

AERONAUTICAL RADIO OF THAILAND LTD.

No. 130/2025
7 August 2025

CORPORATES

Company Rating: AAA
Outlook: Stable

Last Review Date: 07/08/24

Company Rating History:

Date	Rating	Outlook/Alert
17/07/15	AAA	Stable
28/06/13	AA+	Stable
24/07/09	AA	Stable
23/05/08	AA	Positive
12/07/04	AA	Stable
25/07/00	AA	-
26/02/98	A+	-
18/09/97	AA-	-
03/07/97	AA	Alert Negative
02/02/95	AA	-

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RATIONALE

TRIS Rating affirms the company rating on Aeronautical Radio of Thailand Ltd. (AEROTHAI) at “AAA” with a “stable” rating outlook. The rating reflects our assessment of AEROTHAI’s status as a government-related entity (GRE) with integral linkage and critical importance to the Thai government. This also incorporates our view of the almost certain likelihood that AEROTHAI would receive timely and sufficient support from the government in times of stress.

KEY RATING CONSIDERATIONS

Integral linkage with the government

We assess AEROTHAI’s linkage to the government as integral. The company functions as a government arm, providing essential air navigation services in alignment with national policies. As a state enterprise with 91% government shareholding, AEROTHAI is subject to extensive oversight. Government appointees hold the majority of board seats, with nine out of eleven members, while the remaining two are appointed by member airlines.

The government supervises AEROTHAI’s operations primarily through the Civil Aviation Authority of Thailand (CAAT), under the Ministry of Transport (MOT). AEROTHAI’s corporate plan requires approval from the MOT, and its capital expenditures are subject to approval by the MOT, the Office of the National Economic and Social Development Council (NESDC), and the Cabinet. Furthermore, the company is required to submit its debt service and borrowing plan to the Public Debt Management Office (PDMO) under the Ministry of Finance (MOF). Given this high degree of integration and oversight, we assess that the government would likely provide timely and sufficient support to AEROTHAI in a stressed scenario.

Critical role for the government

We consider AEROTHAI as playing a critical role within the Thai aviation industry and for the government as Thailand’s primary air navigation service provider. The company’s mandate, entrusted by the Thai government, is to ensure safe and efficient air transportation within the Bangkok Flight Information Region (BKK FIR), adhering to both Civil Aviation Authority of Thailand (CAAT) and International Civil Aviation Organization (ICAO) standards. Given that air traffic services are integral to national safety and security, it is highly unlikely that the government would permit a private entity to undertake this essential function. Furthermore, AEROTHAI’s operations are a vital component of the government’s strategic objective to position Thailand as a leading aviation hub in Asia.

Operating performance continues to improve

AEROTHAI’s operating performance continues its recovery trajectory. Air traffic volume increased by 18% in fiscal year (FY) 2024, reaching approximately 81% of pre-pandemic levels. This growth continued into the first six months of FY2025, with a 15% year-on-year (y-o-y) increase, bringing volume to about 90% of pre-pandemic levels. Consequently, the company’s total revenue rose by 23% to THB11.2 billion in FY2024 and by 21% y-o-y to THB6.6 billion in the first half of FY2025. Its income over expenses improved significantly, reaching THB730 million in FY2024 and THB1.5 billion in the first six months of FY2025, up from THB530 million in FY2023. The increases in revenue and income over expenses in the first half of FY2025 were partly

attributable to an approximately 9% increase in the En Route Charge and a 16% increase in the Aerodrome and Approach Control Charge to align with the cost of providing services, both effective February 2025.

Going forward, we anticipate a modest improvement in air traffic. There has been a noticeable slowdown in recovery during May-June 2025, influenced by factors such as a deceleration in Chinese tourist arrivals, ongoing geopolitical tensions, and global trade uncertainties. We then conservatively forecast air traffic volume to increase by 9% in FY2025, followed by an annual increase of 3% in FY2026-FY2028. Therefore, AEROTHAI's revenue is projected to range upward from THB12.9-THB15.0 billion per annum in FY2025-FY2028. We expect AEROTHAI's income over expenses to rise to THB1.9 billion in FY2025 before declining to around THB1 billion per annum in FY2026-FY2028, as we anticipate the company's costs to fully normalize after being lower than usual during the COVID-19 pandemic.

