

SENA DEVELOPMENT PLC

No. 68/2024
31 July 2024

CORPORATES

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

Last Review Date: 28/06/24

Company Rating History:

Date	Rating	Outlook/Alert
28/06/24	BBB-	Stable
31/05/22	BBB	Negative
08/03/22	BBB	Alert Negative
21/02/19	BBB	Stable
11/11/14	BBB-	Stable

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RATIONALE

TRIS Rating assigns a rating of “BBB-” to Sena Development PLC (SENA)’s proposed issue of up to THB1 billion senior unsecured debentures due within five years. The proceeds from the new debentures are intended to be used for business expansion, working capital, and/or debt repayments. At the same time, we affirm the company rating on SENA and its existing senior unsecured debentures at “BBB-”, with a “stable” rating outlook.

The ratings reflect SENA’s acceptable track record in the middle-to low-income segment of the residential property market, sizable income contribution from joint ventures (JVs), and manageable liquidity. The ratings also take into consideration our concerns over the company’s persistently high financial leverage in 2024-2025 as well as the negative impacts of lingering high interest rates and elevated household debt levels, which have led to higher rejection rates of mortgage loan applications.

Our base-case scenario projects SENA’s operating performance to remain flat amid the slowdown in the domestic economy. This may not match with its debt level, which has increased steadily over the past few years. Total transfers from both its own and JV projects are anticipated to range from approximately THB8-THB9 billion per annum in 2024-2025, with an expectation of THB14 billion in 2026. Around 70%-80% of the total transfers each year will come from JV projects. The company’s backlog at the end of June 2024 was THB5.5 billion. Of this amount, THB3.7 billion is scheduled for delivery in the second half of 2024. We project SENA’s total operating revenue will remain at around THB4-THB5 billion per year in 2024-2026 while EBITDA should range from THB1.5-THB1.7 billion.

We expect SENA’s financial leverage to remain high for an extended period as the company will take time to offload inventory. SENA’s unsold units across its own and JV portfolio escalated to THB55 billion as of March 2024 from THB29 billion as of December 2022, with 40% of the inventory consisting of landed properties and the remainder consisting of condominiums. We forecast SENA’s debt to capitalization ratio to hover around 57%-60%. We also project the funds from operations (FFO) to debt ratio to stay around 5%-7% in 2024-2026. This is based on our assumption of new residential project launches under a new JV structure (single JV with several projects) totaling THB36 billion over the forecast period. We project the annual budget for land acquisition for its own projects to be THB500 million in 2025-2026, together with annual equity injections for JV residential projects and other businesses of around THB600-THB800 million over the next three years.

We assess SENA’s liquidity to be tighter but manageable over the next 12 months. As of March 2024, SENA’s sources of funds consisted of THB900 million cash on hand plus THB3.1 billion undrawn unconditional committed credit facilities from banks. FFO is forecast to be around THB700 million in 2024. SENA also had unencumbered land banks at book value of THB340 million and remaining finished units in its own debt-free projects with selling prices totaling THB937 million, which can be pledged as collateral for new loans if needed.

On the other hand, SENA’s maturing debts over the next 12 months amount to THB6.3 billion, comprising THB2.7 billion debentures (THB1.5 billion due in 2024 and THB1.2 billion in 2025), THB1.6 billion short-term promissory notes (P/Ns),

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THB1 billion bills of exchange (B/Es), THB950 million long-term project loans, and THB50 million lease liabilities. The debentures of around THB1.5 billion coming due in the remainder of this year are planned to be partially refinanced by new debenture issuances and partially replaced by bank loans, while another THB1.2 billion debentures due in March 2025 are expected to be refinanced by bank loans. P/Ns and B/Es are mostly for working capital and bridging loans for land purchases, which SENA plans to either roll over or convert into long-term project loans thereafter. The company is going to convert short-term debts of around THB1.5 billion into long-term project loans, which will normally be repaid with cash generated from residential unit transfers.

The financial covenants on SENA's debentures and bank loans require the company's interest-bearing debt to equity (IBD/E) ratio to remain below 2.5 times and its total liabilities to total equity (D/E) ratio to remain below 1.75 times. As of March 2024, the two ratios were 1.3 times and 1.4 times, respectively. SENA should be able to remain in compliance with the financial covenants over the next 12 to 18 months.

As of March 2024, SENA's consolidated debt, excluding lease liabilities, was THB12.8 billion. Its priority debt was THB3.3 billion, comprising secured debts at the company and total debts of its subsidiaries. This results in a priority debt to total debt ratio of 26%.

RATING OUTLOOK

The "stable" outlook reflects our expectation that SENA will deliver operating performance aligning with our targets, with EBITDA in the range of THB1.5-THB1.7 billion, while its financial profile does not significantly deteriorate from the current level.

RATING SENSITIVITIES

A downward revision of the ratings and/or outlook could occur if its operating results and/or financial position appear to be heading towards a materially deeper-than-expected deterioration. Conversely, a credit upside would materialize if SENA achieves a significant improvement in its operating and financial performance such that its debt to capitalization ratio improves to around 55% and its FFO to debt ratio rises to a level above 7.5% on a sustained basis.

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
- Issue Rating Criteria, 15 June 2021

Sena Development PLC (SENA)

Company Rating:	BBB-
Issue Ratings:	
SENA249A: THB470 million senior unsecured debentures due 2024	BBB-
SENA240A: THB1,000 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-
SENA261A: THB895 million senior unsecured debentures due 2026	BBB-
SENA262A: THB2,000 million senior unsecured debentures due 2026	BBB-
Up to THB1,000 million senior unsecured debentures due within 5 years	BBB-
Rating Outlook:	Stable

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