GRANDE ASSET HOTELS AND PROPERTY PLC

No. 44/2025
4 April 2025

CORPORATES

Company Rating: B
Outlook: Negative

Last Review Date: 26/03/24

Company Rating History:

Date	Rating	Outlook/Alert
26/03/24	B+	Negative
24/07/20	BB-	Negative
27/03/20	BB	Alert Negative
13/05/19	BB	Stable
24/03/17	BB+	Stable

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RATIONALE

TRIS Rating downgrades the company rating on Grande Asset Hotels and Property PLC (GRAND) to "B" from "B+". The rating outlook remains "negative".

The rating downgrade reflects the weaker-than-expected operating performance primarily due to persistently stagnant sales of the company's residential property projects. High operating costs and finance costs also continued to pressure profitability and cash flow. Although the sale of Hyatt Regency Bangkok Sukhumvit Hotel proceeded as planned, a significant but previously unanticipated capital outlay was necessary to purchase 25% of land related to the Westin Grande Sukhumvit Hotel lease, causing leverage to fall slower than expected.

The "negative" outlook reflects the uncertainty surrounding the company's plan to further reduce its debt and heightened refinancing risk. With the currently high debt levels, the company may need to rely on debt financing to support its operations and cover interest, further straining its liquidity and debt-servicing capacity.

KEY RATING CONSIDERATIONS

Slow progress in residential projects continue straining company finances

Sales of the remaining units at Hyde Sukhumvit 11 stagnated in 2024. The company recorded THB55 million in revenue for the year, representing a mere 1% of the project value, and a decline from THB169 million realized in 2023. As of December 2024, the project had unsold units valued at THB 0.8 billion, accounting for 20% of total project value. The development was completed and ready for transfer to customers in 2017.

The Rayong project recorded no sales in 2024, mirroring previous years, due to further delays in facility development. Uncertainty remains over the company's ability to market its luxury villas at the targeted price and within a reasonable timeframe. Since early 2021, the company has completed construction of nine beachfront villas, priced between THB50-THB100 million per unit. The initial plan for the mixed-use development consists of three property types: 61 villas for sale, a hotel, and a condominium. The company is now exploring an option of selling land to other developers for the hotel and condominium components of the project.

We expect the company's real estate sales to remain gradual over the next few years. Our base-case projection assumes sales of the two projects to be around THB250 million in 2025 and around THB450 million per annum in 2026-2027.

The company also has joint ventures (JVs) for two condominium projects in Bangkok: Hyde Heritage Thonglor, located on Sukhumvit Road, and Hyde River Bay, situated on Charoen Nakorn Road along the Chao Phraya River. Hyde Heritage Thonglor was completed and ready for transfer in August 2022. As of December 2024, the project has remaining units totaling THB2.2 billion or 36% of the project value. Under our base-case forecast, we expect the project to recognize around THB0.6 billion of revenue per annum in 2025-2027. Meanwhile, the Hyde River Bay project remains under review, awaiting approval of its Environmental Impact Assessment (EIA). The company is planning to sell its stake in the JV, but we have not yet included such sale in our base-case forecast.

Hotel portfolio to shrink with planned divestment

We assume the company will successfully divest its shareholding in Royal Orchid Hotel PLC (ROH) as planned within 2026, before the obligation to buyback ROH from Grande Royal Orchid Hospitality Real Estate Investment Trust (GROREIT) becomes due. With the Hyatt Regency Bangkok Sukhumvit Hotel already divested in 2024, GRAND's hotel portfolio will become much smaller as the remaining three hotels generate less than 40% of the previous combined hotel EBITDA.

We anticipate the performance of the remaining hotels to improve in coming years, supported by continued recovery in Thailand's tourist arrivals. The company's revenue per available room (RevPAR), excluding the Hyatt Regency Bangkok Sukhumvit Hotel, is expected to grow by 8% year-on-year (y-o-y) in 2025. Assuming ROH shares divestment, RevPAR for the remaining three hotels is anticipated to grow at an annual rate of 2%-6% in 2026-2027. Revenue from hotel operations is forecasted to stay around THB2.1 billion in 2025 before declining to approximately THB1.2 billion in 2027.

The company's revenue from hotel operations improved by 5% y-o-y to THB2.5 billion in 2024, despite the Hyatt Regency Bangkok Sukhumvit Hotel sale in the last quarter. Excluding the Hyatt Regency Bangkok Sukhumvit Hotel, the company's overall occupancy rate (OR) improved to 66% in 2024 from 60% in 2023, with a 2% growth y-o-y in overall average daily rate (ADR).

Rubber glove business to remain challenging

As of December 2024, the company had three rubber glove production lines in operation. The installation of a fourth production line has been further postponed to 2027 due to the slow recovery in demand. In 2024, the JV reported a net loss of THB189 million as the selling price remained slow to recover and remained significantly lower than the level anticipated at the project's inception. We expect the JV to continue to incur operating losses over the next few years as selling prices are likely to remain under pressure due to intense price competition in the industry.

