

Developers up focus on debentures for raising funds

BT50-BN WORTH OF DEBT BEING ISSUED AS LISTED FIRMS SEEK TO BOOST CASH FLOW, MANAGE COSTS

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LISTED PROPERTY developers plan to issue debentures worth more than Bt50 billion combined this year, as they seek to support their cash flow and serve 2014-2015 business expansion amid the country's economic slowdown.

"We have to prepare our financial structure to support our business expansion in the longer term," said Quality Houses president and CEO Rutt Phanijphand.

Quality Houses issued a Bt2-billion debenture last month, and the company plans to issue another worth between Bt3 billion and Bt4 billion in the second half of the year.

The developer will use part of the proceeds to replace a debenture due to expire this year, and part to buy undeveloped land and construct residential-project infrastructure.

Sansiri, meanwhile, will issue an overall Bt3-billion debenture this year. Bt1 billion was issued in the first quarter, with the remainder slated for the second half.

"We are issuing the debenture as part of our cost management, in order to achieve a reasonable financial cost and also create sufficient cash flow to support our business expansion," Sansiri president Srettha Thavisin said early this year.

Pruksa Real Estate is considering whether to issue a debenture worth between Bt5 billion and Bt6 billion this year.

The proceeds would be kept for future business expansion, president and CEO Thongma Vjijitpongpun said early this year.

Supalai's board in February approved the issue of a debenture worth Bt6 billion, with half the amount set to be subject to an issuance in the latter half of the year.

Land & Houses intends to issue a debenture worth Bt8 billion during the course of the year, split equally between the two halves.

Ananda Development, meanwhile, has successfully issued a Bt4-billion debenture this month as part of a plan to reduce its financial costs to below 5 per cent.

AP (Thailand) issued a Bt1.5-billion debenture early this year for two reasons: to replace an existing debenture that will expire this year, and to generate funds to serve the developer's 2014 business expansion.

Siam Commercial Bank executive vice president Sirote Vichayabhai said that both listed and non-listed companies across all sectors planned to issue debentures worth up to Bt400 billion combined this year, both in baht and foreign currencies.

This is 10 per cent higher than last year's level.

They have decided to take the debenture route in light of the business risk from both the slowing economy and the fact that the Kingdom's political problems are taking so long to resolve.

Given these problems, debenture issuance helps companies to manage their financial costs for the longer term, he said.

In the first two months of the year, Thai firms issued debentures worth Bt100 billion in total across sectors such as automotive, manufacturing and property, he added.