CreditNews ข่าวเครดิต

# ROYAL ORCHID HOTEL (THAILAND) PLC

No. 45/2025
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 |
| 19/03/21 | BB- | Negative |

## RATIONALE

TRIS Rating downgrades the company rating on Royal Orchid Hotel PLC (ROH) to "B" from "B+". The rating outlook remains "negative".

The rating downgrade reflects a change in Grande Asset Hotels and Property PLC (GRAND)'s credit profile. GRAND is the controlling shareholder and the primary source of cash flow to fulfill ROH's obligation to buy back its sole operating asset, Royal Orchid Sheraton Hotel & Towers from Grande Royal Orchid Hospitality Real Estate Investment Trust with Buy-Back Condition (GROREIT) in 2026. ROH's ability to meet the lease payments and buy-back obligation largely depends on the interest income and loan repayments received from GRAND.

The "negative" outlook also reflects our rating outlook on GRAND.

## KEY RATING CONSIDERATIONS

### Company credit rating remains closely aligned with GRAND's rating

We continue to view the company's debt-servicing ability as remaining closely linked to GRAND, as it continues to depend on interest income and loan repayments from GRAND to meet its lease payments and fulfill its buy-back obligation. Consequently, the credit rating on ROH remains aligned with the rating on GRAND.

Under the REIT buy-back transaction, the company sold the asset to GROREIT for around THB4.5 billion and received proceeds, after related fees, of around THB4.3 billion in July 2021. The company has leased back the asset, with lease payment of THB272 million per annum. The company is obligated to buy the asset back from the REIT in July 2026 for THB4.9 billion. ROH lent most of the proceeds from the asset sales to GRAND with a five-year term starting from July 2021. As of December 2024, ROH's loan to GRAND stood at around THB4 billion with an 8.9% interest rate.

### Hotel performance to improve

We expect the company's hotel performance to continue improving over the next few years, driven by an expected recovery in tourist arrivals. Also, the company's ballroom renovations in 2024 should strengthen its competitiveness in the meetings, incentive travel, conventions, and exhibitions (MICE) sector, supporting its overall operating performance in coming years. Under our base-case scenario, hotel revenue per available room (RevPAR) is anticipated to grow by 7%-9% annually in 2025-2027. Food and beverage (F&B) revenue is expected to increase by 25% year-on-year (y-o-y) in 2025, following the temporary closure of ballrooms for renovation in the third quarter of 2024. In 2026-2027, F&B revenue is projected to grow at an annual rate of 7%-13%. As a result, the company's total revenue is expected to range between THB1.0 billion and THB1.2 billion per year during 2025-2027.

In 2024, the company's total operating revenue increased by 17% y-o-y to THB0.9 billion, underpinned by the increasing number of tourist arrivals at 35.5 million visitors in 2024 from 28.2 million in 2023. The company's average occupancy rate (OR) improved to 70% in 2024, from 59% in 2023, with a modest growth of 1% in average daily rate (ADR). Driven mainly by an improved OR, the company's RevPar rose by 19% y-o-y to around 2,700 per room per night in 2024. The company's F&B revenue also grew by around 8%

**Contacts:**

Preeyaporn Kosakarn

preeyaporn@trisrating.com

Tulyawat Chatkam

tulyawatc@trisrating.com

Jakravut Limsombutanan

jakravut@trisrating.com

Thiti Karoonyanont, Ph.D., CFA

thiti@trisrating.com

WWW.TRISRATING.COM

y-o-y in 2024, despite the ballroom closures for renovation in the third quarter, thanks to increased traffic following its newly renovated restaurants and an uptick in MICE activities.

### Dependence on single asset

In our view, the company remains exposed to concentration risk, as its portfolio consists of a single property. A well-diversified hotel portfolio across different locations and market segments is generally less vulnerable to event risk.

The company's hotel is situated in a prime location. However, signs of aging suggest that renovations will be beneficial to maintain its competitiveness. Last year, the company invested approximately THB60 million to renovate its ballrooms, enhancing its appeal in the MICE sector. This is in addition to ongoing improvements to hotel facilities, such as sanitary system maintenance and the renovations of Giorgio's restaurant in 2021 and Siam Yacht Club restaurant in 2022. Under the management of Marriott International Inc. under the Sheraton brand, we believe the company will continue to benefit from strong brand recognition, well-established hotel management systems, and effective sales channels that support its hotel operation.

