

BANGKOK MASS TRANSIT SYSTEM PLC

No. 85/2022
26 May 2022

CORPORATES

Company Rating:	A
Issue Ratings:	
Senior unsecured	A
Outlook:	Negative

Last Review Date: 29/09/21

Company Rating History:

Date	Rating	Outlook/Alert
28/05/20	A	Negative
17/05/16	A	Stable

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RATIONALE

TRIS Rating affirms the company rating on Bangkok Mass Transit System PLC (BTSC) and the ratings on BTSC's outstanding senior unsecured debentures at "A", with a "negative" outlook. The company rating on BTSC primarily reflects its status as a core subsidiary of BTS Group Holdings PLC (BTS). According to our "Group Rating Methodology", a core subsidiary is generally rated at the same level as the group's credit profile. BTS is rated "A/Negative" by TRIS Rating.

KEY RATING CONSIDERATIONS

Core subsidiary of BTS

We assess BTSC as a core subsidiary of BTS. BTSC holds the concession rights to operate the Green Line metro rail and provides operating and maintenance (O&M) services for all the rail systems operated by the BTS Group. BTSC also provides media services inside the BTS trains and the commercial spaces in the BTS train stations through its subsidiary, VGI PLC (VGI). BTSC is the core sources of revenue and profit for the BTS Group. BTSC's revenue represented over 70% of the BTS Group's consolidated revenue over the past few years. In terms of profit, it represented nearly all of BTS's consolidated net profit in the first nine months of fiscal year 2022 (FY2022). We expect BTSC will continue its dominant revenue and profit contribution to the BTS Group, thanks to its predictable O&M service income and the revenue improvement from its expanded media business.

As of March 2022, BTS owned a 97% equity interest in BTSC. The management and group strategies of the two companies are highly integrated and interdependent.

Concession and O&M contracts for rail operation

BTSC holds a 30-year build-transfer-operate (B-T-O) concession for the core section of the metro Green Line. The concession was awarded by the Bangkok Metropolitan Administration (BMA), spanning the period of 1999-2029. In 2013, the company sold future net farebox revenues from train operations under the concession to the BTS Rail Mass Transit Growth Infrastructure Fund (BTSGIF), an infrastructure investment fund, for THB61 billion. BTSC entered into two O&M contracts with Krungthep Thanakom Co., Ltd. (KT), the business arm of BMA. The first contract signed in 2012 covers the first rail extension and core section, while the second contract signed in 2017 covers the second rail extension. Both contracts will expire in 2042.

BTSC has also entered into O&M agreements with Northern Bangkok Monorail Co., Ltd. and Eastern Bangkok Monorail Co., Ltd., the two joint ventures (JVs) between BTS and its two partners, to operate the Pink Line and Yellow Line monorails. Both projects are under development and are expected to commence full operation in 2023. Partial commissioning is targeted in late 2022.

BTSC's revenue from O&M services is the key contribution to the BTS Group. In the first nine months of FY2022, the O&M service income accounted for around 57% of the BTS Group's revenue. The O&M service income continues to rise from the increasing schedule for Green Line O&M service fees, and additional O&M service fee to be collected from the Pink Line and Yellow Line

starting from FY2024. We project BTSC's annual O&M service fees will increase to THB9 billion in FY2024, compared with THB5.3 billion in FY2021.

Well positioned to bid for new mass transit projects

BTS Group's strategy is to set up JVs with its partners to bid for or develop new mass transit projects. The JVs could help BTS mitigate its exposure to the project. BTSC is positioned as the core entity of the BTS Group to bid for new infrastructure projects, especially mass transit projects, due to its operating experience and track record which are important qualifications for the bidding. BTSC is one of the two key electric train operators in Thailand, with more than 20 years of experience in operating electric rail systems. This strength is the key competency that places the BTS Group in a good position to win new mass transit projects.

Liquidity to remain acceptable

We assess BTSC will have adequate liquidity over the next 12 months. As of December 2021, the company had cash on hand of THB1.9 billion and short-term investments worth THB1.1 billion. Funds from operations (FFO) for the next 12 months will be around THB5 billion. In addition, the company also has undrawn credit facilities from commercial banks of THB13.7 billion. The debt repayments over the next 12 months will include THB1.3 billion scheduled term loan repayments and THB10 billion short-term loans.

