

CENTRAL PLAZA HOTEL PLC

No. 7/2020
27 March 2020

CORPORATES

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

Last Review Date: 16/10/19

Company Rating History:

Date	Rating	Outlook/Alert
09/08/13	A	Stable
28/07/11	A-	Stable
03/07/09	A-	Negative
21/10/04	A-	Stable

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RATIONALE

TRIS Rating places CreditAlert with a “negative” implication on the “A” company rating and issue ratings on Central Plaza Hotel PLC (CENTEL). The CreditAlert reflects our concerns over the anticipated sharp drop in hotel occupancy and drastic revenue decline in its restaurant business affected by the coronavirus (COVID-19) pandemic. The pandemic will likely put immense pressure on CENTEL’s revenue and cash flow over at least the next several months. A plunge in the operating cash flow could potentially strain the company’s liquidity in the near term.

The hotel sector is currently under immense pressure from the drastic drop in occupancy due to the travel ban and movement restrictions imposed by authorities in an attempt to contain the spread of the virus. The mandatory closure of dine-in restaurants and social distancing norm are also causing a devastating blow to the restaurant businesses. The hotel and restaurant businesses of CENTEL are severely affected.

The company’s earnings before interest, tax, depreciation, and amortization (EBITDA) will likely drop drastically in 2020, causing the leverage ratio to spike. If the situation prolongs, it is possible that the heightened leverage ratio would remain above the downgrade threshold after this year. The potential rating action will mainly depend on how soon the pandemic can be contained and the hotel sector will start to recover and how fast the recovery will be.

The company has maintained some liquidity cushion. CENTEL’s debt coming due in 2020 includes long-term loans of around Bt700 million and debentures of Bt800 million. For the sources of liquidity, the company has cash-on-hand of around Bt2.2 billion and available credit lines of around Bt1.4 billion. The company is working to secure additional back-up credit facilities to support liquidity in case of an extended period of adverse scenario. TRIS Rating views that the company has demonstrated prudent liquidity management as it plans its liquidity in anticipation of operating losses for the next several months. Notwithstanding the tightened liquidity in the debt markets, we believe CENTEL will be able to source sufficient liquidity during this period of adverse market condition, thanks to its good relationship with banks.

CENTEL’s debentures impose a key financial covenant that requires the company to maintain its interest-bearing debt to equity ratio below 2 times. The ratio stood at 0.55 times as of the end of 2019. We view that CENTEL still has sufficient covenant headroom if the pandemic can be significantly contained by around mid-2020.

For the time being, it is hard to predict the timing or pace of the recovery of hotel occupancy and restaurant operation. TRIS Rating will resolve the CreditAlert once we can reasonably assess the duration and magnitude of the impact of the pandemic on CENTEL’s financial profile.

RELATED CRITERIA

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

CreditAlert, as part of TRIS Rating's monitoring process as a public warning when there is insufficient information to fully assess and reconsider a debt instrument's current rating or when significant events have occurred that may affect the company's rating already assigned by TRIS Rating. Credit Alert designations may be "positive" or "negative" or "developing", depending on the likely impact of a particular situation. The existing rating continues unchanged for the present. Monitoring is done until the debt instrument matures or the company's rating contract expires.

Central Plaza Hotel PLC (CENTEL)

Company Rating:	A
Issue Ratings:	
CENTEL218A: Bt980 million senior unsecured debentures due 2021	A
CENTEL229A: Bt1,000 million senior unsecured debentures due 2022	A
CENTEL239A: Bt1,000 million senior unsecured debentures due 2023	A
CENTEL240A: Bt600 million senior unsecured debentures due 2024	A
CENTEL269A: Bt500 million senior unsecured debentures due 2026	A
CREDITALERT:	Negative

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