

ANANDA DEVELOPMENT PLC

No. 10/2023
2 August 2023

CORPORATES

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

Last Review Date: 31/03/23

Company Rating History:

Date	Rating	Outlook/Alert
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 downgrades the company rating on Ananda Development PLC (ANAN) and the ratings on ANAN's senior unsecured debentures to "BB+" from "BBB-", and downgrades the ratings on ANAN's subordinated capital debentures (hybrid debentures) to "B+" from "BB". The ratings on the hybrid debentures were 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.

At the same time, we place a CreditAlert with a "negative" implication on the company and issue ratings on ANAN. The rating downgrades and CreditAlert follow the judgement of the Supreme Administrative Court on 27 July 2023, which invalidated the construction permit granted to the "Ashton Asoke" condominium project. The rating downgrades reflect the potential impact of the court judgement on ANAN's credit profile, with the prospect of further deterioration in the company's already weak financial and business profiles, as well as its refinancing ability.

The Supreme Administrative Court upheld the earlier judgement of the Central Administrative Court that the land of the project's entrance owned by the Mass Rapid Transit Authority of Thailand (MRTA) is not eligible to be offered to private parties for development. Therefore, the construction permit granted by the relevant government agencies is not legitimate as the project lacks the right of way for a proper entrance to the building as required by laws.

We see potential negative impacts from the judgment on ANAN's reputation, and property buyers' confidence in the projects developed by the company. That will likely add difficulty in sales and title transfers of completed units. In addition, a negative perception in the debt capital market could affect ANAN's ability to issue new debentures.

Currently, the Ashton Asoke Project has remaining unsold value of THB828 million, out of the total project value of THB6.5 billion. ANAN holds 51% equity in this project while SEA Investment 5 Pte. Ltd. (a subsidiary of Mitsui Fudosan Co., Ltd.) holds the rest. We expect ANAN to record a provision for stock loss of around THB300-THB400 million in its second quarter financial statements. In addition, ANAN may need to allocate a substantial budget to address the problem. In the worst-case scenario, the company could be required to compensate damages incurred by its customers if the issue remains unresolved. In such a case, we believe ANAN would file a lawsuit against relevant government agencies to claim damages from the project, a process which would normally take years to conclude.

At the end of July 2023, ANAN's debts due over the next 18 months stood at around THB13.4 billion, comprising THB4.6 billion in project loans and THB7.8 billion in senior unsecured debentures. Also, ANAN has a call option to redeem its outstanding hybrid debentures worth THB1 billion in March 2024.

ANAN had undrawn committed banking facilities of THB2.7 billion and cash on hand of THB4.8 billion. In addition, the company had unsold finished residential units in its own debt-free projects with a total selling price of THB2.1 billion, which could be pledged as collaterals for new loans, if needed. The company also plans to divest its investments, with expected net proceeds of around

THB3 billion, to support its liquidity.

We will resolve the CreditAlert once a solution to the issue has been determined and we have thoroughly evaluated its impact on ANAN's credit profile. At the meantime, we will closely monitor developments related to this issue and take appropriate rating actions accordingly.

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:	BB+
Issue Ratings:	
ANAN230A: THB746.60 million senior unsecured debentures due 2023	BB+
ANAN241A: THB1,412.80 million senior unsecured debentures due 2024	BB+
ANAN241B: THB1,188.30 million senior unsecured debentures due 2024	BB+
ANAN241C: THB1,224.20 million senior unsecured debentures due 2024	BB+
ANAN247A: THB3,231.20 million senior unsecured debentures due 2024	BB+
ANAN251A: THB1,811.70 million senior unsecured debentures due 2025	BB+
ANAN251B: THB1,176.60 million senior unsecured debentures due 2025	BB+
ANAN256A: THB2,275.80 million senior unsecured debentures due 2025	BB+
ANAN261A: THB2,823.40 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+
CreditAlert:	Negative

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