

DUSIT THANI PLC

No. 70/2023
19 June 2023

CORPORATES

Company Rating:	BBB-
Issue Ratings:	
Senior unsecured	BBB-
Hybrid	BB
Outlook:	Negative

Last Review Date: 23/05/23

Company Rating History:

Date	Rating	Outlook/Alert
28/08/20	BBB-	Negative
27/03/20	BBB	Alert Negative
17/12/19	BBB	Stable
27/12/11	BBB+	Stable
15/10/10	A-	Negative

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RATIONALE

TRIS Rating affirms the company rating on Dusit Thani PLC (DUSIT) and the ratings on DUSIT's senior unsecured debentures at "BBB-" and affirms the rating on DUSIT's subordinated capital debentures (hybrid debentures, DUSIT22PA) at "BB". The rating outlook remains "negative". At the same time, we assign a rating of "BBB-" to DUSIT's proposed issue of up to THB1 billion and additional greenshoe portion of up to THB500 million senior unsecured debentures. The new issue rating replaces the issue rating previously assigned on 23 May 2023, following DUSIT's request to change the issue size from the previously announced size of THB1 billion. The proceeds from the new debentures will be used to refinance maturing debts and for working capital.

The ratings take into account improved operating conditions and performances post-pandemic across DUSIT's key businesses; hotels, education, and food. However, the ratings continue to reflect our view on DUSIT's credit profile as remaining under pressure from the development of the "Dusit Central Park" project. With the sizable investment required, we expect DUSIT's financial leverage to remain elevated over the next few years. Additionally, there are associated risks during the project development, including the risks of construction delays, cost overruns, and weaker-than-expected residential sales.

DUSIT's operating performance in 2022 and the first quarter of 2023 were better than expected, thanks to the ongoing recovery in all key businesses. DUSIT reported revenue of THB4.7 billion in 2022 and THB1.7 billion in the first quarter of 2023. Earnings before interest, taxes, depreciation, and amortization (EBITDA) was THB598 million in 2022 and THB411 million in the first quarter of 2023. Adjusted debt to EBITDA improved to 13.3 times (annualized, from the trailing 12 months) for the first three months of 2023, from 19.7 times in 2022. Going forward, we expect the recovery momentum of the hotel business in Thailand to continue, in part, supported by the return of Chinese tourists. However, we anticipate increased pressure on the Dusit Thani Maldives's performance as a result of intensified competition. We also expect ongoing positive earnings from the education and food businesses following the return of normal operating conditions.

RATING OUTLOOK

The "negative" outlook reflects the risks associated with the development of the Dusit Central Park project, including possible delays in construction, cost overruns, and sluggish residential sales which could weaken DUSIT's financial profile.

RATING SENSITIVITIES

The outlook could be revised to "stable" if DUSIT's operating performance recovers steadily and the DUSIT Central Park project progresses as planned. A rating downgrade could occur if DUSIT's financial metrics are materially weaker than expected, possibly from slow progress of the DUSIT Central Park project and/or weak residential sales. The ratings would also come under downward pressure if DUSIT's liquidity position deteriorates materially.

CreditUpdate, reviews ratings of companies or debt issues that have already been rated by TRIS Rating. The CreditUpdate occurs when new debt instruments are issued or if significant events have taken place that may impact a company's current ratings or when current ratings are cancelled. The CreditUpdate announces whether a rating has been "upgraded," "downgraded," "affirmed" or "cancelled." The update includes information to supplement the previously published ratings.

Credit Updates are part of TRIS Rating's monitoring process. TRIS Rating monitors every rating it assigns until either the debt instrument matures or the rating contract ends. To keep the public informed of changing situations, TRIS Rating periodically issues announcements about the credit ratings it monitors.

RELATED CRITERIA

- Corporate Rating Methodology, 15 July 2022
- Key Financial Ratios and Adjustments for Corporate Issuers, 11 January 2022
- Hybrid Securities Rating Criteria, 28 June 2021
- Issue Rating Criteria, 15 June 2021

Dusit Thani PLC (DUSIT)

Company Rating:	BBB-
Issue Ratings:	
DUSIT237A: THB1,000 million senior unsecured debentures due 2023	BBB-
DUSIT23DA: THB1,000 million senior unsecured debentures due 2023	BBB-
DUSIT22PA: THB1,500 million subordinated capital debentures	BB
Up to THB 1,000 million senior unsecured debentures and additional greenshoe portion of up to THB500 million due within 3 years	BBB-
Rating Outlook:	Negative

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