Financial leverage to continue to decline

AEROTHAI's financial leverage is projected to continue its decline over the next few years. This improvement is expected despite planned investments in infrastructure and systems, supported by recovered cash flow generation. Operating cash flow is forecast to be around THB2.1-THB2.5 billion per annum between FY2025-FY2028. Capital expenditures are projected at THB5.9 billion over the same period, primarily allocated to key projects such as the air navigation services facility at U-Tapao Airport. Consequently, adjusted debt is forecast to decrease to THB1.6 billion in FY2025, approaching a near debt-free position in FY2026-FY2028, from THB3.4 billion in FY2024. This trend is expected to result in the adjusted debt to capitalization ratio declining to 26% in FY2025, reaching approximately 0% in FY2026-FY2028, from 57% in FY2024.

Adequate liquidity

We expect AEROTHAI's liquidity to be sufficient over the next 12 months. As of March 2025, the company had cash and equivalents of THB2 billion, supplemented by undrawn credit facilities totaling THB1.8 billion. Furthermore, we project the company to generate an operating cash flow of approximately THB2.5 billion in FY2025. These collective sources of cash are expected to be sufficient to cover uses of funds over the next 12 months, which include planned capital expenditures of approximately THB660 million for FY2025 and long-term loan repayments of THB450 million for FY2026.

Debt structure

AEROTHAI had no priority debt as of March 2025.

BASE-CASE ASSUMPTIONS

- Revenue to increase to THB12.9 billion in FY2025, THB13.5 billion in FY2026, THB14.4 billion in FY2027, and THB15.0 billion in FY2028.
- The company's income over expenses to be around THB1.9 billion in FY2025 and around THB1 billion per annum in FY2026-FY2028.
- Total investment of THB5.9 billion during FY2025-FY2028.

RATING OUTLOOK

The "stable" outlook reflects the expectation that AEROTHAI will maintain its status as a state-owned enterprise, with an integral linkage to and critical importance for the government. This assessment is based on its vital role as the main provider of air navigation services in Thailand.

RATING SENSITIVITIES

A rating downgrade could occur if AEROTHAI's linkage or importance to the government changes to a degree that impairs our view regarding the likelihood of the government providing timely and sufficient support to the company in times of stress.

COMPANY OVERVIEW

AEROTHAI was established in 1948 by a group of airline companies, with the consent of the Thai government as Thailand's main air navigation service provider. In 1963, the government acquired most of AEROTHAI's shares, making AEROTHAI a state enterprise under the supervision of the MOT. As of August 2024, the Thai government held a 91% stake in the company, with the remaining share held by 97 member airlines. The ownership stakes of the individual airlines are reallocated annually based on the proportion of flights each airline operates in Thailand. The company has been appointed by the Thai government to operate the country's air navigation services, which are critical functions for air transportation safety and the security of the country. The Cabinet, on 15 December 2020, approved the Civil Aviation Commission's policy authorizing AEROTHAI to provide air traffic management and other related air navigation services for Thai civil aviation. Following this approval, the company is not required to renew its service agreement with MOT.

