

DUSIT THANI PLC

No. 114/2023
26 September 2023

CORPORATES

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

Last Review Date: 19/06/23

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 DUSIT's outstanding senior unsecured debentures at "BBB-", and affirms the rating on DUSIT's subordinated capital debentures (hybrid debentures, DUSIT22PA) at "BB". The rating outlook remains "negative". At the same time, we assign the rating of "BBB-" to DUSIT's proposed issue of up to THB500 million senior unsecured debentures. Proceeds from the new debentures will be used to refinance maturing debentures.

The ratings reflect DUSIT's improved operating performance post-pandemic in all DUSIT's key businesses; hotels, education, and food. The ratings also reflect our expectation that DUSIT's financial leverage will remain elevated over the next few years, primarily attributable to the substantial investment needed for the development of the "Dusit Central Park Project".

DUSIT's operating performance was in line with our expectation. For the first half of 2023, DUSIT reported revenue of THB3 billion and earnings before interest, taxes, depreciation, and amortization (EBITDA) of THB518 million. Adjusted debt to EBITDA ratio improved to 12.9 times (annualized, from the trailing 12 months) for the first six months of 2023, from 19.7 times in 2022.

Looking ahead, we anticipate sustained performance recovery in DUSIT's hotel and food sectors, although we do foresee challenges in the education business. We believe that the recently implemented free visa measure by the Thai Government could potentially boost Chinese tourist numbers, benefiting the hotel business as high season approaches. Nevertheless, competitions within the Maldives and from other competing destinations continue to exert pressure on the Maldives hotel operations.

As for the food business, the international school catering and bakery franchise segments are expected to continue driving the growth of food revenues. On the other hand, we anticipate challenges in DUSIT's education business, as demand for short-course programs remains subdued.

RATING OUTLOOK

The "negative" outlook reflects the risks associated with the development of the Dusit Central Park Project, including possible delays in construction, cost overruns, and sluggish residential sales which could weaken DUSIT's financial profile.

RATING SENSITIVITIES

The outlook could be revised to "stable" if DUSIT's operating performance continues to recover steadily and the DUSIT Central Park Project advances according to schedule. Conversely, a rating downgrade could materialize if DUSIT's financial metrics significantly underperform expectations, potentially due to sluggish progress in the DUSIT Central Park Project and/or weak residential sales. Furthermore, the ratings could face downward pressure if DUSIT's liquidity position deteriorates materially.

RELATED CRITERIA

- Corporate Rating Methodology, 15 July 2022
- Key Financial Ratios and Adjustments for Corporate Issuers, 11 January 2022
- Hybrid Securities Rating Criteria, 28 June 2021
- Issue Rating Criteria, 15 June 2021

Dusit Thani PLC (DUSIT)

Company Rating:	BBB-
Issue Ratings:	
DUSIT23DA: THB1,000 million senior unsecured debentures due 2023	BBB-
DUSIT267A: THB1,500 million senior unsecured debentures due 2026	BBB-
DUSIT22PA: THB1,500 million subordinated capital debentures	BB
Up to THB500 million senior unsecured debentures due within 3 years	BBB-
Rating Outlook:	Negative

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