

DUSIT THANI PLC

No. 60/2018

10 August 2018

CORPORATES

Company Rating: BBB+

Issue Rating:
Senior unsecured BBB+

Outlook: Stable

Company Rating History:

Date	Rating	Outlook/Alert
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



WWW.TRISRATING.COM

RATIONALE

TRIS Rating affirms the company rating on Dusit Thani PLC (DTC) at “BBB+”. At the same time, we assign a rating of “BBB+” to the proposed issue of up to Bt1,000 million in senior unsecured debentures under its Bt5,000 million medium-term debenture program. The proceeds from the new debentures will be used to fund DTC’s planned investments and refinance its existing debts.

The ratings reflect DTC’s brand equity and conservative financial policies. These strengths are offset by DTC’s concentrated portfolio, intense competition in the hotel industry, and weak profitability. The ratings also take into consideration DTC’s efforts in developing a mixed-use property project. While the project will enhance DTC’s long-term growth prospects, its financial profile will weaken during the construction period.

For the first three months of 2018, DTC’s performance was in line with TRIS Rating’s expectation. DTC reported Bt1,439 million in revenue, relatively flat compared with the same period last year. Profitability slightly weakened year-on-year due mainly to higher employee benefit provisions related to the closure of Dusit Thani Bangkok and pre-operating expenses in the education business. Operating margin, measured by operating income before depreciation and amortization as a percentage of sales, was 19.2% in the first three months of 2018, compared with 21.6% the same period a year earlier.

The liquidity position and capital structure of the company remained sound. For the first quarter of 2018, funds from operations (FFO) was Bt293 million. The ratio of FFO to total debt was 26.1% (annualized, from the trailing 12 months). The total debt to capitalization ratio stood at 32.9% at the end of March 2018.

TRIS Rating expects DTC’s financial risk profile will weaken as it takes on more debt to fund the mixed-use project. However, DTC’s management team is committed to maintaining a conservative and prudent financial policy.

RATING OUTLOOK

The “stable” outlook reflects DTC’s conservative financial policy, as well as growth prospects in the hotel management service and education segments. DTC is expected to strengthen its competitive edge in order to withstand the volatile nature of the hospitality industry and to bolster its credit ratings.

RATING SENSITIVITIES

DTC’s credit upside is limited in the near term as the mixed-use project will require a sizable investment. A rating downside case could emerge if the operating margin falls below 10% for a sustained period or if huge debt-funded investments significantly weaken the balance sheet.

Dusit Thani PLC (DTC)

Company Rating:	BBB+
Issue Rating:	
Bt5,000 million under medium-term debenture program:	
- Up to Bt1,000 million senior unsecured debentures due within 3 years	BBB+
Rating Outlook:	Stable

TRIS Rating Co., Ltd.

Silom Complex Building, 24th Floor, 191 Silom Road, Bangkok 10500, Thailand Tel: 0-2098-3000

© Copyright 2018, TRIS Rating Co., Ltd. All rights reserved. Any unauthorized use, disclosure, copying, republication, further transmission, dissemination, redistribution or storing for subsequent use for any purpose, in whole or in part, in any form or manner or by any means whatsoever, by any person, of the credit rating reports or information is prohibited, without the prior written permission of TRIS Rating Co., Ltd. The credit rating is not a statement of fact or a recommendation to buy, sell or hold any debt instruments. It is an expression of opinion regarding credit risks for that instrument or particular company. The opinion expressed in the credit rating does not represent investment or other advice and should therefore not be construed as such. Any rating and information contained in any report written or published by TRIS Rating has been prepared without taking into account any recipient's particular financial needs, circumstances, knowledge and objectives. Therefore, a recipient should assess the appropriateness of such information before making an investment decision based on this information. Information used for the rating has been obtained by TRIS Rating from the company and other sources believed to be reliable. Therefore, TRIS Rating does not guarantee the accuracy, adequacy, or completeness of any such information and will accept no liability for any loss or damage arising from any inaccuracy, inadequacy or incompleteness. Also, TRIS Rating is not responsible for any errors or omissions, the result obtained from, or any actions taken in reliance upon such information. All methodologies used can be found at www.trisrating.com/rating-information/rating-criteria