In late 2020, GRAND partnered with an industry veteran with over 30 years of experience in rubber glove manufacturing to establish Grand Global Gloves Co., Ltd. (GGG). The initial plan was to construct two factories with a total of 16 production lines, all set to be operational by 2021. However, project delays and unfavorable market conditions led the company to scale back its original plan, ultimately deciding to halt further expansion after completing four production lines. As of December 2024, GRAND had invested approximately THB82 million in equity and provided THB450 million in shareholder loans to GGG. With the JV incurring operating losses for four consecutive years, the book value of GRAND's equity investment in GGG has been fully written down to zero.

Financial leverage to remain high

Under our base case scenario, we expect the company's adjusted debt to increase to around THB10.6 billion in 2025, up from THB8.5 billion in 2024 primarily due to its obligation to purchase 25% of the land on which the Westin Grande Sukhumvit Hotel is located for THB1.2 billion. Assuming the company successfully completes the sale of its ROH shares in 2026 for THB6 billion, we expect the company's adjusted debt to decline to around THBTHB5.1 billion in 2026-2027. We also assume that the company will successfully negotiate with the relevant government entities to waive the tax on the sale of ROH to GROREIT, along with any associated fines. Under our base-case scenario, the capital budget for the hotel business, including the land acquisition of the Westin Grande Sukhumvit Hotel, is projected to total approximately THB1.6 billion over the next three years.

With the shrinking hotel portfolio, we project the company's EBITDA will decrease to around THB460 million in 2025, before eventually dropping to THB240 billion in 2027. As a result, the company's adjusted debt to EBITDA ratio is expected to remain elevated at around 21 times in 2027. Unless the company could also sell its investment in Grand River Forest Co., Ltd. (GRF) and land in its Rayong project (the hotel and condominium portion of the project) for a substantial profit, finance costs are likely to remain high relative to the company's EBITDA, and funds from operations (FFO) are expected to remain negative through 2027.

The financial covenant on GRAND's debentures requires the net interest-bearing debt to equity ratio to stay below 3.5 times. The ratio was 1.3 times at the end of December 2024. If the company incurs operating losses as projected, eroding equity could lead to declining headroom to maintain the financial covenant.

Liquidity to remain very tight

We anticipate the company's liquidity to remain highly strained. As of December 2024, GRAND's sources of funds comprised cash and cash equivalents of around THB0.8 billion, while the company had maturing debts over the next 12 months totaling around THB3.3 billion, including THB3.1 billion of debentures. We forecast a negative FFO of around THB0.6 billion and budgeted investments of around THB1.6 billion in 2025. Given the substantial debt maturities, we view there is a good chance that the company may need to seek debenture holders' agreement to extend the maturity dates.

Also, the company has a REIT buy-back obligation of approximately THB4.9 billion due in 2026, which could be challenging to fulfill if the divestment of ROH shares does not proceed as planned, in our view.

Debt structure

As of December 2024, the company had total debt of THB8.6 billion (per priority debt consideration). The company's priority debt, which includes secured debts at the parent company and total debts of its subsidiaries, was THB8.3 billion. This translates to a priority debt to total debt ratio of 97%. Thus, in our view, the company's unsecured creditors are significantly disadvantaged to its priority debt holders with respect to the priority of claims against the company's assets.

BASE-CASE ASSUMPTIONS

- Revenue from the hotel business to be around THB2.1 billion in 2025 and around THB1.2-THB1.7 billion per annum in 2026-2027.
- Revenue from the real estate development business to be around THB250-THB450 million per annum in 2025-2027.
- EBITDA to stay around THB460 million in 2025 before dropping to around THB240 million in 2027
- Total capital spending to be around THB1.6 billion over the three-year forecast period.

RATING OUTLOOK

The "negative" outlook reflects the uncertainty surrounding the company's debt reduction plan. If the company is unable to substantially reduce its debt burden, we view that it would get increasingly challenging for the company to keep securing additional funding to cover its cash outflows and refinance its maturing debentures.

RATING SENSITIVITIES

The "negative" rating outlook could be revised to "stable" if GRAND can further reduce its financial leverage such that we could expect FFO to turn positive. Conversely, the rating could be revised downward if the company's financial performance continues to fall short of our expectations or there are indications the asset divestment is not proceeding as planned.

COMPANY OVERVIEW

GRAND was incorporated in 1988, under the name Sukhumvit Center Co., Ltd., to develop and operate the Grand Pacific Hotel. The hotel was later renamed The Westin Grande Sukhumvit, Bangkok. The company added Sheraton Hua Hin Resort and Spa to its hotel portfolio in 2009 and Sheraton Hua Hin Pranburi Villas in 2013. The company added another two hotels in 2018, including the Royal Orchid Sheraton Hotel, located on the Chao Phraya River, and the Hyatt Regency Bangkok Sukhumvit near the Nana BTS station. The company sold the Hyatt Regency Bangkok Sukhumvit Hotel in October 2024. As of December 2024, GRAND owned hotels with a total of 1,382 rooms.

