

# SENA DEVELOPMENT PLC

No. 111/2024  
28 June 2024

## CORPORATES

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

**Last Review Date:** 12/09/23

### Rating History:

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

### Contacts:

Bundit Pommata

bundit@trisrating.com

Auyporn Vachirakanjanaporn

auyporn@trisrating.com

Jutamas Bunyawanichkul

jutamas\_b@trisrating.com

Suchada Pantu, Ph.D.

suchada@trisrating.com



WWW.TRISRATING.COM

## RATIONALE

TRIS Rating downgrades the company rating on Sena Development PLC (SENA) and its senior unsecured debentures to “BBB-” from “BBB” and revises the rating outlook to “stable” from “negative”.

The rating downgrades reflect SENA’s lower-than-expected operating performance, coupled with the company’s persistently high financial leverage in 2024-2025. The ratings also incorporate the negative impacts of lingering high interest rates, elevated household debt levels, and the reimposition of stringent loan-to-value (LTV) rules in 2023, which could suppress demand in the residential market in the short to medium term. The ratings continue to reflect SENA’s sizable income contribution from joint ventures (JVs) and manageable liquidity.

## KEY RATING CONSIDERATIONS

### Lower-than-expected operating results

SENA’s overall performance in 2023 through the first three months of 2024 (3M2024) was severely affected by unfavorable market sentiment stemming from rising interest rates and high household debts, leading to weaker purchasing power among homebuyers. Additionally, bank mortgage rejection rates have increased sharply, particularly among the middle- to low-income segments, which form SENA’s major customer base. As a result, SENA’s net presales and transfers from both its own and JV projects in 2023 through 3M2024 deviated notably from our previous forecast.

SENA’s total operating revenue reached THB 3.8 billion in 2023, achieving around three-fourths of our previous forecast. Revenue from rental and services accounted for around 34% of total operating revenue. Operating revenue continued to decrease significantly in 3M2024, falling below our prior target. SENA’s operating profit margin declined to 12% of total operating revenue in 2023 and 19% in 3M2024, down from above 20% in the past several years. This was mainly due to the lower margins of the rental and services businesses, where fee-based revenue recognition did not align with costs. The margins of the real estate business, on the other hand, remained sound. As a result, EBITDA still fell short of our prior target of THB 1.5-THB 1.7 billion. SENA reported EBITDA of THB 1.3 billion in 2023 and only around THB 300 million in 3M2024. The pretax return on permanent capital (ROPC) deteriorated to 4% in 2023-3M2024 from 6% in 2021-2022 and 10% in 2019-2020. This decline was mainly due to SENA’s strategy to launch more JV projects, especially in landed property projects.

Looking ahead, we anticipate SENA’s operating performance will remain flat, which does not align with increasing debt levels stemming from the company’s ambitious project launches last year, predominantly through JV. Total transfers from its own and JV projects are projected to range from THB8-THB9 billion annually in 2024-2025, with expectations of THB14 billion in 2026 due to scheduled transfers of existing and future projects. Around 70%-80% of the total transfers each year will come from JV projects. 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.

## High financial leverage

SENA's increased expansion in residential property sector, with project launches worth THB29 billion (mostly through JV projects) in 2023 led to a substantial increase in inventory (including built and un-built units). SENA's unsold units in its own and JV projects escalated to THB55 billion as of March 2024 from THB29 billion as of December 2022, with 40% of the inventory accounting for landed properties and the remaining for condominiums. As a result, SENA's debt to capitalization ratio rose to 59%-60% in 2023-3M2024, from 56% in 2022. The funds from operations (FFO) to debt ratio tumbled to 3%-4% in 2023-3M2024, from 7%-8% in 2021-2022.

Going forward, we expect SENA's financial leverage to remain at high levels for an extended period as it will take time to offload the unsold units. Our base-case scenario forecasts SENA's debt to capitalization ratio to hover around 57%-60%. We also project the 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 THB 36 billion over the forecast period. This new JV structure allows the company to use less investing cash outflow compared with the prior structure. The annual budget for land acquisition for its own projects will be THB500 million in 2025-2026. In addition, we expect SENA to spend around THB600-THB800 million per annum for equity injections in JV residential projects and other businesses.

