

ANANDA DEVELOPMENT PLC

No. 17/2023
27 January 2023

CORPORATES

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

Last Review Date: 23/09/22

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 THB5 billion in senior unsecured debentures. The proceeds from the new debentures are intended to be used to refinance the senior unsecured debentures coming due in April-July 2023 and to reimburse cash flow from repayment of the hybrid debentures (ANAN18PB).

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 persistently high household debt level and rising inflation which could impact the purchasing power of homebuyers in the short to medium term while pushing up development and funding costs for developers.

ANAN reported annual units transfer of its own residential projects of THB2.5 billion in 2022, achieving around 80% of our full-year forecast. We estimate that ANAN's total operating revenue from all businesses in 2022 should be nearly 80% of our projection. ANAN's earnings before interest, taxes, depreciation, and amortization (EBITDA) of THB0.7 billion in the first nine months of 2022 was also close to our forecast. Although ANAN's funds from operations (FFO) remained in the negative territory, it improved from the same period of the prior year. ANAN will record gain from land bank divestment worth THB0.5 billion in the last quarter of 2022. This will help its overall earnings and cash flows in 2022.

As of December 2022, ANAN's backlog stood at THB12.2 billion. Around 50% of its total backlog was from its own projects while the remaining was under JV projects. ANAN plans to deliver the backlog worth THB3.0-THB4.5 billion per annum in 2023-2025. ANAN also had unsold value worth THB42.3 billion, including its own and JV projects, in portfolio. With large amounts of backlog and remaining value, we project ANAN's total operating revenue to revert to THB5.0-THB5.5 billion in 2023-2024. ANAN's EBITDA, including shared profit from its JVs, should range from THB1.5-THB2.0 billion annually with its bottom line to turn positive from 2023 onwards.

In our base-case scenario, ANAN's financial profile remained relatively weak throughout 2022 but should recover from 2023 onwards. We expect ANAN's debt to capitalization ratio to improve slightly to around 60%-65% from 69% as of September 2022. 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 remain relatively tight but manageable over the next 12 months. ANAN's sources of funds as of September 2022 consisted of THB3.4 billion in cash plus undrawn unconditional committed credit facilities from banks of THB2.1 billion. ANAN also had unsold finished residential units in its own debt-free projects with a total selling price of THB3.4 billion, which can be pledged as collateral for new loans, if needed. Debts maturing over the next 12 months will amount to THB13 billion, comprising THB6.2 billion senior

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unsecured debentures, THB5.4 billion short-term loans, and THB1.4 billion long-term project loans. ANAN plans to refinance all maturing debentures by new issuance and convert the short-term promissory notes (P/Ns) for funding land purchase into long-term project loans.

At the end of September 2022, ANAN's total consolidated debt was THB27 billion, including the full amount of outstanding hybrid debentures and preferred shares. ANAN's priority debt, including secured debt of the parent company and total debt of its operating subsidiaries, was THB7.5 billion. These translate to a priority debt to total consolidated debt ratio of 28%.

RATING OUTLOOK

The "stable" outlook reflects our expectation that ANAN's financial profile will not deviate significantly from our target. With large backlog to be delivered in 2023-2025, we expect ANAN's operating and financial results to gradually improve. Its FFO to total debt ratio should revive to around 2%-5% from 2023 onwards. 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

The ratings and/or outlook could be revised downward should ANAN's operating performance and/or financial profile deteriorate considerably from our expectation. On the contrary, a credit upside would materialize if ANAN delivers significantly stronger-than-expected operating results, such that the FFO to total debt ratio stays above 5% and the debt to capitalization ratio drops below 60% for a sustained period.

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
- Hybrid Securities Rating Criteria, 28 June 2021
- Issue Rating Criteria, 15 June 2021

Ananda Development PLC (ANAN)

Company Rating:	BBB-
Issue Ratings:	
ANAN19PA: THB1,000 million subordinated capital debentures	BB
ANAN20PA: THB1,000 million subordinated capital debentures	BB
ANAN21PA: THB1,000 million subordinated capital debentures	BB
ANAN237A: THB1,768.8 million senior unsecured debentures due 2023	BBB-
ANAN230A: THB746.6 million senior unsecured debentures due 2023	BBB-
ANAN241A: THB1,412.8 million senior unsecured debentures due 2024	BBB-
ANAN241B: THB1,188.3 million senior unsecured debentures due 2024	BBB-
ANAN241C: THB1,224.2 million senior unsecured debentures due 2024	BBB-
ANAN247A: THB3,231.2 million senior unsecured debentures due 2024	BBB-
ANAN251A: THB1,811.7 million senior unsecured debentures due 2025	BBB-
ANAN256A: THB2,275.8 million senior unsecured debentures due 2025	BBB-
Up to THB5,000 million senior unsecured debentures due within 3 years	BBB-
Rating Outlook:	Stable

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