### Financial leverage to improve after loan repayment from GRAND

We expect the company's adjusted debt to remain high at approximately THB4.3 billion in 2025 before returning to a debt-free position in 2026, similar to 2020 levels before the REIT buy-back transaction, provided GRAND repay the loan as planned. However, uncertainty remains, as the company's financial leverage in 2026 will depend on the funding sources the group utilizes to meet the buy-back obligation. Under our base-case forecast, we assume that GRAND will be able to sell its ROH shares to a third-party and use the proceeds to repay the intercompany loan before ROH's buyback obligation matures.

### Manageable liquidity

As of December 2024, ROH's sources of funds comprised cash and cash equivalents of THB271 million and net cash inflows from operations of around THB280 million. Also, the company will supposedly receive interest income of THB355 million from GRAND. The uses of funds in the next 12 months include lease payments of THB272 million and budgeted investments of around THB30 million. The company has no debt obligations maturing over the next 12 months. Nonetheless, its REIT buy-back obligation is set to mature in July 2026.

## BASE-CASE ASSUMPTIONS

- Revenues to be around THB1.0-THB1.2 billion per annum in 2025-2027.
- EBITDA margin (excluding interest income from GRAND) to be around 27% in 2025-2027.
- Total capital spending to be around THB100 million over the three-year forecast period.

## RATING OUTLOOK

The "negative" outlook reflects ROH's exposure to the counterparty risk of GRAND. As ROH is a subsidiary of GRAND and its ability to service the lease payments and buy-back obligation relies mainly on interest and loan repayments from GRAND, the credit rating on ROH is tied to the credit profile of GRAND.

## RATING SENSITIVITIES

The "negative" outlook could be revised to "stable" if GRAND's operating performance and credit metrics improve. Conversely, the downside scenario would materialize if ROH's operating performance and financial leverage significantly fall short of our expectations, or if GRAND's credit profile deteriorates further.

## COMPANY OVERVIEW

ROH was incorporated in 1978 to develop and operate the luxury hotel, Royal Orchid Sheraton Hotel & Towers. The hotel is located on the Chao Phraya River with 726 rooms. The company has appointed Marriott International Inc. to operate the hotel under the Sheraton brand. As of December 2024, ROH's largest shareholder was GRAND, holding 97% of the total outstanding shares.

## KEY OPERATING PERFORMANCE

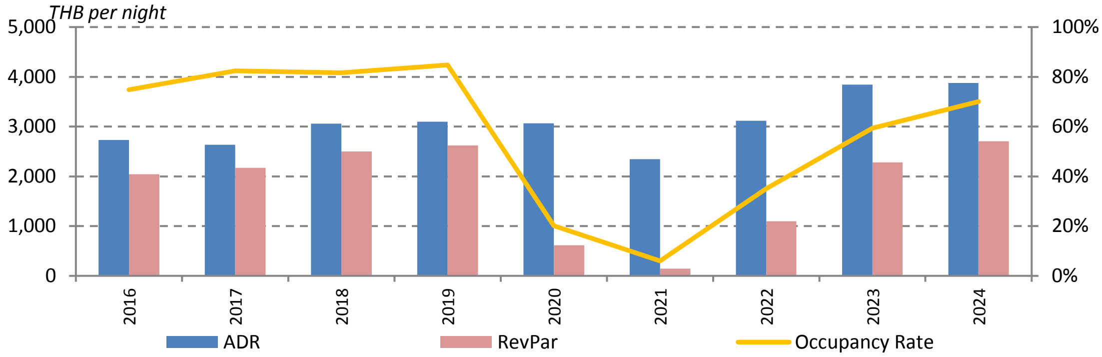
**Table 1: Revenue Breakdown**

*Unit: %*

| Revenue Breakdown | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 |
|---|---|---|---|---|---|---|---|
| Room | 64 | 65 | 62 | 56 | 67 | 68 | 69 |
| Food and beverage | 33 | 32 | 35 | 41 | 31 | 30 | 28 |
| Others | 3 | 3 | 3 | 3 | 2 | 2 | 3 |
| **Total revenue** | **100** | **100** | **100** | **100** | **100** | **100** | **100** |

