

# AERONAUTICAL RADIO OF THAILAND LTD.

No. 138/2024  
7 August 2024

## CORPORATES

**Company Rating:** AAA  
**Outlook:** Stable

**Last Review Date:** 07/08/23

### Company Rating History:

Date	Rating	Outlook/Alert
17/07/15	AAA	Stable
28/06/13	AA+	Stable
24/07/09	AA	Stable
23/05/08	AA	Positive
12/07/04	AA	Stable
25/07/00	AA	-
26/02/98	A+	-
18/09/97	AA-	-
03/07/97	AA	Alert Negative
02/02/95	AA	-

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## RATIONALE

TRIS Rating affirms the company rating on Aeronautical Radio of Thailand Ltd. (AEROTHAI) at “AAA” with a “stable” rating outlook. The rating reflects our assessment of AEROTHAI’s status as a government-related entity (GRE) with integral linkage and critical importance to the Thai government and our view of the almost certain likelihood that AEROTHAI would receive timely and sufficient support from the government in times of stress.

### KEY RATING CONSIDERATIONS

#### Integral linkage with government

We assess AEROTHAI’s linkage to the government as integral. The company serves as a government arm, providing air navigation services aligned with government policies. As a state enterprise with a 91% government shareholding, AEROTHAI is subject to extensive oversight. Government appointees hold the majority of board seats (nine out of eleven board members), with the other two being appointed by member airlines. The government supervises AEROTHAI’s operations via the Civil Aviation Authority of Thailand (CAAT) under the Ministry of Transport (MOT). AEROTHAI’s corporate plan is subject to the MOT’s approval, while its capital expenditure is subject to the MOT, the Office of the National Economic and Social Development Council (NESDC), and the Cabinet’s approval. The company is required to submit its debt service and borrowing plan to the Public Debt Management Office (PDMO) under the Ministry of Finance (MOF). Given this integration, we assess that the government would likely provide timely and sufficiently support to AEROTHAI in a stressed scenario.

#### Critical role for the government

We view AEROTHAI as playing a critical role in the Thai aviation industry and for the government as Thailand’s main air navigation service provider. The company’s mandate, entrusted by the Thai government, is to ensure safe and efficient air transportation within the Bangkok Flight Information Region (BKK FIR) in accordance with national regulations and the International Civil Aviation Organization’s (ICAO) standards. As air traffic services are important for national safety and security, it is highly unlikely that the government would allow a private entity to fulfill the function. Furthermore, AEROTHAI plays an important part in the government’s strategy to position Thailand as a leading aviation hub in Asia.

#### Operating performance recovery

AEROTHAI’s operating performance has rebounded significantly in fiscal year (FY) 2023 and through the first half of FY2024 as the COVID-19 impact subsided. Air traffic volume recovered to around 69% of pre-pandemic levels in FY2023 and 78% in the first half of FY2024, from around 41% in FY2022. Consequently, the company’s revenue soared 67% year-on-year (y-o-y) to THB9.1 billion in FY2023 and rose by 29% y-o-y to THB5.5 billion in the first half of FY2024. Its income over expenses turned positive at around THB530 million in FY2023 and THB370 million in the first half of FY2024, from hefty negative figures in FY2020-FY2022.

We anticipate air traffic to remain on a recovery path, reaching close to pre-pandemic levels in FY2026. The forecast air traffic volumes are 81%, 91%, and 98% of pre-pandemic levels for FY2024, FY2025, and FY2026, respectively. As

AEROTHAI operates on a cost-recovery basis, with service fees set to cover all estimated costs, service fee increases are expected from mid-FY2025 to offset rising costs. Hence, AEROTHAI's revenue is forecast to increase to THB11.1 billion in FY2024, THB12.7 billion in FY2025, and THB14.2 billion in FY2026. We project AEROTHAI's income over expenses to range upward from THB500-THB1,100 million per annum in FY2024-FY2026.

