

DUSIT THANI PLC

No. 35/2021
10 May 2021

CORPORATES

Company Rating:	BBB-
Issue Ratings:	
Senior unsecured	BBB-
Outlook:	Negative

Last Review Date: 28/08/20

Company Rating History:

Date	Rating	Outlook/Alert
28/08/20	BBB-	Negative
27/03/20	BBB	Alert Negative
17/12/19	BBB	Stable
27/12/11	BBB+	Stable
15/10/10	A-	Negative

Contacts:

Chanaporn Pinphithak

chanaporn@trisrating.com

Pramuansap Phonprasert

pramuansap@trisrating.com

Wajee Pitakpaibulkij

wajee@trisrating.com

Thiti Karoonyanont, Ph.D., CFA

thiti@trisrating.com



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RATIONALE

TRIS Rating affirms the company rating on Dusit Thani PLC (DTC) and the ratings on its outstanding senior unsecured debentures at “BBB-” with a “negative” outlook. At the same time, we assign a rating of “BBB-” to DTC’s proposed issue of up to THB1 billion in senior unsecured debentures. The proceeds from the new debentures will be used to refinance debentures coming due in September 2021.

The ratings reflect our expectation that DTC’s financial profile will continue to be under tight pressure over the short to medium term, induced by the fallout from the Coronavirus Disease 2019 (COVID-19) pandemic on its hotel operations and the large investment required for the development of the “Dusit Central Park” project. DTC’s adjusted ratio of debt to earnings before interest, taxes, depreciation, and amortization (EBITDA) is expected to stay elevated at a level above 10 times until 2024. If the Dusit Central project proceeds as planned, the financial risk profile of the company should begin to improve considerably in 2025.

DTC’s operating performance has been drastically affected by the COVID-19 pandemic, particularly its hotel operations. DTC’s owned hotel revenue per available room (RevPAR) fell by 58% year-on-year (y-o-y) in 2020. The company reported a 47% y-o-y drop in revenue over the same period to THB2.5 billion and negative EBITDA of THB414 million. We expect DTC’s hotel operations to remain under stiff pressure in 2021, considering the new wave of COVID-19 infections and the slow pace of vaccinations in Thailand, which could delay the planned easing of travel restrictions. We view that DTC’s earnings could continue to be negative this year. However, the ongoing implementation of business transformation and cost rationalization efforts should help alleviate the impacts of depressed revenue and earnings.

We expect DTC’s liquidity to remain manageable over the next 12 months, considering its sources and uses of funds. DTC had cash and cash equivalents on hand of THB1.4 billion at the end of December 2020, available project loans for the “ASAI Bangkok Chinatown” and “ASAI Sathorn” projects totaling THB725 million, cash received from the share disposal of Suanlum Property Co., Ltd. in January 2021 of THB260 million, cash to be received from divestment of NR Instant Produce PLC (NRF) of THB200 million, cash to be received from retail bare-shell installment as per the contract relating to the development of the Dusit Central Park project of THB972 million, and proceeds from the new debenture issue of THB1 billion. DTC also held remaining shares in NRF worth THB568 million as of 30 April 2021. The primary uses of funds comprise scheduled debt repayments of THB1.2 billion, lease obligations of THB550-THB600 million, and capital expenditures and investments of around THB1.5-THB1.6 billion. We expect DTC to prudently manage its liquidity and preserve sufficient cash to weather the adverse operating conditions.

The main financial covenant on DTC’s debt obligations requires maintenance of an interest-bearing debt to equity ratio of not exceeding 1.75 times. At the end of December 2020, the ratio was 1.44 times. Given the propensity of its debt to equity ratio to increase significantly over the next few years, we expect DTC to actively manage its financial position to remain in compliance with the financial covenant.

CreditUpdate, reviews ratings of companies or debt issues that have already been rated by TRIS Rating. The CreditUpdate occurs when new debt instruments are issued or if significant events have taken place that may impact a company’s current ratings or when current ratings are cancelled. The CreditUpdate announces whether a rating has been “upgraded,” “downgraded,” “affirmed” or “cancelled.” The update includes information to supplement the previously published ratings.

Credit Updates are part of TRIS Rating’s monitoring process. TRIS Rating monitors every rating it assigns until either the debt instrument matures or the rating contract ends. To keep the public informed of changing situations, TRIS Rating periodically issues announcements about the credit ratings it monitors.

RATING OUTLOOK

The “negative” outlook reflects the high degree of uncertainty surrounding the revival of the hospitality industry amid the persistently fluid COVID-19 situation, which will continue to weigh on DTC’s operating performance and financial profile for at least the next 12-24 months.

RATING SENSITIVITIES

A rating downgrade could occur if the impacts of the COVID-19 pandemic turn out to be more severe than expected and DTC’s financial profile is significantly weaker than our expectation or its liquidity position deteriorates materially. The outlook could be revised to “stable” if there are signs of sustainable recovery in DTC’s operating performance and the company maintains sufficient liquidity to weather the adverse operating conditions.

RELATED CRITERIA

- Rating Methodology – Corporate, 26 July 2019
- Key Financial Ratios and Adjustments, 5 September 2018

Dusit Thani PLC (DTC)

Company Rating:	BBB-
Issue Ratings:	
DTC219A: THB1,000 million senior unsecured debentures due 2021	BBB-
Up to THB1,000 million senior unsecured debentures due within 2 years	BBB-
Rating Outlook:	Negative

TRIS Rating Co., Ltd.

Silom Complex Building, 24th Floor, 191 Silom Road, Bangkok 10500, Thailand Tel: 02-098-3000

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