

ANANDA DEVELOPMENT PLC

No. 60/2017

11 September 2017

Company Rating: BBB

Issue Ratings:

Senior unsecured BBB

Hybrid BB+

Outlook: Stable

Company Rating History:

| Date | Rating | Outlook/Alert |
|----------|--------|---------------|
| 19/02/16 | BBB | Stable |
| 18/02/15 | BBB- | Positive |
| 29/05/13 | BBB- | Stable |

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Rating Rationale

TRIS Rating affirms the company rating of Ananda Development PLC (ANAN) and the rating of ANAN's existing senior unsecured debentures at "BBB", and also affirms the ratings of ANAN's unsecured subordinated perpetual debentures (hybrid debentures) at "BB+". At the same time, TRIS Rating assigns the rating of "BBB" to ANAN's proposed issue of up to Bt2,000 million in senior unsecured debentures. The proceeds from the new debentures will be used to refinance existing debentures maturing in October 2017 and for business operation.

The ratings of ANAN and its debentures continue to reflect the company's strong market competitiveness in the condominium segment, its proven track record in the residential property market, larger revenue base, and expected higher contribution of share profits from its investment in joint venture (JV) projects. These strengths are partially offset by ANAN's high concentration on the condominium segment and its high level of financial leverage from aggressive business expansion. The rating also takes into consideration concerns over the high level of household debts nationwide, coupled with the current slowdown in the domestic economy, which may impact the demand in the residential property market in the short to medium term.

ANAN was established in 1999 by the Ruangkritya family, and then listed on the Stock Exchange of Thailand (SET) in December 2012. As of August 2017, Mr. Chanond Ruangkritya was ANAN's largest shareholder, holding 50.1% of the shares. ANAN is engaged in development and sale of residential property, concentrated mainly in condominium projects located near mass transit train stations in Bangkok. As of June 2017, ANAN had 42 existing residential projects. Its project portfolio comprised 30 condominium projects (including 17 projects developed under JV) and 12 housing projects. ANAN had unsold units (including built and un-built units) worth Bt42,000 million (including remaining units worth Bt30,000 million under JV) available for sale. The JVs not only enhance ANAN's capacity to expand the project portfolio but also help mitigate the business and financial risks of ANAN.

ANAN's total revenue during 2014-2016 was around Bt10,000-Bt12,000 million per annum. Its revenue during the first six months of 2017 increased by 7% year-on-year (y-o-y) to Bt5,773 million. Residential sales generated revenue of around Bt10,000 million per year during 2014-2016. Revenue from residential sales dropped by 10% y-o-y to Bt4,238 million in the first half of 2017. Income from project management services and commission fees through the JV projects contributed 10% in 2016 and 17% in the first half of 2017. Over the next three years, ANAN's total revenue is expected to stay around Bt12,000-Bt14,000 million per annum.

ANAN's operating margin, as measured by operating income before depreciation and amortization as a percentage of revenue, decreased to 14% in 2016 and 16% in the first six months of 2017 from 19% during 2014-2015. The drop was due mainly to the low profit margin from housing projects. Going forward, ANAN's operating margin is expected to stay at around 15% over the next three

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years. The net profit margin during the next three years is expected to improve as ANAN will recognize more share profits from its JV projects.

The adjusted debt to capitalization ratio was 60%-62% during 2015 through the first six months of 2017. TRIS Rating's base case scenario assumes ANAN's financial leverage over the next three years will remain high from its business expansion through its own and the JV projects. However, the debt to capitalization ratio should not exceed 66%, or the interest-bearing debt to equity ratio should be less than 2 times in order to maintain its ratings at this level. ANAN's liquidity profile is acceptable. Debts due over the next 12 months comprise Bt452 million short-term borrowings from banks, the current portion of project loans worth Bt1,071 million, and debentures worth Bt2,997 million. This will be supported by cash on hand of Bt1,842 million and undrawn committed credit facilities of around Bt2,700 million as of June 2017, together with an expected funds from operations (FFO) of around Bt1,500-Bt2,000 million per annum.