### Improving financial leverage

AEROTHAI's financial leverage is expected to decline over the next few years, supported by recovering operating performance despite planned investments in infrastructure and systems. Operating cash flow is projected to rebound to THB2.0-THB2.2 billion per annum from FY2024 to FY2026, a significant improvement from negative cash flows in FY2020-FY2022. Capital expenditures are projected at THB3.4 billion over the same period, primarily for projects such as the air navigation services facility at U-Tapao Airport. Therefore, adjusted debt is forecast to decline from THB4.4 billion in FY2023 to THB2.7 billion in FY2024 and THB1.2 billion in FY2026. Consequently, the adjusted debt to capitalization ratio is expected to decrease from 81% in FY2023 to 73% in FY2024 and 54% in FY2026.

### Adequate liquidity

We assess AEROTHAI to have sufficient liquidity for the next 12 months. As of March 2024, the company had cash on hand of THB2.4 billion and undrawn credit facilities of THB2.8 billion. We also expect the company to record a net cash inflow from operations of around THB2 billion over the next 12 months. These sources of cash are sufficient to cover its expected uses of funds over the next 12 months, which include long-term loan repayments of THB1.6 billion and planned capital expenditures of around THB560 million for FY2024.

### Debt Structure

AEROTHAI has no priority debt as of March 2024.

### BASE-CASE ASSUMPTIONS

- Revenue to increase to THB11.1 billion in FY2024, THB12.7 billion in FY2025, and THB14.2 billion in FY2026.
- The company's income over expenses to range upward from THB500-THB1,100 million per annum in FY2024-FY2026.
- Total investment of THB3.4 billion during FY2024-FY2026.

### RATING OUTLOOK

The "stable" outlook reflects the expectation that AEROTHAI will maintain its status as a state-owned enterprise with integral linkage and critical importance to the government, for its role as the main provider of air navigation services in the country.

### RATING SENSITIVITIES

A rating downgrade could occur if AEROTHAI's linkage or importance to the government changes, to a degree impairs our view concerning the likelihood of the government providing timely and sufficient support to the company in times of stress.

### COMPANY OVERVIEW

AEROTHAI was established in 1948 by a group of airline companies, with the consent of the Thai government as Thailand's main air navigation service provider. In 1963, the government acquired most of AEROTHAI's shares, making AEROTHAI a state enterprise under the supervision of the MOT. As of August 2023, the Thai government held a 91% stake in the company, with the remaining share held by 94 member airlines. The ownership stakes of the individual airlines are reallocated annually based on the proportion of flights each airline operates in Thailand. The company has been appointed by the Thai government to operate the country's air navigation services, which are critical functions for air transportation safety and the security of the country. The Cabinet, on 15 December 2020, approved the Civil Aviation Commission's policy authorizing AEROTHAI to provide air traffic management and other related air navigation services for Thai civil aviation. Following this approval, the company is not required to renew its service agreement with MOT.

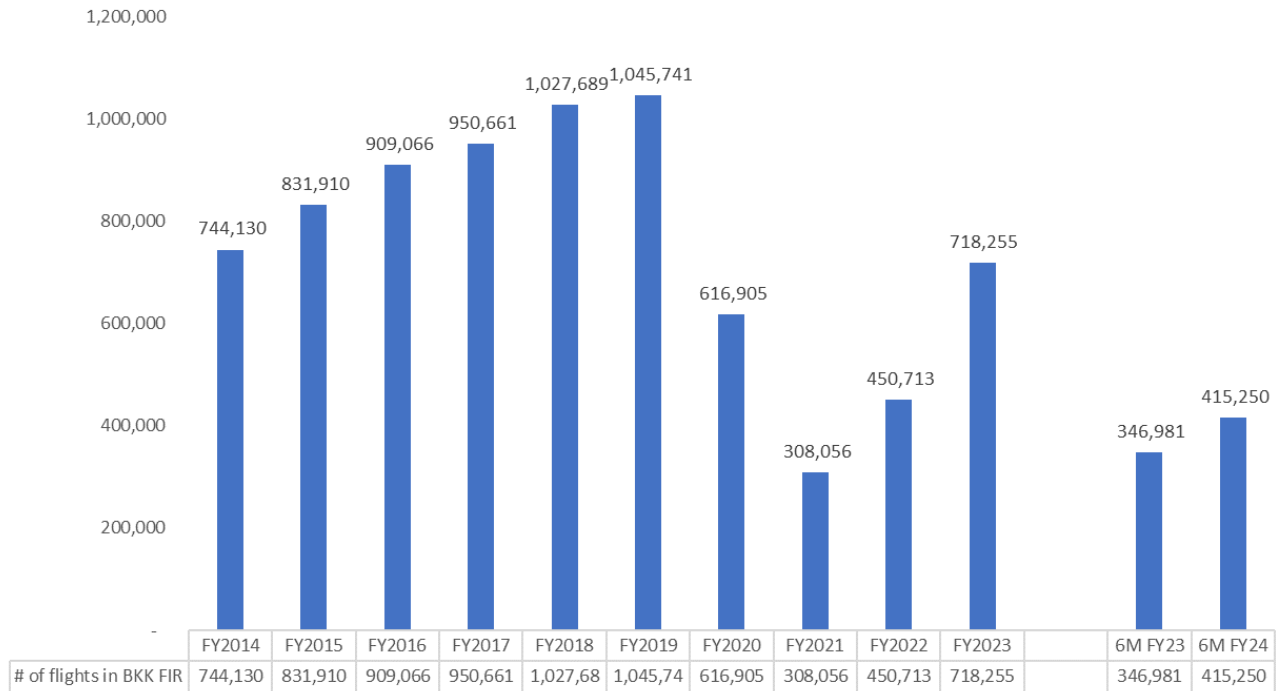
Air traffic control services, as part of air traffic services, can be divided into three functions: aerodrome control, approach control, and area control. Aerodrome control refers to air traffic control services within five nautical miles of an airport. Approach control covers the area between 5-50 nautical miles from an airport. Beyond that distance, responsibility falls under the area control services of the BKK FIR, covering all the Thai airspace, the Gulf of Thailand, and some parts of the Andaman Sea.