As of December 2021, BTSC's total interest-bearing debt of THB28.8 billion included THB8.2 billion priority debt. This priority debt was unsecured debt at the subsidiary level. The priority debt to total debt ratio was 28.5%.

RATING OUTLOOK

The "negative" outlook is based on the rating outlook assigned to BTS.

RATING SENSITIVITIES

The ratings and/or outlook on BTSC could be revised upward or downward should there be any changes in BTS's credit profile or if TRIS Rating perceives any changes in BTSC's group status relative to other subsidiaries or affiliates of BTS.

COMPANY OVERVIEW

Established in 1992, BTSC is currently owned (97.46%) by BTS. BTSC was initially set up to build and operate the BTSC (BTS Skytrain) under a 30-year B-T-O concession, spanning 1999-2029, awarded by the BMA. In 2013, the company sold future net farebox revenues from train operations under the concession to the BTSGIF, an infrastructure investment fund, for THB61 billion. BTS, its parent company, holds 33% of the investment units of BTSGIF. BTSC has two O&M contracts with KT, the business arm of the BMA, covering two extensions of the BTS Skytrain.

In the mix segment, the company provides advertising services and rents retail space on the BTS Skytrain network through VGI. VGI has the exclusive rights to manage advertising and merchandising space on BTS trains and at stations until 2029. In addition, VGI has the first right to renew and/or extend contracts to cover space on additional projects for which BTSC is granted the rights to provide media services. VGI has continuously expanded its business scope. VGI now offers other types of out-of-home (OOH) media through its acquisition of a 18.59% stake in Plan B Media PLC (PLANB). The company has expanded to offline channels by acquiring Kerry Express (Thailand) PLC (KERRY), Jay Mart PLC (JMART), Fanlinks, and Nation International Edutainment PLC (NINE). The acquisitions will enlarge its revenue base and create synergies in terms of cross-selling and the pooling of consumer data.

FINANCIAL STATISTICS AND KEY FINANCIAL RATIOS*

Unit: Mil. THB

	Apr-Dec 2021	-----Year Ended 31 March -----			
		2021	2020	2019	2018
Total operating revenues	8,307	8,447	8,080	6,193	6,028
Earnings before interest and taxes (EBIT)	4,792	7,431	5,830	4,857	3,953
Earnings before interest, taxes, depreciation, and amortization (EBITDA)	5,699	7,959	6,919	5,613	4,775
Funds from operations (FFO)	4,296	5,916	5,037	3,851	3,028
Adjusted interest expense	547	730	913	923	926
Capital expenditures	656	493	613	680	561
Total assets	87,842	78,391	66,239	77,362	65,656
Adjusted debt	29,159	18,098	18,228	18,813	11,869
Adjusted equity	46,332	46,329	35,787	38,666	30,438
Adjusted Ratios					
EBITDA margin (%)	68.61	94.22	85.62	90.62	79.21
Pretax return on permanent capital (%)	9.59 **	12.07	9.58	8.20	7.52
EBITDA interest coverage (times)	10.42	10.91	7.57	6.08	5.15
Debt to EBITDA (times)	3.57 **	2.27	2.63	3.35	2.49
FFO to debt (%)	21.07 **	32.69	27.63	20.47	25.52
Debt to capitalization (%)	38.63	28.09	33.75	32.73	28.05

* Consolidated financial statements

** Annualized with the trailing 12 months

RELATED CRITERIA

- Key Financial Ratio and Adjustments for Corporate Issuers, 11 January 2022
- Issue Rating Criteria, 15 June 2021
- Group Rating Methodology, 13 January 2021
- Rating Methodology – Corporate, 26 July 2019

Bangkok Mass Transit System PLC (BTSC)

Company Rating:	A
Issue Ratings:	
BTSC23NA: THB4,100 million senior unsecured debentures due 2023	A
BTSC24NA: THB2,000 million senior unsecured debentures due 2024	A
BTSC26NB: THB1,500 million senior unsecured debentures due 2026	A
BTSC28NA: THB2,500 million senior unsecured debentures due 2028	A
BTSC31NA: THB4,200 million senior unsecured debentures due 2031	A
Rating Outlook:	Negative

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