

Press Release

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TRIS Rating Expects the Revocation of Building Permit for “Ashton Asoke” Condominium to Have No Immediate Impact on ANAN’s Credit Profile

TRIS Rating views that the ruling of the Central Administrative Court to revoke the building permit of the Ashton Asoke project will not have an immediate impact on the credit ratings assigned to Ananda Development PLC (ANAN). TRIS Rating assigned the ratings to ANAN and its senior unsecured debentures at “BBB-” with a “stable” outlook, and to its subordinated capital debentures (hybrid debentures) at “BB”. The remaining unsold units of the Ashton Asoke project was worth only THB0.8 billion at the time of the ruling, 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. The expected share of profit contribution to ANAN from the remaining unsold units is estimated to be around THB60 million. There is no loan outstanding extended to this project.

In TRIS Rating’s view, the negative market sentiment from the court ruling could disrupt ANAN’s plan to issue new debentures. However, TRIS Rating assesses that ANAN’s liquidity is still manageable. As of 31 July 2021, ANAN had THB4.1 billion cash and THB7.2 billion undrawn credit facilities from financial institutions. Also, ANAN had remaining units in debt-free projects for an aggregate selling price of THB4.8 billion. Debt due over the next 12 months will be around THB9.1 billion, comprising THB0.2 billion in project loans and THB7.9 billion in senior unsecured debentures (including two tranches of debentures, ANAN21OA and ANAN21OB, totaling THB4 billion coming due on 6 October 2021). ANAN has a call option to redeem its outstanding hybrid debentures worth THB1 billion in the first quarter of 2022. The financial covenants on ANAN’s bank loans and debentures require the company’s reported net interest-bearing debt to equity ratio to remain below 2.5 times. As of March 2021, ANAN’s reported net interest-bearing debt to equity ratio was 1.14 times.

On 30 July 2021, the Central Administrative Court ruled that the permit provided by the Mass Rapid Transit Authority of Thailand (MRTA) for the use of an adjacent piece of land owned by MRTA as an entrance to the Ashton Asoke project is unlawful, since it did not benefit MRTA and also did not meet the land appropriation purpose. Thus, the construction of the Ashton Asoke project is judged violating the rules specified in the Building Control Act B.E. 2522 in the aspect that the project does not have its own exit with a width exceeding 12 meters onto the public road. The court ruling applies retroactively to all building permits provided by relevant government agencies to the project.

Although ANAN was not directly prosecuted, the company could be damaged by losing the lawsuits of the government agency. ANAN is expected to appeal against the ruling to the Supreme Administrative Court. In TRIS Rating’s view, the appeal process could take years to reach the final ruling, and the outcome of final ruling is uncertain. TRIS Rating will closely monitor the progress of this litigation and its potential impact on the ratings assigned to ANAN.

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