

DUSIT THANI PLC

No. 3/2020

27 March 2020

CORPORATES

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

Last Review Date: 17/12/19

Company Rating History:

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

Contacts:

Chanaporn Pinphithak

chanaporn@trisrating.com

Tulyawat Chatkam

tulyawat@trisrating.com

Wajee Pitakpaibulkij

wajee@trisrating.com

Thiti Karoonyanont, Ph. D., CFA

thiti@trisrating.com



WWW.TRISRATING.COM

RATIONALE

TRIS Rating places CreditAlert with a “negative” implication on the company rating on Dusit Thani PLC (DTC) and the issue rating on its outstanding debentures. The CreditAlert reflects our view of a potential material deterioration in DTC’s financial profile, as DTC’s businesses are significantly impacted by the fallout from the coronavirus (COVID-19) pandemic.

The hotel sector is under immense pressure from a drastic drop in occupancy due to the travel bans and movement restrictions imposed by authorities in most parts of the world. We expect the restrictions to continue in the coming months with many countries stepping up their attempts to contain the spread of the virus. Based on the impacts we have seen so far, we expect a sharp drop in DTC’s revenue and operating cash flow in 2020.

The weakened cash flow in 2020 will likely aggravate DTC’s leverage, which is expected to rise as DTC is developing a large scale mixed-use property. In addition, the cash inflows from the mixed-use residential sales could be slower than previously expected while the construction continues to progress. Based on that, we expect DTC’s leverage to significantly exceed our previous base case forecast, unless it can manage to liquidate some of its assets as planned.

We expect DTC to actively manage its liquidity and preserve cash for a possible distress situation. At the end of December 2019, DTC has cash available on hand of approximately Bt2.2 billion, which should be sufficient to facilitate liquidity needs through the second quarter of 2020. Also, the company is in the process of converting some of its short-term loans into long-term loans. The company is also working to secure additional back-up credit facilities to be prepared for a prolonged adverse situation.

TRIS Rating could revise the rating/outlook downward if the pandemic situation evolves in a way that leads us to believe the hotel industry is unlikely to begin recovering by the third quarter of 2020. We could also lower the rating if the liquidity of DTC gets depleted faster than we expect.

RELATED CRITERIA

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

Dusit Thani PLC (DTC)

Company Rating:	BBB
Issue Rating:	
DTC219A: Bt1,000 million senior unsecured debentures due 2021	BBB
CREDITALERT:	Negative

TRIS Rating Co., Ltd.

Silom Complex Building, 24th Floor, 191 Silom Road, Bangkok 10500, Thailand Tel: 0-2098-3000

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