

# DAD SPV CO., LTD.

No. 162/2017

24 November 2017

## Issue Ratings:

Structured finance AAA(sf)

## Rating Rationale

TRIS Rating affirms the “AAA(sf)” ratings for the existing Bt20,499.90 million debentures of DAD SPV Co., Ltd. (SPV or Issuer). The ratings reflect the creditworthiness of the Treasury Department (TD or Tenant), which is a department of the Thai government, as the sole tenant of the Bangkok Metropolitan Government Office Center (the Government Office Center). The ratings also reflect the certainty of the cash flow streams from the lease and service payments made by the TD. The cash flow received from the TD and the liquidity facility from Dhanarak Asset Development Co., Ltd. (DAD or Originator) are expected to fulfill all SPV’s obligations in a timely manner.

SPV is a limited liability company established under the laws of Thailand. SPV or the Issuer, was granted a special purpose vehicle status by the Securities and Exchange Commission (SEC). The Issuer is 49% owned by DAD. DAD is a state enterprise owned entirely by the Ministry of Finance (MOF). Approximately Bt20,430 million of the proceeds from the debenture issuance in conjunction with Bt19,570 million of the subordinated promissory notes (sub P/Ns) issued by SPV to DAD, have been used to purchase the rights to receive lease and service payments from the TD under three “Underlying Agreements” that TD has contracted with DAD. The Underlying Agreements comprise a 30-year Building Space Lease Agreement, a 30-year Service Agreement, and a five-year Furniture Procurement Agreement. The sub P/Ns are ranked lower than the rated debentures and serve as a credit enhancement for the rated debentureholders. The proceeds from this securitization program were used by DAD to fund the construction of the Government Office Center on Chaeng Wattana road. The Center has been leased to the TD since 2008 with a period of 30 years. The Tenant is not allowed to terminate the lease as long as the debentures issued under this securitization program, or any new debentures issued to replace the existing debentures, are not completely redeemed. In addition, DAD has pledged, under the assignment of asset agreement between DAD and SPV, to cover any possible future shortfalls due to delayed payments by the TD.

The construction of the Government Office Center was completed in late 2010. At present, 42 governmental units have moved in, and now occupy 100% of the total rentable space. The total budget for the entire 30-year lease period is Bt82,114 million. This budget was classified as a multi-year commitment budget and will be allocated on an annual basis, according to the contractual obligations, without the need for any further approval from the Cabinet. However, the budget amount must be approved by the Parliament every year. Generally, the budget appropriation process will be finished within September of each year. However, if the budget appropriation process cannot be finalized within the specified date, the TD can still disburse the funds to pay the lease and service payments using the budget received in the prior year as a reference. In addition, DAD also has a revolving uncommitted credit facility of Bt2,300 million with Krung Thai Bank. The credit facility can only be used to cover any shortfalls due to delays in the rental payments. This year, the 2018 budget bill was approved by the National Legislative Assembly on 31 August 2017 and was announced in the Royal Gazette on 2 October 2017. SPV received the payment from the TD on 30 October 2017. Therefore, the transaction administrator has allocated the money to the reserve accounts within the specified time.

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**Rating Sensitivities**

In this transaction, the issue ratings reflect the creditworthiness of the TD, which is the sole tenant of the Government Office Center. Under the terms of this transaction, the TD is obliged to make the specified annual lease and service payments to SPV for 30 years despite the condition of the buildings. As a result, the ratings will be revised downward only if the TD breaches the underlying agreements that it has contracted with DAD. However, a breach of the agreements is unlikely for this transaction.

**DAD SPV Co., Ltd. (SPV)****Issue Ratings:**

DAD20NA: Bt1,800 million structured finance securities due 2020	AAA(sf)
DAD20NB: Bt2,200 million structured finance securities due 2020	AAA(sf)
DAD25NA: Bt5,000 million structured finance securities due 2025	AAA(sf)
DAD25NB: Bt6,000 million structured finance securities due 2025	AAA(sf)
DAD25NC: Bt5,499.90 million structured finance securities due 2025	AAA(sf)

**TRIS Rating Co., Ltd.**

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