

# SENA DEVELOPMENT PLC

No. 1/2022  
8 March 2022

## CORPORATES

Company Rating:	BBB
Issue Ratings:	
Senior unsecured	BBB
CreditAlert:	Negative

Last Review Date: 08/04/21

### Company Rating History:

Date	Rating	Outlook/Alert
21/02/19	BBB	Stable
11/11/14	BBB-	Stable

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## RATIONALE

TRIS Rating has placed CreditAlert with a “negative” implication on the company and issue ratings on Sena Development PLC (SENA). The CreditAlert follows SENA’s success in acquiring a 35.35% stake in J.S.P. Property PLC (JSP), a property developer listed on the Market for Alternative Investment (MAI). The acquisition cost THB742 million in total, about 80% of which was funded by bank loans. Given its controlling power over JSP, SENA should consolidate JSP’s financial statements from 1 March 2022 onwards.

The “negative” CreditAlert reflects our concerns over SENA’s increasing debt burden following the acquisition and its lower profitability after consolidating JSP’s operations. JSP has reported lower-than-average profit margins for the industry, with net losses during the past three consecutive years. As of December 2021, JSP had 20 existing residential projects, consisting of 13 landed property projects, three condominium projects, and four commercial building projects, with an aggregate remaining value of THB7.2 billion. JSP’s residential sales were about THB1 billion annually during 2020-2021, with negative earnings before interest, tax, depreciation, and amortization (EBITDA). We assess that SENA will likely face significant challenges to revive JSP’s operations amid an unfavorable market environment.

In addition, SENA’s financial leverage was higher than our expectation. Its debt to capitalization ratio rose from 53% in 2020 to 58% in 2021, higher than our projection of 52%. The company’s funds from operations (FFO) to total debt ratio dropped to 8% in 2021, compared with above 10% during the past several years. SENA’s continuing aggressive condominium portfolio expansion through its own and joint venture (JV) projects, together with the mostly debt-funded share purchase, is pressuring its capital structure and cash flows against debt obligations.

Following the completion of the share acquisition for the 35.35% interest, SENA is required to make a tender offer for the remaining stake of 64.65% in JSP, which is expected to be completed in mid-April 2022. SENA will have to pay an additional amount of about THB1.36 billion in the scenario of acquiring all the remaining shares. About 60% of the tender offer would be funded by banks loans. However, as the offering price of THB0.50 per share for the ordinary shares of JSP is significantly lower than the current market price, we view that there is a low probability of SENA acquiring the remaining shares. If SENA does acquire the remaining stake in JSP, its leverage could deteriorate further.

We will resolve the CreditAlert once the tender offer has been concluded and we have thoroughly assessed the full impact of the JSP acquisition on SENA’s credit profile.

## RELATED CRITERIA

- Key Financial Ratio and Adjustments for Corporate Issuers, 11 January 2022
- Issue Rating Criteria, 15 June 2021
- Rating Methodology – Corporate, 26 July 2019

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**Sena Development PLC (SENA)**

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<b>Company Rating:</b>	BBB
<b>Issue Ratings:</b>	
SENA253A: THB1,200 million senior unsecured debentures due 2025	BBB
Up to THB6,800 million senior unsecured debentures due within 5 years	BBB
<b>CreditAlert:</b>	Negative

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**TRIS Rating Co., Ltd.**

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