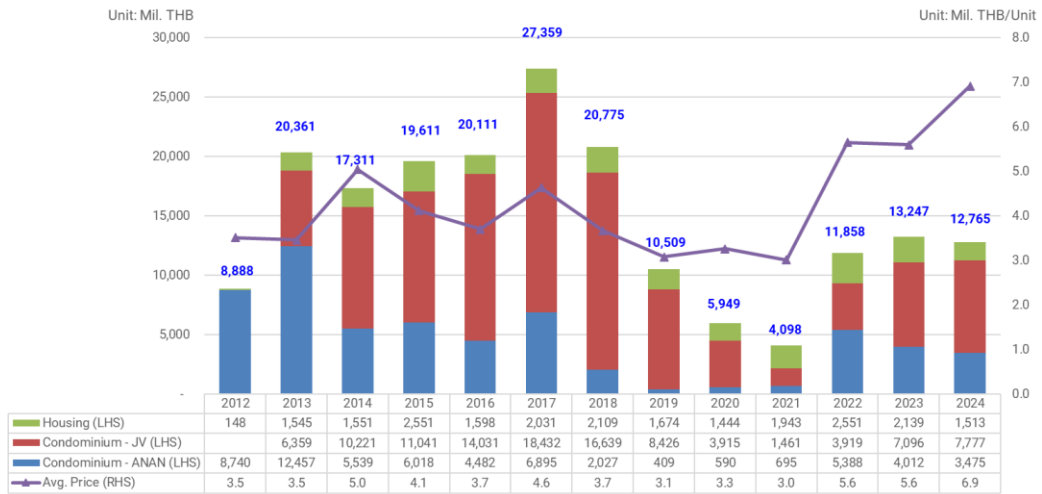
ANAN was founded in 1999 by the Ruangkritya family and was listed on the Stock Exchange of Thailand (SET) in December 2012. As of 31 December 2024, the Ruangkritya family remained the largest shareholder, holding 48.27% of the shares. ANAN is engaged in the development of residential properties, particularly condominium projects located near mass transit train stations in Bangkok. The company’s condominium projects are developed under various brands, including CoCo Parc, Ashton, Culture, Ideo Q, Ideo Mobi, Venio, Ideo, Elio, and Unio. These projects cater to a range of market segments, from low to luxury, with selling prices ranging from THB50,000 to THB250,000 per square meter (sq.m.). In 2024, ANAN ventured into the ultra-luxury condominium segment with the launch of the “Porsche Design Tower Bangkok” project. The average selling price for this project is THB1 million per sq.m. Additionally, ANAN’s landed property projects are developed under the Artale, Arden, Urbanio, AIRI, Atoll, Unio Town, and ANDA brands.

As of 31 December 2024, ANAN’s portfolio included 17 condominium projects (nine of which are JVs) and 12 landed property projects, with a total remaining value of THB43 billion, encompassing both built and unbuilt units. Of this portfolio, 57% has been sold and 47% has been transferred. The backlog on hand amounted to THB10.5 billion, which will partially secure future revenues and earnings.

In 2024, the revenue contribution from residential sales rose to nearly 90% of total operating revenue, up from 75%-80% in 2021-2023. Conversely, revenue from project management services and commission income derived from JV projects declined to approximately 10% in 2024, compared to 15%-20% in the previous three years. The remaining revenue was generated from rental and service income.

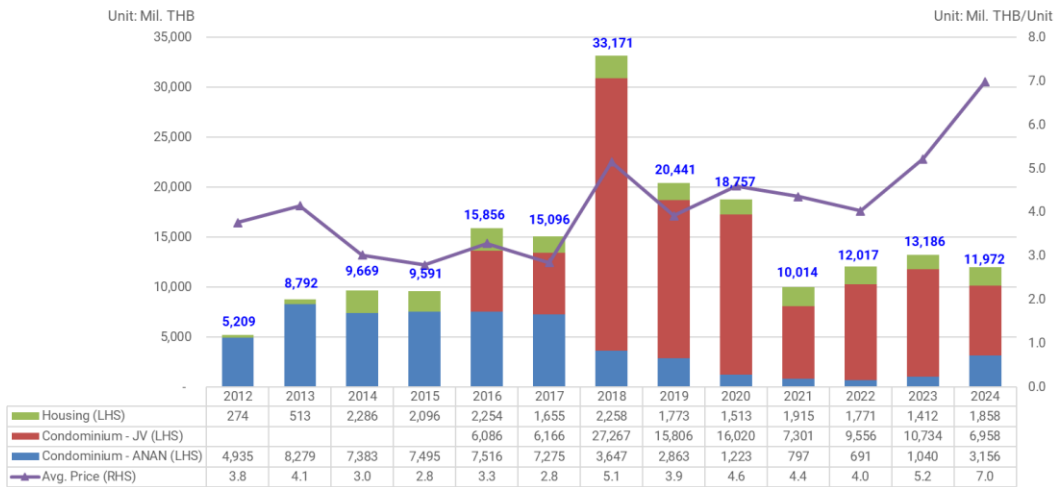
KEY OPERATING PERFORMANCE

Chart 1: Net Presales



Source: ANAN

Chart 2: Transfer



Source: ANAN

FINANCIAL STATISTICS AND KEY FINANCIAL RATIOS *

Unit: Mil. THB

	-----Year Ended 31 December -----				
	2024	2023	2022	2021	2020
Total operating revenues	5,849	3,412	3,112	3,710	4,199
Earnings before interest and taxes (EBIT)	1,519	595	866	480	423
Earnings before interest, taxes, depreciation, and amortization (EBITDA)	1,806	922	1,208	844	1,003
Funds from operations (FFO)	460	(654)	(198)	(623)	(575)
Adjusted interest expense	1,158	1,440	1,319	1,363	1,450
Real estate development investments	18,850	18,823	17,703	20,087	19,829
Total assets	28,759	37,033	41,976	39,382	43,298
Adjusted debt	15,478	22,225	23,842	26,256	25,683
Adjusted equity	9,731	10,337	11,983	12,441	13,564
Adjusted Ratios					
EBITDA margin (%)	30.9	27.0	38.8	22.8	23.9
Pretax return on permanent capital (%)	4.7	1.5	2.1	1.1	0.9
EBITDA interest coverage (times)	1.6	0.6	0.9	0.6	0.7
Debt to EBITDA (times)	8.6	24.1	19.7	31.1	25.6
FFO to debt (%)	3.0	(2.9)	(0.8)	(2.4)	(2.2)
Debt to capitalization (%)	61.4	68.3	66.6	67.9	65.4

* Consolidated financial statements

RELATED CRITERIA

- Issue Rating Criteria, 26 December 2024
- Hybrid Securities: Equity Content and Credit Rating Criteria , 20 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

Ananda Development PLC (ANAN)

Company Rating:	BB+
Issue Ratings:	
ANAN256A: THB2,275.8 million senior unsecured debentures due 2025	BB+
ANAN261A: THB2,823.4 million senior unsecured debentures due 2026	BB+
ANAN19PA: THB1,000 million subordinated capital debentures	B+
ANAN20PA: THB1,000 million subordinated capital debentures	B+
ANAN21PA: THB1,000 million subordinated capital debentures	B+
Rating Outlook:	Negative

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