

DUSIT THANI FREEHOLD AND LEASEHOLD REAL ESTATE INVESTMENT TRUST

No. 4/2020
27 March 2020

CORPORATES

Company Rating: BBB
CreditAlert: Negative

Last Review Date: 19/12/19

Company Rating History:

Date	Rating	Outlook/Alert
19/12/19	BBB	Stable

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RATIONALE

TRIS Rating places CreditAlert with a “negative” implication on the “BBB” issuer rating on Dusit Thani Freehold and Leasehold Real Estate Investment Trust (DREIT or trust). The CreditAlert reflects our concern over the likely severe impact of the coronavirus (COVID-19) outbreak on the operating performance of DREIT’s properties in 2020.

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 the attempts to contain the outbreak. All DREIT properties’ earnings have been severely impacted by the operational disruption in the past weeks and are expected to continue in the coming months. However, under the rental agreement between DREIT and Dusit Thani PLC (DTC), DTC committed minimum rental fee payable of altogether Bt205 million per year for Dusit Thani Laguna Phuket, Dusit Thani Hua Hin, and Dusit D2 Chiangmai and a minimum fixed rental fee of US\$7 million per year for Dusit Thani Maldives. The rental payment is subject to the force majeure clauses, which allows DTC to postpone the rental payment to the trust. If the conditions of these clauses are met, the main source of income of DREIT would be halted.

As of December 2019, DREIT had Bt55 million in cash on hand and available credit facility of Bt200 million. This should be sufficient to cover most of DREIT’s liquidity needs, mainly for operating costs and interest expenses, in months to come.

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 DREIT gets depleted faster than we expect. In addition, as DTC is the only source of cash flow to DREIT, a significant deterioration in DTC’s credit quality could have an impact on DREIT’s credit rating.

RELATED CRITERIA

- Rating Methodology – Corporate, 26 July 2019
- Key Financial Ratios and Adjustments, 5 September 2018
- Real Estate Investment Trust, 12 October 2016

Dusit Thani Freehold and Leasehold Real Estate Investment Trust (DREIT)

Company Rating:	BBB
CREDITALERT:	Negative

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