

# DUSIT THANI PLC

No. 86/2021

14 October 2021

## CORPORATES

<b>Company Rating:</b>	BBB-
<b>Issue Ratings:</b>	
Senior unsecured	BBB-
<b>Outlook:</b>	Negative

**Last Review Date:** 28/09/21

### 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

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## RATIONALE

TRIS Rating affirms the company rating on Dusit Thani PLC (DUSIT) and the ratings on its outstanding senior unsecured debentures at “BBB-” with a “negative” rating outlook. At the same time, we assign a rating of “BBB-” to DUSIT’s proposed issue of THB500 million senior unsecured debentures and the additional greenshoe portion of up to THB500 million. The proceeds from the new debentures will be used for working capital.

The ratings reflect our expectation that DUSIT’s financial metrics will remain under pressure for an extended period as a result of the prolonged adverse impacts of the Coronavirus Disease 2019 (COVID-19) pandemic on its operating performance and the large investment required for the development of the “Dusit Central Park” project. We expect DUSIT’s leverage to stay elevated for an extended period.

We expect DUSIT’s hotel operations, particularly in Thailand, to continue under severe impacts from the fluid COVID-19 situation in the coming quarters and could take until 2024 to recover to pre-COVID-19 levels. With the depressed earnings and the large investment required for the Dusit Central Park project, our base-case forecast projects DUSIT’s leverage to stay elevated, with an adjusted ratio of debt to earnings before interest, taxes, depreciation, and amortization (EBITDA) to stay elevated at a level above 10 times until 2024 before improving significantly in 2025 should the Dusit Central Park project progress as planned.

The main financial covenant on DUSIT’s debt obligations requires maintenance of an interest-bearing debt to equity ratio not exceeding 1.75 times. At the end of June 2021, the ratio was 1.18 times. For the new debenture issues, the financial covenant requires maintenance of a net interest-bearing debt to equity ratio not exceeding 3 times. Given the likelihood of its debt to equity ratio increasing significantly over the next few years, we expect DUSIT to actively manage its financial position to remain in compliance with the financial covenant.

## 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 DUSIT’s operating performance and financial profile for at least the next 12-18 months.

## RATING SENSITIVITIES

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

**RELATED CRITERIA**

- Issue Rating Criteria, 15 June 2021
- Rating Methodology – Corporate, 26 July 2019
- Key Financial Ratios and Adjustments, 5 September 2018

**Dusit Thani PLC (DUSIT)**

<b>Company Rating:</b>	BBB-
<b>Issue Ratings:</b>	
DUSIT237A: THB1,000 million senior unsecured debentures due 2023	BBB-
Up to THB500 million senior unsecured debentures and additional greenshoe portion of up to THB500 million due within 2 years	BBB-
<b>Rating Outlook:</b>	Negative

**TRIS Rating Co., Ltd.**

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