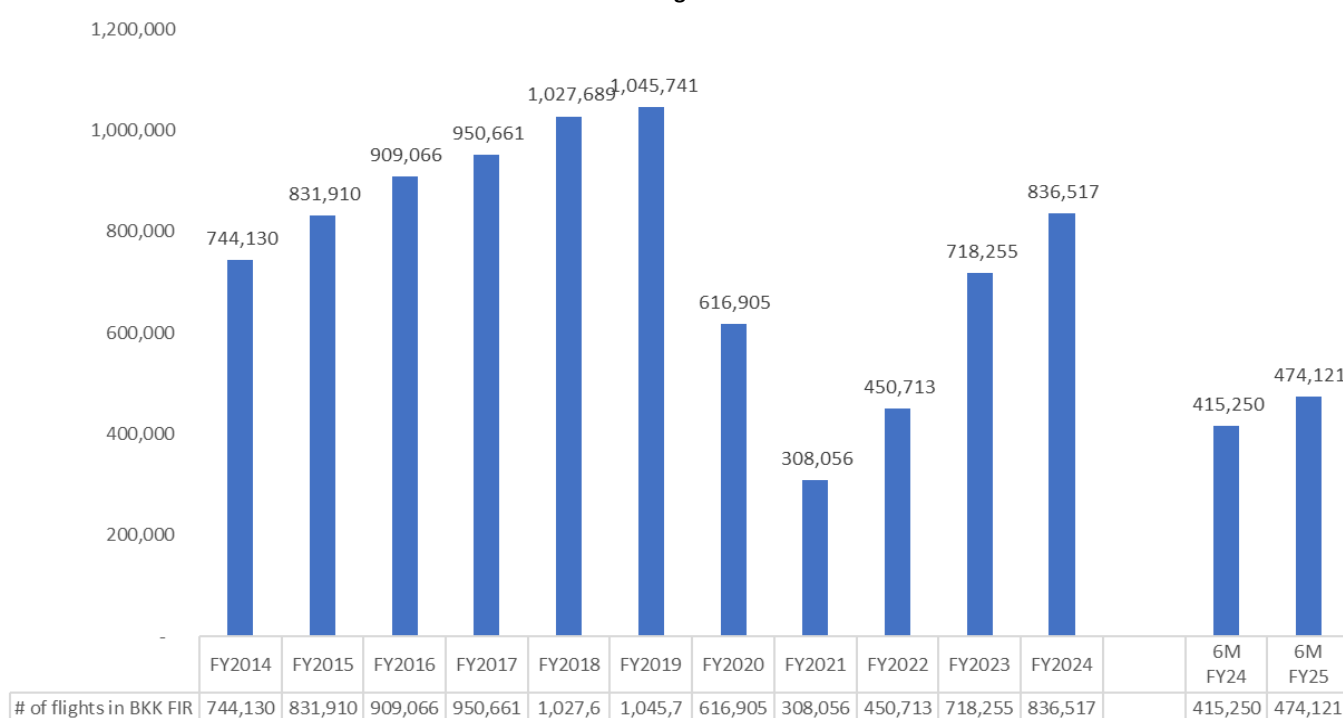
Air traffic control services, as part of air traffic services, can be divided into three functions: aerodrome control, approach control, and area control. Aerodrome control refers to air traffic control services within five nautical miles of an airport. Approach control covers the area between 5-50 nautical miles from an airport. Beyond that distance, responsibility falls under the area control services of the BKK FIR, covering all the Thai airspace, the Gulf of Thailand, and some parts of the Andaman Sea.

At its inception in 1948, AEROTHAI was responsible only for area control services. In 1998, the government transferred aerodrome control and approach control services at all provincial airports to the company. This move gave AEROTHAI monopoly status in air traffic services. Currently, the company provides air traffic control services at 35 airports nationwide.

AEROTHAI is established as a non-profit organization operating on a cost-recovery basis, with service fees estimated and set to fully cover all costs. When revenues do not cover costs, such as when traffic volume is lower than projected, the company will adjust its pricing structure to address the shortfall. In the event of a surplus, the company may allocate the excess funds by refunding member airlines, financing capital investments, repaying maturing obligations, or reserving funds for potential future shortfalls.

KEY OPERATING PERFORMANCE

Chart 1: Number of Flights in BKK FIR



Sources: AEROTHAI

FINANCIAL STATISTICS AND KEY FINANCIAL RATIOS

Unit: Mil. THB

		-----Year Ended 30 September -----				
	Oct 2024- Mar 2025	2024	2023	2022	2021	
Total operating revenues	6,623	11,237	9,136	5,458	3,076	
Earnings before interest and taxes (EBIT)	1,512	919	742	(2,166)	(4,823)	
Income over (under) expenses	1,488	727	531	(2,308)	(4,910)	
Earnings before interest, taxes, depreciation, and amortization (EBITDA)	2,007	2,061	1,932	(918)	(3,552)	
Funds from operations (FFO)	1,983	1,870	1,721	(1,060)	(3,639)	
Adjusted interest expense	24	192	211	142	87	
Capital expenditures	197	591	268	185	764	
Total assets	11,009	10,492	10,593	10,276	10,441	
Adjusted debt	1,961	3,382	4,429	6,301	4,502	
Adjusted equity*	4,069	2,580	2,061	1,603	3,539	
Adjusted Ratios						
EBITDA interest coverage (times)	83.5	10.8	9.2	(6.4)	(40.9)	
Debt to EBITDA (times)	0.6	1.6	2.3	(6.9)	(1.3)	
FFO to debt (%)	146.8	55.3	38.9	(16.8)	(80.8)	
Debt to capitalization (%)	32.5	56.7	68.2	79.7	56.0	

* Accumulated overcollection is reclassified as equity from liability in TRIS Rating's calculations from 2021 onwards.

RELATED CRITERIA

- Issue Rating Criteria, 26 December 2024
- Rating Methodology for Government-related Entities, 27 October 2023
- Corporate Rating Methodology, 15 July 2022
- Key Financial Ratios and Adjustments for Corporate Issuers, 11 January 2022

Aeronautical Radio of Thailand Ltd. (AEROTHAI)

Company Rating:	AAA
Rating Outlook:	Stable

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