

# BANGKOK MASS TRANSIT SYSTEM PLC

No. 86/2024  
24 May 2024

## CORPORATES

Company Rating:	BBB+
Issue Ratings:	
Senior unsecured	BBB+
Outlook:	Stable

Last Review Date: 24/05/23

### Company Rating History:

Date	Rating	Outlook/Alert
24/05/23	A-	Stable
28/05/20	A	Negative
17/05/16	A	Stable

### Contacts:

Tulyawat Chatkam

tulyawatc@trisrating.com

Chanaporn Pinphithak

chanaporn@trisrating.com

Parat Mahuttano

parat@trisrating.com

Pramuansap Phonprasert

pramuansap@trisrating.com



WWW.TRISRATING.COM

## RATIONALE

TRIS Rating downgrades the company rating on Bangkok Mass Transit System PLC (BTSC) and the ratings on BTSC's outstanding senior unsecured debentures to "BBB+" from "A-" with a "stable" rating outlook. The rating action follows the rating downgrade on BTS Group Holdings PLC (BTS) to "BBB+" from "A-". The ratings on BTSC primarily reflect its status as the core subsidiary of BTS. According to our "Group Rating Methodology", a core subsidiary is generally rated at the same level as the group's credit profile.

## KEY RATING CONSIDERATIONS

### Core subsidiary of BTS

We assess BTSC as the 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. As of March 2024, BTS owned a 98% equity interest in BTSC. The management and group strategies of the two companies are highly integrated and interdependent. BTSC is the core source of revenue and profit for the BTS Group. BTSC's revenue has constituted over 75% of the BTS Group's consolidated revenue over the past few years. In terms of profit, it represented nearly all of BTS's earnings before interest, tax, depreciation, and amortization (EBITDA) in the first nine months of fiscal year (FY) 2024 (1 April to 31 December 2023). We expect BTSC to continue its dominant revenue and profit contribution to the BTS Group, thanks to its predictable O&M service income.

### Concession and O&M contracts for rail operation

BTSC holds a 30-year concession for the core section of the metro Green Line. The concession was awarded by the Bangkok Metropolitan Administration (BMA), spanning the 1999-2029 period. 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 and Yellow Line monorails. The Yellow Line commenced commercial service in July 2023 with the Pink Line operational since January 2024.

BTSC's revenue from O&M services is the key contribution to the BTS Group. In the first nine months of FY2024, the O&M service income accounted for around 53% of the BTS Group's revenue. The O&M service income continues to rise from the increasing schedule for the Green Line O&M service fees and additional O&M service fee to be collected from the Pink Line and the Yellow Line starting from FY2024.

### 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 main electric train operators in Thailand, with more than 20 years of experience in operating electric rail systems. This is the key competency that positions the BTS Group strongly to win new mass transit projects.

#### **Liquidity to remain adequate**

We assess BTSC will have adequate liquidity over the next 12 months. As of December 2023, the company had cash and cash equivalents of around THB7 billion. Funds from operations (FFO) for the next 12 months are projected to be around THB5.7 billion. In addition, the company also has undrawn credit facilities from commercial banks of THB13.7 billion. Debt repayments over the next 12 months will include THB2 billion long-term debt repayments and THB3 billion short-term loans.

#### **Debt structure**

As of December 2023, BTSC's total interest-bearing debt of THB13 billion included priority debt of THB100 million. This priority debt comprised unsecured debts at the subsidiary level. The priority debt to total debt ratio was 1%.

#### **RATING OUTLOOK**

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

#### **RATING SENSITIVITIES**

The ratings on BTSC and its debentures and/or outlook 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 (98%) by BTS. BTSC was initially set up to build and operate the BTSC (BTS Skytrain) under a 30-year concession (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.

Previously, the company operated a business segment known as MIX, which evolved from its media operations and functioned as an omni-channel marketing platform. Through its subsidiary, VGI PLC, BTSC offered advertising services and rented retail space across the BTS Skytrain network. However, following a restructuring of VGI's shareholding in February 2024, BTSC divested its entire 29.66% stake in VGI to BTS Group Holdings PLC.

## FINANCIAL STATISTICS AND KEY FINANCIAL RATIOS\*

Unit: Mil. THB

	Apr-Dec 2023	-----Year Ended 31 March -----			
		2023	2022	2021	2020
Total operating revenues	9,774	12,176	11,151	8,421	8,080
Earnings before interest and taxes (EBIT)	4,951	6,482	6,475	7,534	5,830
Earnings before interest, taxes, depreciation, and amortization (EBITDA)	6,329	7,964	7,599	8,062	6,919
Funds from operations (FFO)	4,191	5,342	5,653	6,019	5,037
Adjusted interest expense	804	893	784	730	913
Capital expenditures	915	561	635	493	613
Total assets	105,640	103,647	102,433	78,404	66,239
Adjusted debt	26,763	18,769	38,914	17,274	18,228
Adjusted equity	60,913	65,871	50,491	46,329	35,787
<b>Adjusted Ratios</b>					
EBITDA margin (%)	64.8	65.4	68.1	95.7	85.6
Pretax return on permanent capital (%)	7.1 **	7.0	8.2	12.3	9.6
EBITDA interest coverage (times)	7.9	8.9	9.7	11.0	7.6
Debt to EBITDA (times)	3.2 **	2.4	5.1	2.1	2.6
FFO to debt (%)	20.9 **	28.5	14.5	34.8	27.6
Debt to capitalization (%)	30.5	22.2	43.5	27.2	33.7

\* Consolidated financial statements

\*\* Annualized with the trailing 12 months

## 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
- Issue Rating Criteria, 15 June 2021

**Bangkok Mass Transit System PLC (BTSC)**

<b>Company Rating:</b>	BBB+
<b>Issue Ratings:</b>	
BTSC24NA: THB2,000 million senior unsecured debentures due 2024	BBB+
BTSC26NB: THB1,500 million senior unsecured debentures due 2026	BBB+
BTSC28NA: THB2,500 million senior unsecured debentures due 2028	BBB+
BTSC31NA: THB4,200 million senior unsecured debentures due 2031	BBB+
<b>Rating Outlook:</b>	Stable

**TRIS Rating Co., Ltd.**

Silom Complex Building, 24th Floor, 191 Silom Road, Bangkok 10500, Thailand Tel: +66 2 098 3000

© Copyright 2024, 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](http://www.trisrating.com/rating-information/rating-criteria)