

THAI AIRASIA CO., LTD.

No. 8/2020
2 April 2020

CORPORATES

Company Rating:	BBB-
Issue Ratings:	
Senior unsecured	BBB-
CreditAlert:	Negative

Last Review Date: 20/02/20

Company Rating History:

Date	Rating	Outlook/Alert
20/02/20	BBB+	Negative
30/03/17	A-	Stable

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RATIONALE

TRIS Rating downgrades the company rating on Thai AirAsia Co., Ltd. (TAA) and the ratings on TAA's senior unsecured debentures to "BBB-" from "BBB+". The downgrade reflects the dramatic deterioration of the coronavirus (COVID-19) pandemic situation that is having a significant impact on the company's operations. There are signs that the impacts of the fallout from the pandemic are going to be much more severe than our previous assumptions.

TRIS Rating also places CreditAlert with a "negative" implication on the ratings on TAA. The CreditAlert reflects our concerns over the uncertainty and severity of the impact from the COVID-19 pandemic to TAA's operating performance and financial profile. We are particularly concerned over the company's stretched liquidity in the near term.

The aviation industry has been among the hardest hit businesses from the fallout of the pandemic. All of the domestically registered carriers have announced the suspension of almost all domestic and international flights. Air travel has largely halted due to the travel bans and movement restrictions imposed by authorities worldwide in an attempt to contain the spread of the virus.

The company's cash inflow will dissipate in the coming months as it has announced the suspension of all international flights from 22 March 2020 and the suspension of all domestic flights from 1 April 2020. TRIS Rating projects that the air travel will be halted over the next three to four months. We will reassess the ratings, if we see the pandemic situation is worse than our assumption.

In our view, the company will need financial and liquidity support from the government to give it a lifeline until air travel gets back to normal. TRIS Rating expects that TAA's sources of funds comprise of cash and liquid assets of Bt4.7 billion and undrawn credit facilities of Bt2 billion. TAA's scheduled repayment of outstanding debts over the next 12 months includes Bt2 billion in long-term obligations and Bt1.3 billion in short-term obligations. The company is in the process to postpone some maturing debts. Since all flights are now suspended, we estimate the company will record a cash shortfall of around Bt700 million per month. It is unclear at this moment in time whether and how the government will support the aviation industry.

Based on the assumption above, TRIS Rating believes that TAA might not be able to comply with the financial covenants on some of its debt obligations in 2020.

As the pandemic situation is still evolving at a fast pace with no clear signs of when the pandemic will peak or can be contained, it is hard to predict with reasonable confidence the likely timeline for air travels to return to normalcy, and thus the recovery of the aviation industry. We will resolve the CreditAlert as soon as we have a clearer picture of impact from pandemic, the company's plan to manage its liquidity during this turbulent period, the likely timeframe for an industry recovery, and support measures from government.

RELATED CRITERIA

- Rating Methodology – Corporate, 26 July 2019
- Key Financial Ratios and Adjustments, 5 September 2018

Thai AirAsia Co., Ltd. (TAA)

Company Rating:	BBB-
Issue Ratings:	
TAA205A: Bt1,000 million senior unsecured debentures due 2020	BBB-
TAA216A: Bt1,500 million senior unsecured debentures due 2021	BBB-
TAA225A: Bt600 million senior unsecured debentures due 2022	BBB-
TAA236A: Bt1,000 million senior unsecured debentures due 2023	BBB-
CREDIT ALERT:	Negative

TRIS Rating Co., Ltd.

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