The company moved into the property development segment in 2007 with the launches of two condominium projects: The Trendy Condominium and Hua Hin Blue Lagoon. The company completed Hyde Sukhumvit 13 in 2014 and Hyde Sukhumvit 11 in 2017. Currently, the company is developing a villa project in Rayong Province. Also, in 2017 and 2018, the company set up two JVs with its major shareholder, Property Perfect PLC (PF) and Sumitomo Forestry Co., Ltd., a Japanese housing and wood products corporation, to develop two condominium projects: Hyde Heritage Thonglor and Hyde River Bay. As of December 2024, GRAND's largest shareholders were PF and its affiliates, holding 44% of the total outstanding shares.

KEY OPERATING PERFORMANCE

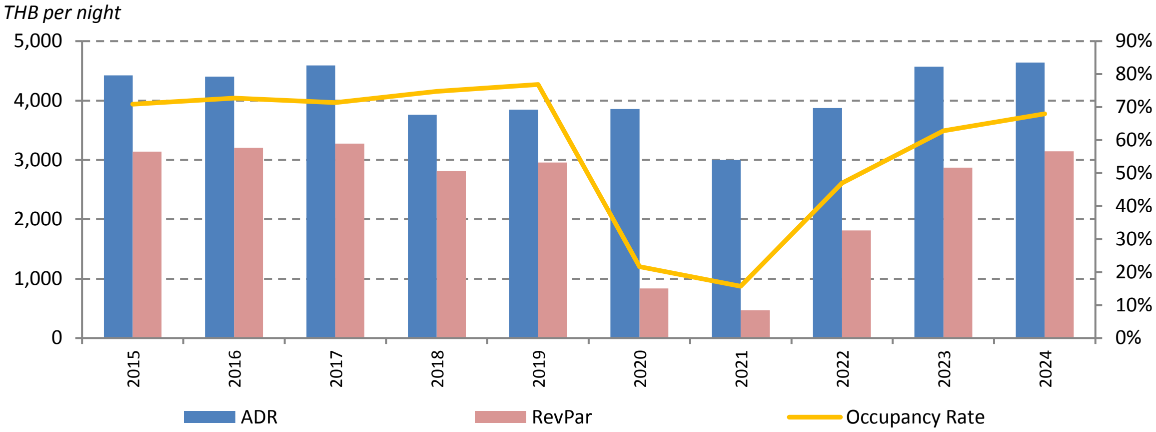
Table 1: GRAND's Revenue Breakdown by Line of Business

Unit: %

Revenue Breakdown	2017	2018	2019	2020	2021	2022	2023	2024
Hotel	47	52	85	79	85	90	92	96
Residential property	52	47	14	17	12	8	6	2
Others	1	1	1	4	3	2	2	2
Total revenue	**100**	**100**	**100**	**100**	**100**	**100**	**100**	**100**
Total revenue (mil. THB)	**2,305**	**3,343**	**2,987**	**1,000**	**515**	**1,726**	**2,621**	**2,637**

Source: GRAND

Chart 1: GRAND's OR, ADR, and RevPar



Source: GRAND

FINANCIAL STATISTICS AND KEY FINANCIAL RATIOS*

Unit: Mil. THB

	-------------------------Year Ended 31 December ----------------				
	2024	**2023**	**2022**	**2021**	**2020**
Total operating revenues	2,668	2,679	1,801	574	1,081
Earnings before interest and taxes (EBIT)	176	221	(204)	(857)	(660)
Earnings before interest, taxes, depreciation, and amortization (EBITDA)	539	625	272	(328)	(141)
Funds from operations (FFO)	(601)	(506)	(692)	(1,134)	(770)
Adjusted interest expense	1,086	1,083	952	758	626
Capital expenditures	165	95	77	119	66
Total assets	13,719	18,266	18,300	17,596	13,508
Adjusted debt	8,526	11,880	11,184	11,096	9,242
Adjusted equity	2,316	3,181	3,918	4,381	3,111
Adjusted Ratios					
EBITDA margin (%)	20.2	23.3	15.1	(57.2)	(13.1)
Pretax return on permanent capital (%)	1.2	1.3	(1.2)	(5.8)	(4.9)
EBITDA interest coverage (times)	0.5	0.6	0.3	(0.4)	(0.2)
Debt to EBITDA (times)	15.8	19.0	41.2	(33.8)	(65.4)
FFO to debt (%)	(7.1)	(4.3)	(6.2)	(10.2)	(8.3)
Debt to capitalization (%)	78.6	78.9	74.1	71.7	74.8

* *Consolidated financial statements*

RELATED CRITERIA

- Group Rating Methodology, 7 September 2022
- Corporate Rating Methodology, 15 July 2022
- Key Financial Ratios and Adjustments for Corporate Issuers, 11 January 2022

Grande Asset Hotels and Property PLC (GRAND)

Company Rating:	B
Rating Outlook:	Negative

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