## Large income contribution from JVs

We anticipate SENA will continue receiving significant income contributions from project management fees and shared profit from its investments in JVs following the strategy to expand its residential portfolio through JVs rather than its own projects. We expect that around 80% of project launches in 2024-2026 will be developed under a new JV structure (single JV with several projects). This should partly unburden the company's balance sheet and mitigate project risk amid unfavorable market conditions and intense competition from top-tier developers.

We expect revenue from project management fee through JVs to reach THB1 billion per annum in 2024-2026, up from THB700-THB900 million per annum in the past three years, constituting 21%-23% of total operating revenue. Additionally, we forecast shared profit from investments in all JVs to range from THB400-THB700 million annually. Approximately 80%-90% of these profits are expected to come from JV residential projects, with the remainder derived from the solar and office space for rent businesses.

## Manageable liquidity

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 (THB 1.5 billion due in 2024 and THB 1.2 billion due in 2025), THB1.6 billion short-term promissory notes (P/Ns), THB1.0 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 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. It's noteworthy that THB0.8 billion in short-term promissory notes are being converted into project loans. We expect project loans to 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.

## Debt structure

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%.

---

## BASE-CASE ASSUMPTIONS

---

TRIS Rating's base-case assumptions for SENA's operations in 2024-2026 are as follows:

- New residential project launches worth THB16 billion in 2024 and THB10 billion per annum in 2025-2026
- Budget for land acquisition for its own projects of THB500 million per annum in 2025-2026
- Total transfers from own and JV projects to increase to THB8-THB9 billion annually in 2024-2025 and reach THB14 billion in 2026, with around 70%-80% from JV projects
- Shared profit from investments in all JVs of THB400-THB700 million annually
- Annual equity injection in JVs of THB600-THB800 million

## 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 not significantly deteriorate from the current level.

## RATING SENSITIVITIES

---

A downward revision of SENA's ratings and/or outlook could occur if its operating results and/or financial position appear to be heading towards a deeper-than-expected material 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.