Rating Outlook

The "stable" outlook reflects the expectation that ANAN will be able to sustain its operating performance at the target levels. Over the next three years, ANAN's revenue is expected to stay around Bt12,000-Bt14,000 million per annum. The company is expected to keep FFO at Bt1,500-Bt2,000 million per year while maintaining adjusted debt to capitalization ratio at below 66%, or the interest-bearing debt to equity ratio below 2 times. Also, the FFO to total debt ratio should be in the range of 10%-13%.

ANAN's ratings and/or outlook could be revised downward should its operating performance and/or financial profile significantly deteriorate from the target levels. Also, the adjusted debt to capitalization ratio at above 66% for certain periods will lead to the downward revision. The ratings and/or outlook could be revised upward should the company successfully diversify portfolio or should its financial profile improve significantly from the current level.

Ananda Development PLC (ANAN)

| | |
|--|--------|
| Company Rating: | BBB |
| Issue Ratings: | |
| ANAN15PA: Bt1,000 million subordinated capital debentures | BB+ |
| ANAN16PA: Bt1,000 million subordinated capital debentures | BB+ |
| ANAN17PA: Bt770 million subordinated capital debentures | BB+ |
| ANAN17PB: Bt230 million subordinated capital debentures | BB+ |
| ANAN19OA: Bt500 million senior unsecured debentures due 2019 | BBB |
| Up to Bt2,000 million senior unsecured debentures due within 3 years | BBB |
| Rating Outlook: | Stable |

Financial Statistics and Key Financial Ratios *

Unit: Bt million

| | ----- Year Ended 31 December ----- | | | | | |
|--|------------------------------------|--------|---------|---------|---------|--------|
| | Jan-Jun 2017 | 2016 | 2015 | 2014 | 2013 | 2012 |
| Revenues | 5,773 | 11,730 | 10,752 | 10,328 | 9,173 | 5,103 |
| Interest expenses paid | 277 | 521 | 484 | 354 | 223 | 429 |
| Net income from operations | 349 | 1,501 | 1,207 | 1,301 | 812 | (199) |
| Funds from operations (FFO) | 920 | 1,689 | 2,021 | 1,957 | 1,136 | (192) |
| Inventory investment (-increase/+decrease) | (212) | (139) | (2,070) | (2,882) | (1,751) | 1,743 |
| Total assets | 26,147 | 25,366 | 20,471 | 17,088 | 12,464 | 9,494 |
| Total debts | 10,918 | 10,966 | 8,735 | 7,648 | 4,206 | 2,152 |
| Total adjusted debts | 17,088 | 14,959 | 12,393 | 8,478 | 4,206 | 2,152 |
| Total liabilities | 14,350 | 14,612 | 11,743 | 10,175 | 6,586 | 4,424 |
| Shareholders' equity | 11,797 | 10,754 | 8,727 | 6,913 | 5,879 | 5,070 |
| Depreciation & amortization | 61 | 95 | 70 | 62 | 186 | 444 |
| Dividends | 390 | 493 | 351 | 267 | - | - |
| Operating income before depreciation and amortization as % of sales | 16.19 | 14.08 | 19.29 | 18.68 | 16.15 | 15.83 |
| Pretax return on permanent capital (%) | 8.89 ** | 9.48 | 10.00 | 14.31 | 13.14 | 0.84 |
| Earnings before interest, tax, depreciation, and amortization (EBITDA) interest coverage (times) | 1.95 | 3.33 | 4.36 | 5.72 | 5.94 | 1.17 |
| FFO/total debt (%) | 11.40 ** | 10.85 | 16.24 | 23.09 | 27.01 | (8.91) |
| Total debt/capitalization (%) | 62.40 | 60.53 | 60.10 | 55.08 | 41.71 | 29.80 |
| Total debt/capitalization (%) *** | 48.07 | 50.49 | 50.02 | 52.52 | 41.71 | 29.80 |

Note: All ratios are adjusted with proportionate debt from JVs, the subordinated capital debentures (50% of the outstanding is treated as debts and the rest is treated as equity), and operating lease

* Consolidated financial statements

** Annualized with trailing 12 months

*** Excluding proportionate debt from JVs, the subordinated capital debentures, and operating lease

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