CENTRAL PLAZA HOTEL PLC

No. 68/2012 24 August 2012

Company Rating: A-

Outlook: Stable

New Issue Rating: -

Rating History:

Date	Company	Issue (Secured/ Unsecured)
28/07/11	A-/Sta	-/A-
03/07/09	A-/Neg	-/A-
08/11/05	A-/Sta	-/A-
21/10/04	A-/Sta	-

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Rating Rationale

TRIS Rating affirms the company and issue ratings of Central Plaza Hotel PLC (CENTEL) at "A-". The ratings reflect the diverse sources of cash flows from CENTEL's hotel and quick service restaurant (QSR) lines of business, strong position in the QSR business, and its diverse hotel portfolio comprising properties with solid market positions. The ratings also take into account the support from the Central Group. However, these factors are partially offset by the low margins of the QSR industry and the nature of the hotel industry which is seasonal and highly sensitive to uncontrollable external factors. Both industries are viewed as highly competitive, considering the huge supply of hotel rooms in key tourist destinations and the aggressive promotion efforts used to counter QSR competitors.

CENTEL was founded in 1980 by the Chirathivat family to own and operate a hotel in Thailand. CENTEL currently operates more than 6,077 rooms at 31 hotel properties in key tourist destinations in Thailand, and three hotel properties overseas. CENTEL's own properties account for 60% of the total amount of rooms across its 14 hotels. Two of 14 hotels are owned by joint ventures, while one hotel is owned by a property fund. CENTEL manages hotel properties under its own Centara and Centra brand names.

All activities in the QSR segment are conducted through its subsidiary, Central Restaurants Group (CRG). CRG currently operates 12 QSR brands, consisting of several international franchised QSR chains and its own brands, RYU Shabu Shabu and The Terrace. The QSR business covered a combined total of 634 outlets countrywide at the end of June 2012.

During the past five years, revenue from the QSR business contributed approximately 54%-60% of CENTEL's total revenue, while revenue from the hotel segment contributed the rest. In terms of earnings before interest, tax, depreciation, and amortization (EBITDA), the contribution from QSR business ranged from 35%-52% during the past five years.

Since late 2010, demand for hotel rooms has risen, as the tourism industry recovered and political violence ceased. Foreign tourist arrivals grew by 19.8% in 2011 and 7.6% year-on-year (y-o-y) in the first half of 2012. The overall occupancy rate (OR) of CENTEL's own properties improved from 58.1% in 2010 to 63.9% in 2011 and stood at 70.0% in the first half of 2012. According to the Tourism Authority of Thailand (TAT), the industry-wide OR of hotels in Thailand picked up from 50.2% in 2010 to 58.0% in 2011 and to 62.3% in the first five months of 2012. CENTEL's average revenue per available room (RevPAR) also increased, rising from Bt1,981 per night in 2010 to Bt2,340 per night in 2011 and to Bt2,745 million in the first half of 2012. The rise was due in part to the higher room rates at CENTEL's new hotels, which opened during 2010-2011. During the severe flood in the fourth quarter of 2011, CENTEL's hotel properties were not damaged, but revenue was slightly affected because some customers cancelled their reservations.

In 2011, the company's total revenue grew by 22% to Bt11,163 million. Sales climbed because sales in the QSR business rose by 24%, while hotel revenue increased by 20% in 2011, owing to a recovery in the number of foreign tourist arrivals and the full utilization of all newly completed hotel properties. In the first half of 2012, total revenue continued to rise, increasing by 29% y-o-y to Bt7,061 million, due to a continuing rise in tourism and the acquisition of "Ootoya", the

Japanese restaurant brand, in the third quarter of 2011. The operating profit margin of CENTEL improved from 16.2% in 2010 to 18.6% in 2011 due to margin improvements in the QSR segment and revived hotel operations. In the first half of 2012, the operating margin was at 21.5%.

CENTEL's funds from operations (FFOs) jumped from Bt1,158 million in 2010 to Bt1,548 million in 2011 and stood at Bt1,242 million in the first half of 2012. The rise came because construction at several new hotels is now complete. As a result, CENTEL's liquidity position is improving. The FFOs to total debt ratio increased from 10.8% in 2010 to 13.7% in 2011 and to 10.4% (non-annualized) in the first half of 2012. The earnings before interest, tax, depreciation, and amortization (EBITDA) interest coverage ratio held at 4.9 times during 2009-2011 and stood at 6.1 times in the first half of 2012.

CENTEL's capital structure weakened during the last five years due to the expansion in the hotel segment. CENTEL spent over Bt12,500 million mainly to construct and invest in hotel properties in key tourist destinations, such as Bangkok, Krabi, Pattaya, Phuket, and the Maldives. The debt to capitalization ratio has been above 60% since 2009. The ratio peaked at 65% at the end of December 2011 and then slightly declined to 64% at the end of June 2012. In the medium term, the total debt to capitalization ratio is expected to continue to decline, as CENTEL can use its operating cash flow to finance part of its future investment needs. As of March 2012, the company had available commercial bank credit lines of approximately Bt2,000 million.

Rating Outlook

The "stable" outlook reflects the expectation that the company will be able to maintain the strong positions of its major hotels and QSR brands. The operating performance of the hotel business is expected to improve in tandem with the industry recovery and the completed hotel development projects. The high level of financial leverage, if sustained, could be a negative factor for the ratings. CENTEL's outlook and/or ratings will be revised should the company be able to continue its growth momentum while managing its capital structure at an appropriate level.

Central Plaza Hotel PLC (CENTEL)

Company Rating:	A-
Issue Ratings:	
CENTEL163A: Bt500 million senior debentures due 2016	A-
CENTEL163B: Bt300 million senior debentures due 2016	A-
Rating Outlook:	Stable

Financial Statistics and Key Financial Ratios*

Unit: Bt million

	Jan-Jun 2012	------------- Year Ended 31 December ----------- 2011	2010	2009	2008
Sales	7,061	11,163	9,141	8,277	8,024
Gross interest expense	242	414	310	274	292
Net income from operations	729	550	(56)	53	346
Funds from operations (FFOs)	1,242	1,548	1,158	958	1,148
Capital expenditures	602	1,492	2,294	2,803	3,344
Total assets	22,652	21,684	20,438	19,817	17,641
Total debt	10,731	10,003	9,453	8,320	6,246
Annual lease capitalization	1,236	1,274	1,248	1,221	284
Shareholders' equity	6,865	6,049	5,779	5,965	6,102
Operating income before depreciation and amortization as % of sales	21.49	18.60	16.17	14.96	18.73
Pretax return on permanent capital (%)	5.87**	7.18	3.28	2.96	6.32
Earnings before interest, tax, depreciation and amortization (EBITDA) interest coverage (times)	6.14	4.87	4.90	4.92	5.10
FFOs/total debt (%)	10.38**	13.73	10.82	10.04	17.58
Total debt/capitalization (%)	63.55	65.09	64.93	60.34	50.58
Total debt/capitalization (%) ***	60.98	62.32	62.06	57.02	49.27

Note: All ratios are operating lease adjusted
** Consolidated financial statements*
*** Non-annualized*
**** Excluding capitalized annual leases*

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