*Source: ROH*

**Chart 1: ROH's OR, ADR, and RevPar**




*Source: ROH*

## FINANCIAL STATISTICS AND KEY FINANCIAL RATIOS

*Unit: Mil. THB*

| | -------------------Year Ended 31 December ---------------- | | | | |
|---|---|---|---|---|---|
| | **2024** | **2023** | **2022** | **2021** | **2020** |
| Total operating revenues | 946 | 810 | 420 | 65 | 241 |
| Earnings before interest and taxes (EBIT) | 510 | 472 | 305 | (88) | (187) |
| Earnings before interest, taxes, depreciation, and amortization (EBITDA) | 593 | 553 | 382 | (10) | (103) |
| Funds from operations (FFO) | 136 | 112 | (13) | (191) | (115) |
| Adjusted interest expense | 402 | 393 | 383 | 181 | 9 |
| Capital expenditures | 297 | 49 | 48 | 99 | 38 |
| Total assets | 8,981 | 8,355 | 8,133 | 8,046 | 916 |
| Adjusted debt | 4,495 | 4,265 | 4,453 | 4,348 | 0 |
| Adjusted equity | 2,986 | 2,667 | 2,699 | 2,831 | 663 |
| **Adjusted Ratios** | | | | | |
| EBITDA margin (%) | 62.7 | 68.3 | 90.9 | (14.7) | (42.8) |
| Pretax return on permanent capital (%) | 6.8 | 6.5 | 4.2 | (2.1) | (20.0) |
| EBITDA interest coverage (times) | 1.5 | 1.4 | 1.0 | (0.1) | (11.2) |
| Debt to EBITDA (times) | 7.6 | 7.7 | 11.7 | (453.7) | 0.0 |
| FFO to debt (%) | 3.0 | 2.6 | (0.3) | (4.4) | n.m. |
| Debt to capitalization (%) | 60.1 | 61.5 | 62.3 | 60.6 | 0.0 |

*n.m. Not meaningful*

## 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

**Royal Orchid Hotel (Thailand) PLC (ROH)**

| | |
|---|---|
| **Company Rating:** | B |
| **Rating Outlook:** | Negative |

**TRIS Rating Co., Ltd.**
Silom Complex Building, 24th Floor, 191 Silom Road, Bangkok 10500, Thailand Tel: +66 2 098 3000

**© Copyright 2025, TRIS Rating Co., Ltd**. All rights reserved. Any unauthorized use, disclosure, copying, republication, further transmission, dissemination, redistribution or storing for subsequent use for any purpose, in whole or Any unauthorized use, disclosure, copying, republication, further transmission, dissemination, redistribution, or storing for subsequent use for any purpose, in whole or in part, in any form or manner or by any means whatsoever, by any person, of the credit rating reports or information is prohibited, without the prior written permission of TRIS Rating Co., Ltd. The credit rating is not a statement of fact or a recommendation to buy, sell or hold any debt instruments. It is an expression of opinion regarding credit risks for that instrument or particular company. The opinion expressed in the credit rating does not represent investment or other advice and should therefore not be construed as such. Any rating and information contained in any report written or published by TRIS Rating has been prepared without taking into account any recipient's particular financial needs, circumstances, knowledge and objectives. Therefore, a recipient should assess the appropriateness of such information before making an investment decision based on this information. Information used for the rating has been obtained by TRIS Rating from the company and other sources believed to be reliable. Therefore, TRIS Rating does not guarantee the accuracy, adequacy, or completeness of any such information and will accept no liability for any loss or damage arising from any inaccuracy, inadequacy or incompleteness. Also, TRIS Rating is not responsible for any errors or omissions, the result obtained from, or any actions taken in reliance upon such information. All methodologies used can be found at www.trisrating.com/rating-information/rating-criteria