

GRANDE ASSET HOTELS AND PROPERTY PLC

No. 6/2020
27 March 2020

CORPORATES

Company Rating: BB
CreditAlert: Negative

Last Review Date: 13/05/19

Company Rating History:

Date	Rating	Outlook/Alert
13/05/19	BB	Stable
24/03/17	BB+	Stable

Contacts:

Tulyawat Chatkam

tulyawat@trisrating.com

Jutamas Bunyanichkul

chanaporn@trisrating.com

Wajee Pitakpaibulkij

wajee@trisrating.com

Thiti Karoonyanont, Ph. D., CFA

thiti@trisrating.com



WWW.TRISRATING.COM

RATIONALE

TRIS Rating places CreditAlert with a “negative” implication on the “BB” company rating on Grande Asset Hotels and Property PLC (GRAND). The CreditAlert reflects our concern over the likely severe impact of the coronavirus (COVID-19) pandemic on GRAND’s operating performance and liquidity for the rest of 2020.

The hotel sector is under immense pressure from the expected drastic drop in occupancy due to the travel ban and movement restrictions imposed by authorities in an effort to control the spread of the virus. In addition, the outbreak has disrupted the overall economic activities which in turn will significantly affect the company’s residential property business. TRIS Rating expects the fallout from the pandemic will severely impact GRAND’s revenue and cash flow, and strain its liquidity in the coming months.

The occupancy rate across all of GRAND’s hotel properties dropped to around 50% as of February 2020, compared with around 77% for the whole year of 2019. We expect a drastic decline in the second half of March 2020 and afterward, for as long as the impact of the pandemic persists.

GRAND’s leverage was already high prior to the adverse change in market condition, and will likely rise further as the pandemic impacts its operations. The company’s debt to capitalization ratio was 66% and the debt to earnings before interest, tax, depreciation and amortization (EBITDA) ratio was 11.5 times in 2019. The high leverage was a result of the acquisition of Royal Orchid Sheraton Hotel and investment in real estate development projects. In 2020, the company’s EBITDA will likely drop drastically, driving its leverage ratio to even higher levels.

TRIS Rating assesses GRAND to have tight liquidity in the near term. GRAND’s debts coming due for the rest of 2020 include a long-term loan from a financial institution of around Bt120 million and debentures of around Bt1.1 billion. The sources of liquidity include available credit lines from banks of around Bt330 million and restricted cash expected to be released in April 2020 of around Bt800 million. The company is in the process of securing additional loans of around Bt1.4 billion from a financial institution. TRIS Rating views that the company might experience a liquidity shortage if the pandemic prolongs and the debt markets continue in a risk-off mode for a sustained period.

GRAND’s debentures impose a key financial covenant requiring the company to maintain its net debt to equity ratio below 3 times. As of December 2019, the ratio stood at 1.6 times. We view that the company still has sufficient covenant headroom if the pandemic can be largely contained by around mid-2020.

TRIS Rating could revise the rating/outlook downward if the pandemic situation evolves in a way that leads us to believe the hotel industry is unlikely to begin recovering by the third quarter of 2020. We could also lower the rating if the liquidity of GRAND gets depleted faster than we expect.

RELATED CRITERIA

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

Grande Asset Hotels and Property PLC (GRAND)

Company Rating:	BB
CREDITALERT:	Negative

TRIS Rating Co., Ltd.

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

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