

# ANANDA DEVELOPMENT PLC

No. 49/2022  
28 April 2022

## CORPORATES

<b>Company Rating:</b>	BBB-
<b>Issue Ratings:</b>	
Senior unsecured	BBB-
Hybrid	BB
<b>Outlook:</b>	Stable

Last Review Date: 02/03/22

### 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 billion in senior unsecured debentures. The proceeds from the new debentures will be used for ANAN's business expansion and 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 lingering impact of the drawn-out Coronavirus Disease 2019 (COVID-19) pandemic, which is likely to continue to pressure the demand for condominiums and ANAN's operating performance for an extended period.

We view that there is a likelihood of ongoing weak demand in the condominium segment throughout 2022. Thus, we project ANAN's total operating revenue and earnings before interest, taxes, depreciation, and amortization (EBITDA) to reach only THB4.2 billion and THB1.0 billion, respectively, this year. ANAN's total operating revenue is expected to 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 and its bottom line should turn positive from 2023 onwards. This is based on our assumption of unit transfers worth THB11-THB15 billion per annum during 2023-2024.

With its plans to continuously launch new condominium projects under JVs, we view 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.

Net profit margins of condominium projects under JVs are expected to be around 10%-12%. Nevertheless, ANAN's shared profit from investments in JVs is likely to be hurt by the losses carried from newly launched condominium projects and newly operated serviced apartments. We estimate 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 projects ANAN's financial profile will remain weak in 2022 but should recover from 2023 onwards. We expect ANAN's debt to capitalization ratio to improve slightly to around 60%-65% from 68% at the end of 2021. 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.

We assess ANAN's liquidity to be tight but manageable over the next 12 months. ANAN's sources of funds as of December 2021 consisted of THB2.4 billion in cash plus undrawn committed short-term and project loan credit facilities from banks of around THB750 million. In addition, ANAN had unsold finished residential units in its own debt-free projects with a total selling price of around THB500 million,

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which can be pledged as collaterals for new loans, if needed. Debts maturing over the next 12 months will amount to THB12.2 billion, comprising THB5.4 billion senior unsecured debentures, THB6.0 billion short-term promissory notes (P/Ns), and THB0.8 billion scheduled term loan repayments. ANAN plans to refinance all maturing debentures and convert the short-term P/Ns used to purchase land into long-term project loans. ANAN had already issued THB5 billion of debentures in January 2022.

As of December 2021, ANAN had total debt of THB25.1 billion (per priority debt consideration), including priority debt of THB8.4 billion. ANAN's priority debt included secured debt of the parent company and total debt of its operating subsidiaries, which translate to a priority debt to total debt ratio of 33%.

#### **RATING OUTLOOK**

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The "stable" outlook reflects our expectation that ANAN's financial profile should not deteriorate further from its current level. We expect the company's operations to gradually recover while its debt level will gradually decline. 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**

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The ratings and/or outlook could be revised downward should the ongoing COVID-19 situation 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 performance and/or financial profile. On the contrary, an upward revision could occur if the company is able to deliver significantly stronger operating results 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 declines below 60% on a sustained basis.

#### **RELATED CRITERIA**

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- Key Financial Ratio and Adjustments for Corporate Issuers, 11 January 2022
- Hybrid Securities Rating Criteria, 28 June 2021
- Issue Rating Criteria, 15 June 2021
- Rating Methodology – Corporate, 26 July 2019

## Ananda Development PLC (ANAN)

<b>Company Rating:</b>	BBB-
<b>Issue Ratings:</b>	
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-
ANAN247A: THB3,231.2 million senior unsecured debentures due 2024	BBB-
Up to THB3,000 million senior unsecured debentures due within 3 years	BBB-
<b>Rating Outlook:</b>	Stable

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