At its inception in 1948, AEROTHAI was responsible only for area control services. In 1998, the government transferred aerodrome control and approach control services at all provincial airports to the company. This move gave AEROTHAI monopoly status in air traffic services. Currently, the company provides air traffic control services at 35 airports nationwide.

AEROTHAI operates on a cost-recovery basis, with service fees estimated and set to cover all costs. When revenues do not cover costs, if, for example, traffic volume is lower than projected, member airlines are required to fund the amount of the income under expenses. Conversely, if there is a surplus, AEROTHAI will refund the amount of income over expenses to the member airlines. However, in the past, the member airlines allowed AEROTHAI to retain any income over expenses as reserve to offset future income under expenses.

**KEY OPERATING PERFORMANCE**

**Chart 1: Number of Flights in Bangkok Flight Information Region**



Sources: AEROTHAI

## FINANCIAL STATISTICS AND KEY FINANCIAL RATIOS

Unit: Mil. THB

	Oct 2023- Mar 2024	-----Year Ended 30 September -----			
		2023	2022	2021	2020
Total operating revenues	5,483	9,136	5,458	3,076	7,229
Earnings before interest and taxes (EBIT)	408	742	(2,166)	(4,823)	(2,164)
Income over (under) expenses	373	531	(2,308)	(4,910)	(2,186)
Earnings before interest, taxes, depreciation, and amortization (EBITDA)	1,008	1,932	(918)	(3,552)	(943)
Funds from operations (FFO)	973	1,721	(1,060)	(3,639)	(965)
Adjusted interest expense	35	211	142	87	22
Capital expenditures	159	268	185	764	895
Total assets	9,833	10,593	10,276	10,441	13,674
Adjusted debt	3,834	4,429	6,301	4,502	0
Adjusted equity	1,001	1,010	1,022	995	998
<b>Adjusted Ratios</b>					
EBITDA interest coverage (times)	28.8	9.2	(6.4)	(40.9)	(43.1)
Debt to EBITDA (times)	1.5	2.3	(6.9)	(1.3)	0.0
FFO to debt (%)	61.1	38.9	(16.8)	(80.8)	n.m.
Debt to capitalization (%)	79.3	81.4	86.0	81.9	0.0

n.m. = Not meaningful

## RELATED CRITERIA

- Rating Methodology for Government-related Entities, 27 October 2023
- Corporate Rating Methodology, 15 July 2022
- Key Financial Ratios and Adjustments for Corporate Issuers, 11 January 2022

## Aeronautical Radio of Thailand Ltd. (AEROTHAI)

<b>Company Rating:</b>	AAA
<b>Rating Outlook:</b>	Stable

## TRIS Rating Co., Ltd.

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