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NATION GRAPHICS

# Firms to cut lending cost through debenture issue

FOLLOWING the decision by the central bank's Monetary Policy Committee (MPC) to cut the benchmark rate by 25 basis points, property firms will be challenged to speed up their debenture issues to cut financial costs this year.

"We plan to issue debentures for Bt3 billion this year thanks to the Monetary Policy Committee decision to cut the benchmark rate by 25 basis points.

"This supports our move to issue debentures in the middle of this year to cut our financial cost," Pruksa Real Estate chief operating officer Lersak Chuladesa said.

According to a survey by The Nation, 10 listed property firms have announced plans to issue debentures worth a total of Bt34.2 billion for business expansion this year. Some of them will utilise the funds to repay some debentures that expire this year, while others will use the amount for business expansion.

Most of them had announced their plans early this year, before the decision by the MPC to cut the benchmark rate on March 11. However, the decision by the MPC will pose a challenge for them to reduce their debenture cost from previous estimates.

Most of them also plan to issue debentures between the middle of this year until the last quarter of this year.

Ananda Development's chief financial officer Muntana Aue-Kitkarjon said the company's board of directors plans to propose at its shareholders' meeting in April to issue debentures worth Bt12 billion, of which Bt2 billion worth will be for this year and the rest from 2016-19, depending on the need for investment.

The time to issue the debentures will be between the middle of this year till the third quarter of this year, with a lower interest rate so as to cut the company's financial cost this year.

The company pays interest

rate at about 5 per cent, she said.

AP (Thailand) Plc's chief people officer Pumipat Sinacharoen said the company issued its first debentures worth Bt2 billion in January this year.

The first tranche for two and a half years is worth Bt500 million with 3.05 per cent interest rate, and the second tranche for five years was worth Bt1.5 billion with the interest rate at 3.58 per cent.

The company also plans another debenture issue worth about Bt1.5 billion in the second half of this year, with a lower

interest rate than what it offered in January, thanks to the benchmark rate cut.

Not only can the property firms set a lower debenture interest rate, they can also avail of a lower interest rate for project loans, while home loans will also pay a lower interest.

Meanwhile, homebuyers will also pay a lower interest rate on

their mortgages following the cut in the benchmark rate.

For example, homebuyers with a Bt1 million mortgage will pay interest at 6.975 per cent, with monthly instalments of Bt8,000 per month - Bt5,732 towards interest and Bt2,268 principal amount. Now that the mortgage interest rate has been cut by about 0.125 percentage point, the mortgage interest rate will reduce from 6.975 per cent to 6.85 per cent.

Although lenders will continue to pay Bt8,000 monthly instalment, interest payment will be reduced to Bt5,630 while Bt2,370 will be the principal amount.

After the MPC decision to cut the benchmark rate, two commercial banks - Siam Commercial Bank and Bangkok Bank - followed suit and cut their interest rate for both lending and deposits.

Siam Commercial Bank is the first bank to lower its minimum loan rate (MLR) and its fixed deposit rate by 0.20 percentage point, followed by Bangkok Bank, which cut its MLR and fixed deposit rate by 0.125 of a percentage point.

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