## COMPANY OVERVIEW

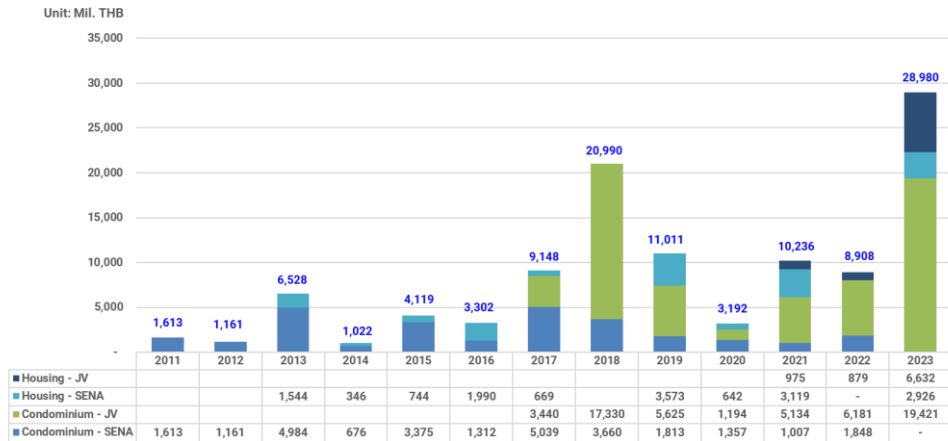
---

SENA was established by Mr. Theerawat Thanyalakphark in 1993 and listed on the Stock Exchange of Thailand (SET) in 2009. As of March 2024, the Thanyalakphark family continued to be the company's largest shareholder, owning a 56.6% stake. SENA focuses on the residential property development business. Its products cover condominiums, single-detached houses (SDH), twin houses, townhouses, and commercial units. SENA's products mainly target the middle- to low-income segments, with selling prices of below THB4 million per unit for condominiums and below THB8 million per unit for landed properties. Its products comprise condominium projects, sold under the "PITI", "The Niche Pride", "The Niche Mono", "The Niche ID", "Flexi", "The Kith", "SENA Kith", "Cozi" and "SENA Eco Town" brands; and landed property projects under the "Sena Park Grand", "Sena Grand Home", "Sena Ville", "Viva", "Sena Shophouse", "Sena Avenue", and "Sena Town" brands.

Since SENA currently develops more condominium projects through JVs than through its own projects, the revenue contribution from the condominium segment has declined, falling to 24% of total operating revenue in 2023 and 14% in 3M2024, from 45%-55% in 2019-2021. Revenue from landed property projects contributed 30%-35% in 2022-3M2024. The revenue contribution from project management fees through JVs increased to 20%-25% in 2019-2023 and 29% in 3M2024, from below 10% in 2018. Revenue from other rental and service income as well as the solar business remains negligible.

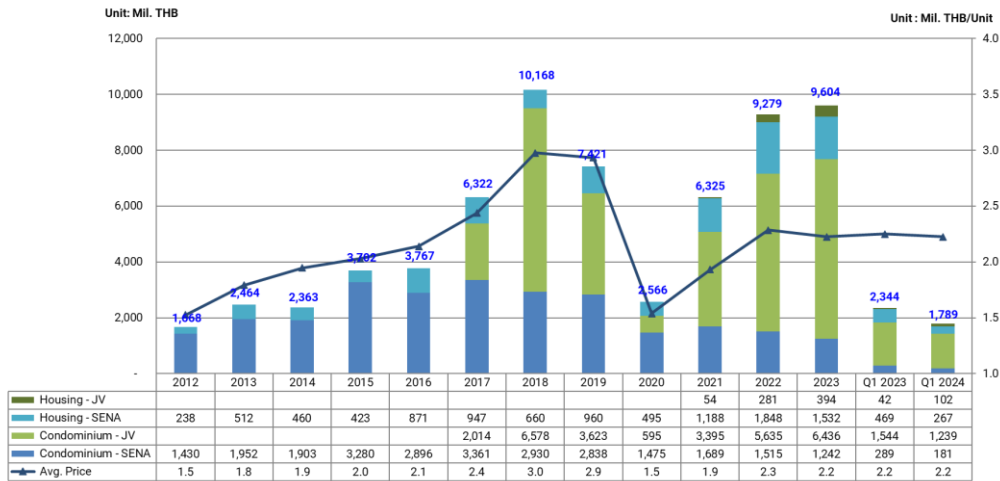
**KEY OPERATING PERFORMANCE**

**Chart 1: New Project Launches**



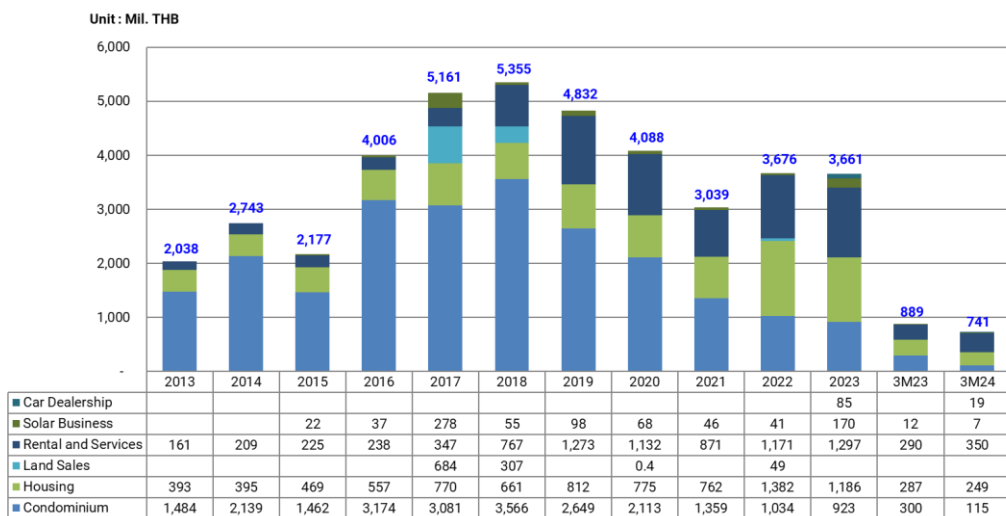
Source: SENA

**Chart 2: Presales Performance**



Source: SENA

**Chart 3: Revenue from Sales and Services Breakdown**



Source: SENA

**FINANCIAL STATISTICS AND KEY FINANCIAL RATIOS \***

Unit: Mil. THB

	Jan-Mar 2024	-----Year Ended 31 December -----			
		2023	2022	2021	2020
Total operating revenues	811	3,807	3,948	3,152	4,228
Earnings before interest and taxes (EBIT)	257	1,154	1,334	1,216	1,681
Earnings before interest, taxes, depreciation, and amortization (EBITDA)	268	1,276	1,531	1,304	1,982
Funds from operations (FFO)	42	577	936	841	1,443
Adjusted interest expense	193	659	504	371	369
Real estate development investments	12,159	11,980	11,212	8,286	7,910
Total assets	24,594	25,492	23,363	18,620	17,927
Adjusted debt	15,320	14,730	12,564	10,931	8,227
Adjusted equity	10,384	10,267	9,953	7,802	7,167
<b>Adjusted Ratios</b>					
EBITDA margin (%)	33.1	33.5	38.8	41.4	46.9
Pretax return on permanent capital (%)	4.4 **	4.4	5.9	6.2	9.5
EBITDA interest coverage (times)	1.4	1.9	3.0	3.5	5.4
Debt to EBITDA (times)	12.1 **	11.5	8.2	8.4	4.2
FFO to debt (%)	3.2 **	3.9	7.4	7.7	17.5
Debt to capitalization (%)	59.6	58.9	55.8	58.4	53.4

\* Consolidated financial statements

\*\* Annualized with trailing 12 months

**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)**

<b>Company Rating:</b>	BBB-
<b>Issue Ratings:</b>	
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-
<b>Rating Outlook:</b>	Stable

**TRIS Rating Co., Ltd.**

Silom Complex Building, 24th Floor, 191 Silom Road, Bangkok 10500, Thailand Tel: +66 2 098 3000

© Copyright 2024, TRIS Rating Co., Ltd. All rights reserved. Any unauthorized use, disclosure, copying, republication, further transmission, dissemination, redistribution or storing for subsequent use for any purpose, in whole or in part, in any form or manner or by any means whatsoever, by any person, of the credit rating reports or information is prohibited, without the prior written permission of TRIS Rating Co., Ltd. The credit rating is not a statement of fact or a recommendation to buy, sell or hold any debt instruments. It is an expression of opinion regarding credit risks for that instrument or particular company. The opinion expressed in the credit rating does not represent investment or other advice and should therefore not be construed as such. Any rating and information contained in any report written or published by TRIS Rating has been prepared without taking into account any recipient's particular financial needs, circumstances, knowledge and objectives. Therefore, a recipient should assess the appropriateness of such information before making an investment decision based on this information. Information used for the rating has been obtained by TRIS Rating from the company and other sources believed to be reliable. Therefore, TRIS Rating does not guarantee the accuracy, adequacy, or completeness of any such information and will accept no liability for any loss or damage arising from any inaccuracy, inadequacy or incompleteness. Also, TRIS Rating is not responsible for any errors or omissions, the result obtained from, or any actions taken in reliance upon such information. All methodologies used can be found at [www.trisrating.com/rating-information/rating-criteria](http://www.trisrating.com/rating-information/rating-criteria)